

**PERCEPTIONS TOWARDS THE INTRODUCTION OF ISLAMIC BANKING:  
COMPARISON BETWEEN MUSLIMS AND NON-MUSLIMS IN TANZANIA**

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**(Yüksek Lisans Tezi)**

**Eskişehir, 2017**

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**Mayıs, 2017**

## FINAL APPROVAL FOR THESIS

This thesis titled “**Perceptions Toward the Introduction of Islamic Banking: Comparison Between Muslims and Non-Muslims in Tanzania**” has been prepared and submitted by **Nahifa Said SOUD** in partial fulfillment of the requirements in “**Anadolu University Directive on Graduate Education and Examination**” for the Master of Arts **Department of Business Administration Program in Finance** has been examined and approved on **25/05/2017**.

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## ÖZET

### PERCEPTIONS TOWARDS THE INTRODUCTION OF ISLAMIC BANKING: COMPARISON BETWEEN MUSLIMS AND NON-MUSLIMS IN TANZANIA

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İşletme Anabilim Dalı

Anadolu Üniversitesi, Sosyal Bilimler Enstitüsü, Mayıs, 2017

Danışman: Yrd. Doç. Dr. Özlem SAYILIR

Bu çalışmada, Tanzanya'daki müslüman ve gayrimüslim vatandaşların karşılaştırılmasına yönelik, islami bankacılığa ilişkin farkındalıklar ve islami bankacılık ürün ve hizmetlerinin tercih edilmesine neden olan faktörler araştırılmıştır. Kartopu örneklem yöntemi ile 330'u müslüman ve 330'u gayrimüslim olmak üzere 660 kişiye anket uygulanmıştır. Tanzanya'daki islami bankacılığa ilişkin algılar açısından müslümanlarla gayrimüslimler arasında anlamlı bir fark olup olmadığının araştırılması için ki-kare testi kullanılmıştır. Müslüman katılımcıların yaklaşık üçte ikisinin islami bankacılığın farkında olmasına gayrimüslimlerin yalnızca üçte birinin farkında olduğu bulunmuştur. İnsanların islami bankacılık ürün ve hizmetleri ile bilgileri daha çok arkadaşlarından ve islami bankalardan edindiği anlaşılmaktadır. İnsanlar, islami bankacılığı, sunulan ürün ve hizmetlerin faizsiz olması ve kar zarar ortaklığına dayanması nedeniyle tercih etme eğilimindedir. Vatandaşların islami bankacılığa ilişkin bilgi düzeyleri ve algıları açısından, müslümanlar ve gayrimüslimler arasında anlamlı farklar olduğu gözlenmektedir.

**Anahtar sözcükler: İslami Bankacılık, Algılar, Farkındalık, Müslüman, ki-kare testi, gayrimüslim, Tanzanya**

## **ABSTRACT**

### **PERCEPTIONS TOWARDS THE INTRODUCTION OF ISLAMIC BANKING: COMPARISON BETWEEN MUSLIMS AND NON-MUSLIMS IN TANZANIA**

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This study investigated perceptions toward the introduction of Islamic banking in Tanzania, and measure the awareness of islamic banking products and services as well as the factors which influence citizens of Tanzania in choosing Islamic banking products and services in order to compare if there are any similarities and differences between Muslim and non-Muslim citizens. By using snow ball sampling techniques, a sample of 660 people has been surveyed, whereby 330 represented by Muslim and 330 by Non-Muslim. Chi-square test was used to explore if there is any significant difference between Muslims and non-Muslims perceptions toward islamic banking in Tanzania. With respect to the knowledge level about Islamic banking and perceptions towards Islamic banking it seems there is a significant difference between perception of Muslims and non-Muslims toward introduction of Islamic banking in Tanzania. It was found that nearly two thirds of Muslim respondents are aware of Islamic banking whereas only one third of non-Muslim citizens are aware of it. It seems that people learn about Islamic banking products and services mostly through friends or Islamic banks.

**Keywords: Islamic Banking, Perception, Awareness, Muslim, non-Muslim, chi-square test, Tanzania**

25/ 05/2017

### ETİK İLKE VE KURALLARA UYGUNLUK BEYANNAMESİ

Bu tezin bana ait, özgün bir çalışma olduğunu; çalışmamın hazırlık, veri toplama, analiz ve bilgilerin sunumu olmak üzere tüm aşamalardan bilimsel etik ilke ve kurallara uygun davrandığımı; bu çalışma kapsamında elde edilmeyen tüm veri ve bilgiler için kaynak gösterdiğimi ve bu kaynaklara kaynakçada yer verdiğimi; bu çalışmanın Anadolu Üniversitesi tarafından kullanılan "bilimsel intihal tespit programı"yla tarandığını ve hiçbir şekilde "intihal içermediğini" beyan ederim. Herhangi bir zamanda, çalışmamla ilgili yaptığım bu beyana aykırı bir durumun saptanması durumunda, ortaya çıkacak tüm ahlaki ve hukuki sonuçlara razı olduğumu bildiririm.

Nahifa Said SOUD

## ACKNOWLEDGEMENTS

First of all, I would like to thank Almighty God for his blessing and guidance that have always been the essence of my academic and nonacademic success.

I would like to express my sincere gratitude to my advisor Asst. Prof. Dr. Özlem SAYILIR for the continuous support of my master's study and research, for her patience, motivation, enthusiasm, and immense knowledge. Her guidance helped me in all the time of research and writing of this thesis. I could not have imagined having a better advisor and mentor for my MBA thesis. Really, this work would not have been completed without her kind support and follow up. My sincere thanks also go to my friends who provided cooperation during the entire study and made me feel like I'm at home country.

Finally, I must express my very profound gratitude to my family specifically to my mother Fatma Khalef, my lovely brother Hamil Soud for his full support in my academic and nonacademic issues, my lovely sister Nunuu Soud for helping me in data collection and all family members for providing me with unfailing support and continuous encouragement throughout my years of study and through the process of researching and writing this thesis. This accomplishment would not have been possible without them. Thank you.

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## **CHAPTER ONE**

### **1. INTRODUCTION**

This study examines the perceptions of Islamic banking in Tanzania by comparing Muslim and non-Muslim citizens in Tanzania. This chapter represent a short history of Islamic banking system, principles of Islamic banking, products and services of Islamic banking, problem of statements, objectives of the study, research questions, and scope of the study.

#### **1.1. History of Islamic Banking**

Islamic banking was first being developed in the 1970s in the Persian Gulf states, whereby its customers almost were exclusively observant Muslims who needed a banking system that complied with Islamic shariah principles. These consist of prohibitions of investing in businesses deemed morally harmful, such as alcohol or pornography, lending money with interest, which is known as usury.

Through the latest global financial crisis, Islamic banking and finance became one of the mostly discussed issues around the world. Because most of the activities and reaction are attractive, Islamic banks have been evaluated since the beginning of the crisis in order to identify their characteristics, opportunities, weaknesses, and sources of resilience.

The Islamic banking system is an important element of Islamic finance. At the same time, Islamic finance has distinctive characteristics because its foundation is based on shariah principles and rules of Islamic law. Islamic banks have introduced products which are free of interest and usury unlike conventional banks.

Islamic financial law has a long history, but Islamic banking and finance industry came into existence with profit and loss sharing investment (Egypt's Mit Ghamr Saving Banks, 1963). Islamic banking has grown more in the area of finance, banking, insurance, mortgage, and assets management business with annual growth rate of 10-15 percent (Ahmad W. , 2008).

Dubai Islamic Bank (DIB) is the first Islamic bank in the world, which was established in 1975 and currently has 48 branches. It offers higher returns than conventional banking systems and it provides auto, home and personal finance products as well (Ahmad, 2008).

There are over 300 Islamic financial institutions in more than 75 countries managing funds over \$500 billion in assets. Furthermore, the Islamic banking industry experienced a growth rate of 15-20 percent per annum (Bose & McGee, 2008). These institutions are not only operating in the Muslim countries, but also in other countries where Muslims are a minority, for example, in United States, Great-Britain, Australia, China and France. Moreover, the Islamic banking products are not solely used by Muslims but by people with other religious backgrounds as well. Compliance with principles that forbid ambiguity, exploitation, deceit and fraud is appealing to many non-Muslims as well (Venardos, 2006).

## **1.2. Concept and Definitions of Islamic Banking**

Generally, Islamic banking, by the definition of international association of Islamic banks (IAOIB),” Is a banking system which was established to utilize fund in accordance to Islamic shariah principle. According to Albakara Banking Group, “Islamic bank is an institution that mobilizes financial resources and invests them in an attempt to achieve predetermined islamically -acceptable social and financial objectives. Both mobilization and investment of funds should be conducted in accordance with the principles of Islamic Sharia". Among the purpose of Islamic banking is to increase the ring of unity among the Muslims and to ensure a fair distribution and utilization of fund in compliance with the Islamic principle and teaching. This means that all the banking operations right from the deposit transactions, financing and products offered by Islamic bank to it customer should be in compliance with shariah.

The main objectives of Islamic banking are to improve the system of Islamic banking services and to help both Muslims and non-Muslims customers. These unique objectives distinguish between Islamic banking and conventional banking. Another objective of Islamic banking activities is to compromise the prohibited of interest (riba) in all forms of undertakings through business and trade activities, which must be based on fair business and profit and loss sharing. Islamic banking system was introduced due to the reason that Islamic

financial institutions were needed for customers where they could satisfy their demands according to Islamic shariah law. The main sources of shariah followed by the Islamic financial institutions are the Holy Quran-an, Hadith, Sunna, Ijmaa, Qiyas and Ijtihad. Islamic Banking System (IBS) purely follow the Islamic Shariah principles to avoid the prohibited act of interest (riba).

According to the Bank of Tanzania (B.O.T, 2009) “Islamic banking refers to a system of banking activity that is consistent with the principles of Islamic law (Shariah) that derives from Qur’an, Sunnah (the practices and saying of Prophet Muhammad (Peace be upon him), and fiqh and its practical application through the development of Islamic economics. Qur’an (2:275) prohibits the payment or acceptance of interest fees (riba or usury), as well as investing in businesses that provide goods or services considered contrary to its principles. Also, Qur’an (2:219) and (83:1-3) prohibits any kind of game of chance (gharar) and any dubious matter”.

### **1.3. Islamic Banking Principles**

Islamic banking is the banking system which complies with *shariah* principles. We can say Islamic banking serves the purposes of conventional banking, but the main difference is commitment to shariah principles which prohibit what so called interest. The principles of Islamic banking are explained above.

#### **1.3.1. Principle of profit and loss sharing.**

One of the most important principles of Islamic banking is encouraging Muslim to invest their money to become partners by sharing profit and loss in the business, instead of investing where two parties become debtor and creditor. As we know, in Islam profit is considered as the reward of capital. A depositor in Islamic banks can make a profit through sharing of profit by contributing his capital to the business partnership and through rental earning on an asset that has been financed by his capital.

#### **1.3.2. Prohibition of riba**

Another principle of Islamic banking is prohibition of riba (interest).” Interest means an effortless profit that increase the principal or wealth without paying any effort”. Any

payment over and above the actual return is considered as an interest and in Islam is totally prohibited.”

### **1.3.3. Shariah approved activities**

All activities which are forbidden in Islam are not allowed in Islamic banking, either by investing or through supporting those activities. Islamic banking must operate in accordance with the rules and shariah principles under Islamic trading transaction. For example, Islamic banking is restricted to finance a wine factory, a casino, a night club or any other activity prohibited by Islam or known to be harmful to society.

### **1.3.4. Money is a potential capital**

In Islam, money is considered as medium of exchange. This means that money cannot buy money, except money can only buy goods or services by selling them for profit amount.

### **1.3.5. Certainty principle**

Islamic banking is a principle of certainty. According to this principle, uncertainty, risk or speculation is totally prohibited in Islamic banking. For that reason, options and futures are considered as un-Islamic contracts since they determine the rates by interest differential. Minor uncertainties are permitted when necessary.

### **1.3.6. Openness, transparency and disclosure principle**

In Islam openness, transparency and disclosure of information are most important tasks in any contractual obligation. The main objective here is to reduce the risk of asymmetric information and moral hazard problems. The contacting party should know each and everything about the product or services in exchange.

## **1.4. Differences between Islamic Banks and Convectional Banks**

Islamic banking is including most of the activities of the banks the only things which is make big difference among them is borrowing and lending is not based on interest. Instead it basis on profit/loss sharing (PLS). However, the total financial activities of Islamic banking are according to Islamic law and shariah. They use Islamic instruments to offer financial services to customers. On the other hand, conventional banking system is based on interest.

Moreover; religious rules are not allowed to interfere in banking system and financial activities. Some major differences of Islamic and conventional banks are indicated below.

**Table 1.1.** *Differences between Islamic and Conventional Banks*

<b>Conventional system</b>	<b>Islamic system</b>
The functions and operating modes of conventional banks are based on fully manmade principles.	The functions and operating modes of Islamic banks are based on the principles of Islamic Shariah.
Money is used as a product, a medium of exchange and store value.	Real asset used as a product, money is only used as a medium of exchange.
According to time value for money interest on capital is charged.	Profit is earned on exchanging of goods and services.
There is no loss sharing between two parties.	There is loss sharing between two parties.
There is no an agreement for exchange of goods and services in the time of paying out cash finance or working capital finance	There is an agreement for exchange of goods and services in the time of paying out fund under Islamic instrument such as Murabaha, Salam and Istisna contract.
Due to the reason of inflation the borrower can increase the price of his goods and services in order to compensate the cost of products.	They believe the inflation can be controlled on that reason the borrower has no right to charge extra price.
Government can easily get loan from central banks without any capital development expenditure.	Government should deliver goods to national investment fund to obtain loan from monetary agency.
Conventional banks give greater emphasis on credit worthiness of the clients.	In Islamic banks, the greater emphasis is in the viability of the projects.
The relationship between conventional banks and its clients it coming as creditor and debtor.	The relationship between Islamic banks and its clients its coming as partner, investor and trader, buyer and seller.

Conventional banks have to guarantee to its clients all its deposits.	Islamic banks can guarantee only on deposit to the deposits account, which is based on the principles of al Wadih, thus the depositors are guaranteed repayment of their funds. On the other hand, if the account is based on mud araba concept the clients have to share in a loss position.
Interest expense is deducted from taxable profit. Since this deduction affects saving and disposable income of people, the real gross domestic product is decreased	In Mudarabah and Musharakah, extra taxes are provided to government, so this causes to minimize the tax burden to salaried persons. Likewise, savings and disposable income of people will increase that leads to increase in real gross domestic product

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**Source:** *Faizulayev, 2011 and Hamedian, 2013*

## **1.5. Islamic Banking Products and Services**

### **1.5.1. Wadiah**

Wadiah is Arabic word which means deposit. Legitimately, the Hanafy scholars define wadiah as a permission given to someone for keeping the owner's property explicitly and implicitly (Qaed, 2014) . According to Shafi'i and Maliki scholars, wadiah is presentation in keeping possession of respectable private goods in specific way. Hanbali scholars add the element of charity and they define wadiah as representation in keeping (other's property) and it is done (by the keeper) as charity (system, 2012). (Sabiq, 1983) stated al-wadiah is keeping something from someone, either from an individual or organization that must be guarded safe and given back on the demand.

Demand deposit is based on shariah mechanisms; the deposits are held as Amana or in trust. It provides safekeeping of one's deposits and the bank guarantees the return of funds to the customer. The services provided under this account include access to withdrawal of money at any time, checking facility, automated teller machine cards, charge cards, traveler's

cheque, telephone banking, branch services, standing instructions, statement request facility and others. Any profit or loss derived from these products accrues entirely to the bank. Also, this product is the absence of any condition regarding deposits and withdrawal (Obaidullah, 2005)

Moreover, under this product, bank may charge customer administration fee in the form of expenses directly related to the account management fee such as cheque book printing expenses, stamp duty, printing of transaction report and balance statement, opening and closing of account. (The Bank Indonesia, 2008).

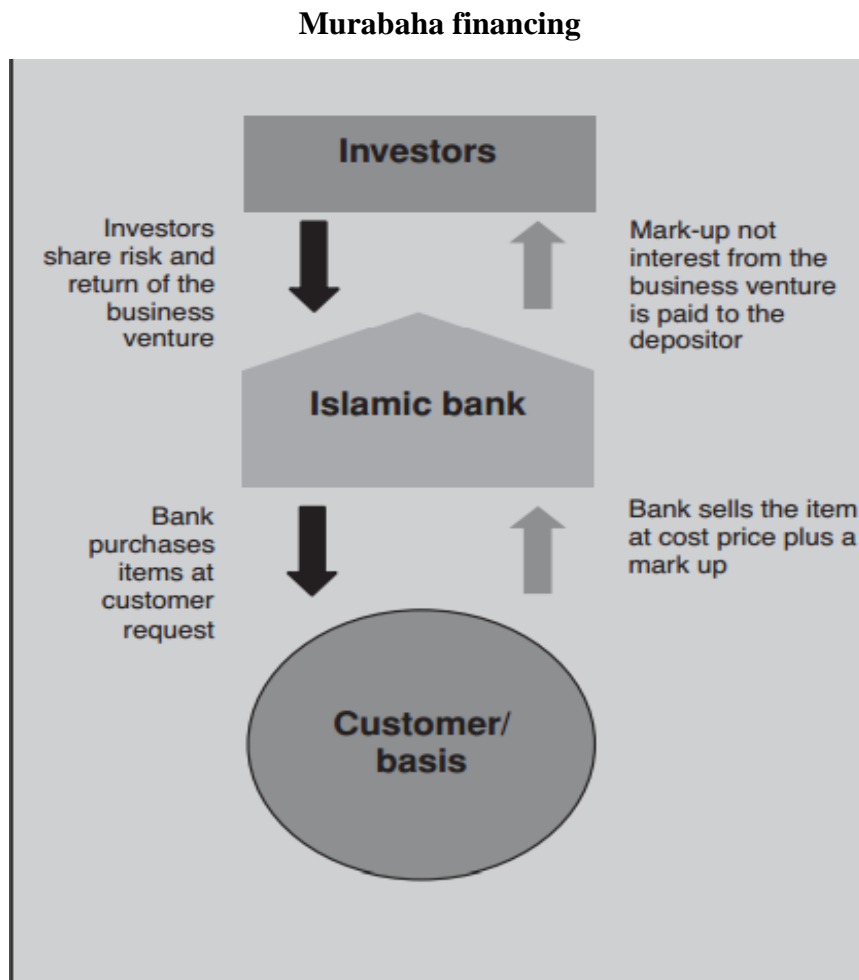
In saving deposit: wadiah provides guarantee for the principal amount of the deposit. The bank guarantees the withdrawal of funds if the customer wishes to do so. In this product, the bank provides a return to the depositors, at its discretion as gift, but it is not part of the contract. The gift or reward on deposit is granted if the customer meets the minimum deposit required under this product (Obaidullah, 2005).

Obaidullah, (2005) says that “under the wadiah product, a bank accepts deposits from its clients looking for safe custody and request permission from such depositors to make use of their funds so long as the funds remain with the bank”. Bank claim ownership of overall profits derived from the use of such funds. However, they should reward the customers by returning a portion of the profits, if any, from time to time, at its absolute discretion. The bank guarantees its clients withdrawal or refund of a part or the whole of their balances, when they desire and provides them with withdrawal facilities such as, Savings Pass Books, ATMs and other related facilities.

### **1.5.2. Murabaha financing**

According to (Kettell, 2011). Murabaha contract refers to the sale of goods with a pre-agreed profit mark-up on the cost. Murabaha sale is of two types. In the first type, the Islamic bank purchases the goods and makes them available for sale without any prior promise from a customer to purchase them. In the second type, the Islamic bank purchases the goods ordered by a customer from a third party and then sells these goods to the same customer. In the latter case, the Islamic bank purchases the goods only after a customer has made a promise to purchase them from the bank. The basic component of Murabaha is that the seller reveals the actual cost he has incurred in acquiring the commodity, and then adds some profit thereon.

This profit may be in a lump sum form or may be based on a percentage. The only feature distinguishing it from other kinds of sale is that the seller in Murabaha expressly tells the purchaser how much cost he has incurred and how much profit he is going to charge, in addition to the cost.



**Figure 1.1.** *Murabaha Financing.*  
**Source:** *Kettell, 2011.*

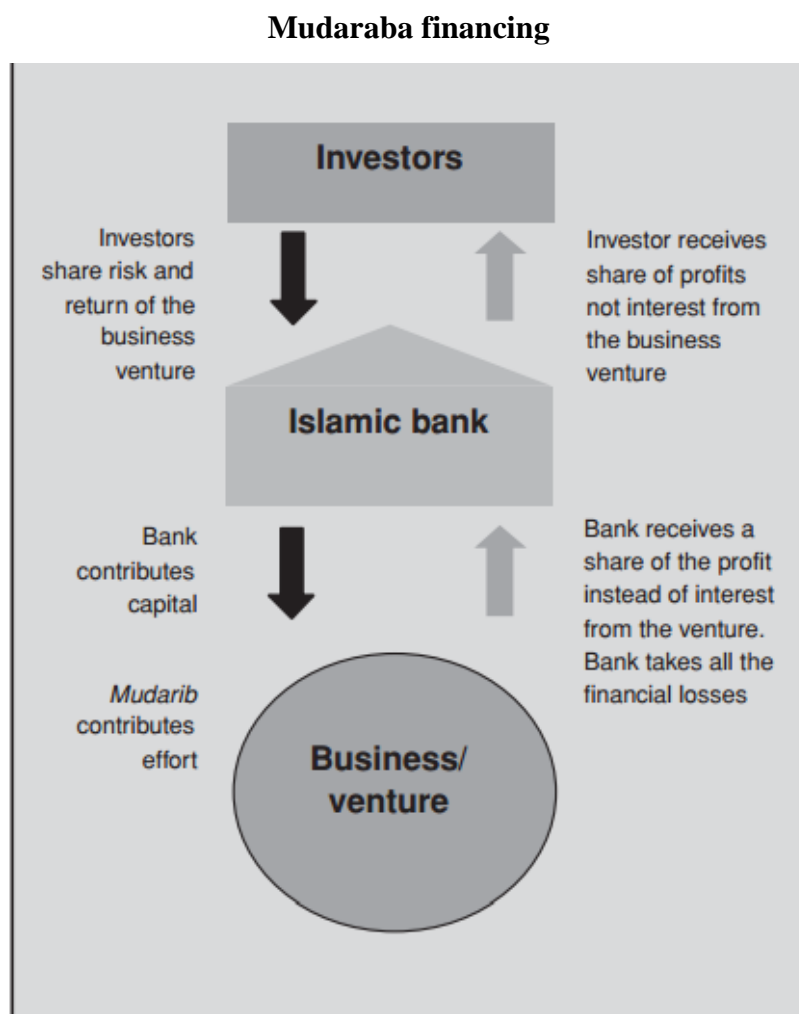
### 1.5.3. Mudaraba financing

Mudaraba is based on trustee partnership, whereby investment account holder acts as the owner of the capital (rabul maal) and bank as a mudarib (managing partner). In Mudaraba mode of financing, Islamic bank publicizes its willingness to accept the funds of account holders with the sharing of profits as agreed between the two parties and the losses being



borne by the owner of funds unless they were due to misconduct, negligence or violation of the conditions agreed upon by the Islamic bank. A Mudaraba contract may also be concluded between the Islamic bank, as a provider of capital on behalf of itself or on behalf of investment account holders, and business owners (Kettell, 2011).

In Mudaraba financing, the owner of the capital has no right to interfere in management of the business enterprises. This is the individual responsibility of the agent. Though, he has the right to specify such conditions that would ensure better management of his money, which is why Mudaraba is sometimes referred to as a sleeping partnership.



*Figure 1.2. Mudaraba Financing.*

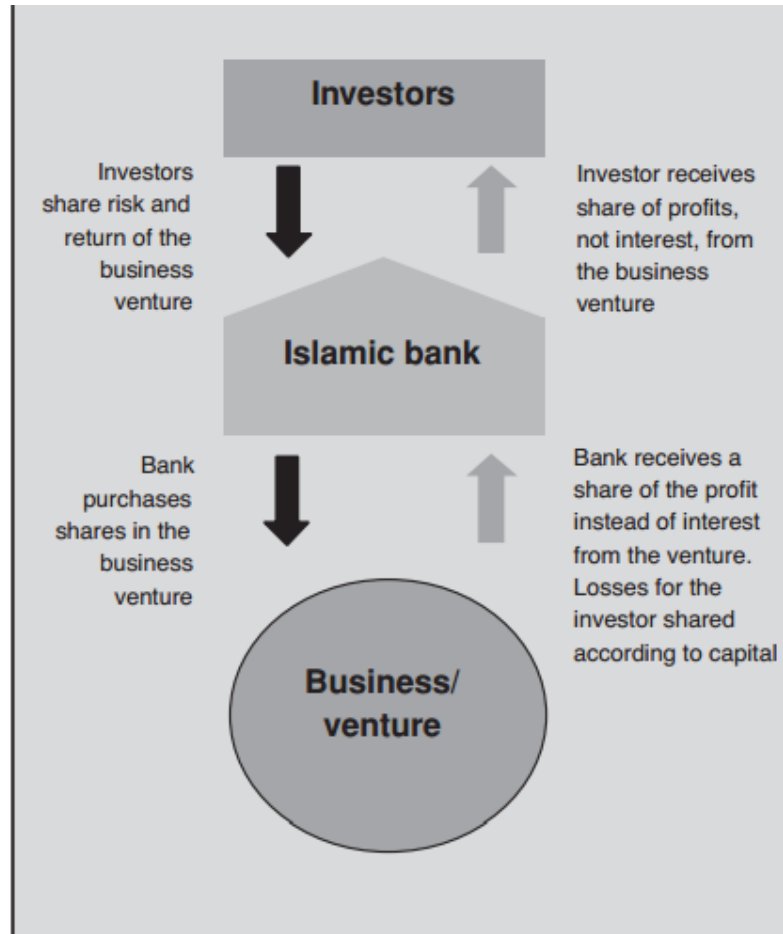
**Source:** Kettell, 2011

#### **1.5.4. Musharaka financing**

Musharaka is a form of partnership between an Islamic bank and its clients, whereby each party contributes to the partnership capital, in equal or varying degrees, to establish a new project or share in an existing one, and whereby each of the parties becomes an owner of the capital on a permanent or declining basis and is owed its due share of profits. Losses, however, are shared in proportion to the contributed capital. It is not permissible to stipulate otherwise. (Kettell, 2011)

According to Bank Indonesia (2008), under this product, bank and customer shall act as business partners and provide funds and goods in order to finance a specified business activity. While the customer shall act as business manager, the bank being the business partner will be able to participate in the management of business activity in accordance with tasks and authorities agreed in advance, such as to review and to request evidence related to business performance report based on the reliable supporting documents.

### Musharaka financing



**Figure 1.3. Musharaka Financing.**

Source: Kettell, 2011.

#### 1.5.5. Salam financing

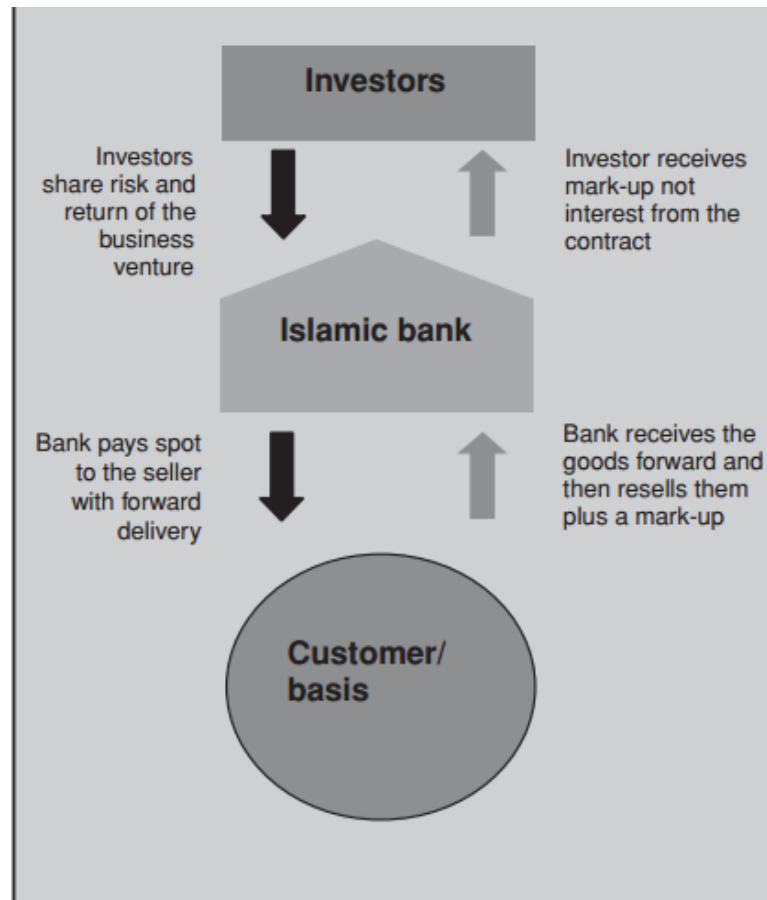
Salam is a contract which involves the purchase of a commodity for deferred delivery in exchange for immediate payment according to specified conditions, or the sale of a commodity for deferred delivery in exchange for immediate payment as mentioned by (Kettell, 2011).

It is described as the transaction of buying and selling of goods using order method with specified requirements and full cash payment in advance. Obaidullah (2005) defines the Salam products as “a forward agreement where delivery occurs at a future date in exchange for spot payment of price”. It was originally designed for small farmers and traders. The traders sell their goods to the bank on deferred delivery basis. The bank pays full price for

delivery goods at present then they sell it to the market at prevailing price. The bank makes profits from the transaction, since the spot price that the bank pays is lower than the expected future price.

According to Bank Indonesia (2008), the bank shall act as the provider of funds in the Salam transaction with customer. Both bank and customer shall be obliged to constitute a written agreement in the form of financing based on Salam. The funds provided by the bank shall be made fully in advance either immediately after entering Salam agreement or later. The payment by bank shall not constitute a release for customer's debt owed to bank or in the form of bank receivables.

## Salam financing



**Figure 1.4.** *Salam Financing.*

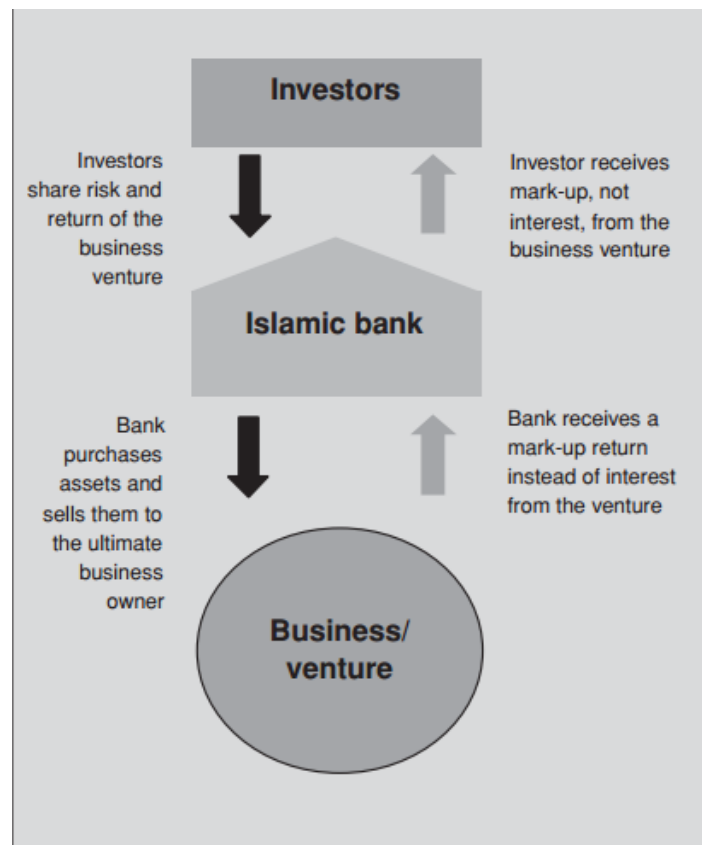
*Source: Kettell, 2011.*

### 1.5.6. Istisna financing

Istisna is a sale contract whereby the purchaser asks the seller to manufacture a specifically defined product, using the seller's raw materials, at a given price. Istisna'a is a sale contract between al-mustasni (the ultimate purchaser) and al-musania'a (the seller). In Istisna'a, the al-musania'a based on an order from the al-mustasni undertakes to have manufactured or otherwise acquire al-masnoo (the subject matter of the contract) according to specification and sell it to the al-mustasni for an agreed upon price and method of settlement. This may be, at the time of contracting, by instalments or deferred to a specific future time. It is a condition of the Istisna'a contract that al-musania'a should provide either the raw materials or the labor (Kettell, 2011).

According to bank of Indonesia (2008) defined as “buy and sale transaction comprising an order for the production of goods with agreed specified criteria and requirements and with payment on agreed terms”. it is a contract of manufacture. A bank which acts as seller under an Istisna agreement undertakes to manufacture a commodity with clear specification for an agreed maturity. Nothing changes on spot. The client or buyer may make payment in installment over the agreed period or in full at the end of the period. The bank engaged in Istisna by assigning the job of manufacture to a third party under parallel Istisna agreement, therefore the bank and the manufacturer may be different entities. It is suitable for commercial building or residential house, road, aircraft and others. This product involves various risks such as default risk, risk of non-conformity to specification, construction related risk and others (Obaidullah 2005).

### Istisna financing



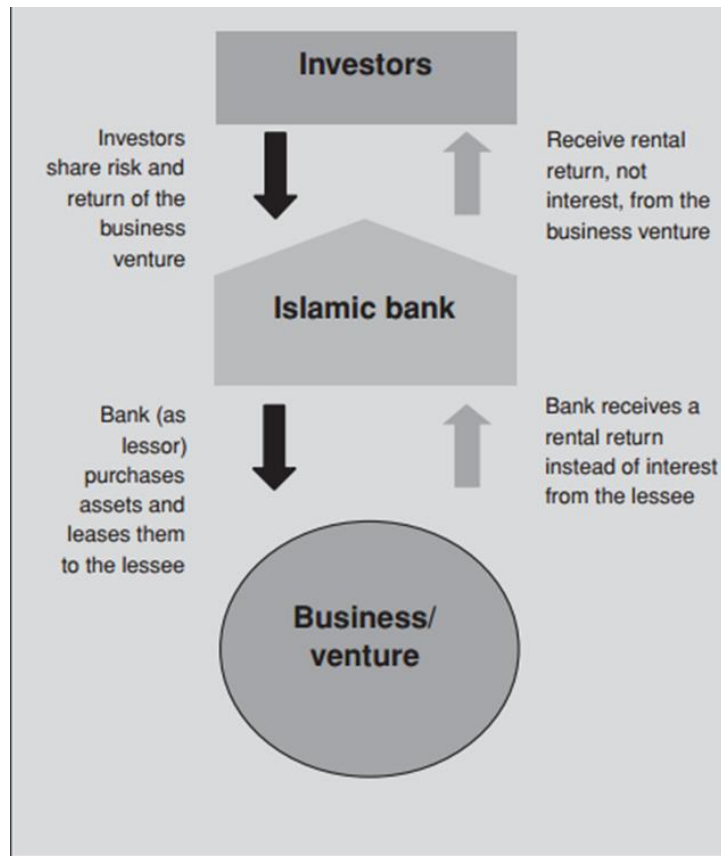
**Figure 1.5.** *Istisna Financing.*  
**Source:** *Kettell, 2011.*

### **1.5.7. Ijarah financing**

According to the Bank Indonesia (2008) “Leasing transaction on specified goods and/or service between the owner of leased object including the right of use on leased object and the lessee in order to earn fee on the object leased”, and Ijarah Muntahiya Bittamlik defined as leasing transaction between the owner of leased object and the lessee to earn fee on the object leased with option of transfer of ownership of the leased object. Under these products, the bank shall act as the fund provider in Ijarah transaction with customer and has the obligation to provide fund for the realization the supply of leased object ordered by customer. Repayment may be conducted in the form of installments.

Obaidullah (2005) argues that, under this product the bank acts as vendor; the bank may purchase the asset needed by its client from the vendor or the bank as owner leases the asset to its client for specified rentals and period. Also, if the bank would not like to deal directly as a vendor, may appoint the client to be as its agent and leasing the commodity on behalf. The ownership of the asset remains with the bank, the asset reverts to the bank at the end of the lease period.

## Ijara finncing



**Figure 1.6.** *Ijara Financing.*  
Source: Kettell, 2011.

### 1.6. Islamic Banking in Tanzania

In today's world, Islamic banking is getting a wider attention by non-Muslim because Islamic banking systems are open to all people of different faith. Tanzania is one among the countries which has been promoting the idea of implementing Islamic Banking System (IBS). Tanzania, being the 31st big county in the world has a population of 49.1 million, whereby from that population 27.01 million are Muslim, which constitutes 55% of the total population. After liberalization of the banking and finance sector, Tanzania has become one of the countries in Africa experiencing new ways of banking. It has switched from the mobile banking to Islamic banking and from the old aged conventional banking to Islamic banking. In Tanzania, there is a great demand that drives changes in this field, not for the benefit of the few but the whole community, spiritually and materially. Despite the recent financial



crises, some of the banks in Tanzania have been launching the services of Islamic banking to meet their market needs. Kenya Commercial Bank (KCB) became the first bank in Tanzania to offer Shariah compliant bank products under the brand name of Amana accounts in April 2008. Currently, they have established an autonomous department in charge of developing and managing Islamic bank products (KCB, 2012).

In 2010, the National Bank of Commerce (NBC, 2012) launched Islamic banking services that offer the options of the cheque and saving account with embedded death benefits (NBC, 2012). At the same year, the Standard Bank, which is a member of the Standard Bank Group, launched Shariah banking products under the principles of Islamic laws. The first products that were offered are transacting plus and current account which is 100 percent Sharia compliant (Sisay, 2012) .

In 2011, the people's bank of Zanzibar (PBZ, 2012) launched an autonomous Islamic division under the name of Ikhlas bank on 17th January 2011 (PBZ, 2012). Currently PBZ has six Islamic bank branches Unguja they have two branches mwanakwerekwe and mpirani, where by Pemba they have one branch at Chake Chake, in Dar es Salaam they have two branches at Lumumba and Tazara and another banch in Mtwara. PBZ under Islamic banking system offers Shariah Deposits accounts and Shariah Financing products.

Moreover, there is only one full-fledged islamic bank in Tanzania which is Amana Bank Ltd. The bank was granted a personal license by Bank of Tanzania on 4th February 2011 and then incorporated on 25th February 2011 with an authorized share capital of TZS 100 billion and paid up capital of TZS 21.5 billion (Amana Bank, 2012).

Many other conventional banks In Tanzania have established non-full-fledged islamic bank, whose services are provided via a separate window. This include the National Bank of Commerce, the Stanbic Bank, Kenya Commercial Bank, the Bank of Baroda and the People Bank of Zanzibar. These banks offer current, savings and investment account. However, do not offer the full range of all the modes of financing available in islamic banking practices. Thus, funds for these banks are collected from such deposit products. (Kisilwa, 2012).

As noted above, Islamic banking is open to all faith. Since Shariah finance is a combination of Islamic economics and modern lending principles, its products can be sold to

Muslims and non-Muslims alike. Previously Islamic banking was serving a small segment of Muslim customers who wanted to avoid interest used in conventional banking. Nowadays, Islamic finance has been successful in attracting a wider circle of different followers in recent years thanks to Gulf Muslim investors and rising demand for ethical investing. Non-Muslim investors also have been looking for less risky investment alternatives since they have experienced losses in the credit crisis.

Islamic banking recognizes customer as the source of the business and it considers customer as the soul around whom the banks must operate and progress. Due to that reason, most of the previous studies in this field have examined the perceptions of the non-Muslim customers toward Islamic banking products and services. Therefore, this study will evaluate the Muslim and non-Muslims' perceptions about Islamic banking by distributing the questionnaires to both two parties in order to know their perception, awareness and understanding about the introduction of Islamic banking in Tanzania.

### **1.7. Problem of Statement**

Introduction of Islamic banking system in other countries is facing a lot of challenges which cause some misconception between non-Muslim especially for the country which having high population of non-Muslim over Muslim population. Lack of knowledge, awareness, and understanding the key concept of Islamic banking can result Non-Muslim to perceive negatively as Islamic banking is for Muslim population only. The major trouble is a misconception about the genuine difference between the operations of Islamic banks and conventional banks through deposits, modes of financing and investments, leasing arrangements and the like. This shows that detail knowledge and extensive sensitization and clarification are highly needed to attract people's attentions about the fact of Islamic banking system.

This research has recognized that the problems facing the Islamic banking in Tanzania are enormous and considerably serious as to look for their solutions. Even though the problems on which the study has debated are purely religious and are all along related to the rejection of Islamic bank. These problems could well be regarded as 'challenges' Most of the

significant problems happen to be objections from some non-Muslim individuals and indeed their religious organization that criticize and stay away from the system for many bases.

These set of problems comes due to its origin from non-Muslim refusal to accept the system as an alternative or at least as an additional mode of banking in Tanzania especially in Zanzibar. Furthermore, lack of awareness, understanding and knowledge of the key concepts of Islamic banking caused even Muslim population not to participate in Islamic banking. Islamic banks in Tanzania have less customers because of misperceptions of both Muslim and Non-Muslim citizens towards Islamic Banking. Based on these issues, this study intends to examine perception of Muslim and non-Muslim towards the introduction of Islamic Banking in Tanzania so as to reveal the possible reasons why there are a limited number of customers of Islamic banks.

### **1.8. Research Objectives**

The general objective of this study is to assess the perception of Muslim and non-Muslim towards the introduction of Islamic banking in Tanzania.

Specifically, this study intends to achieve the following objectives:

- i. To compare the perception of Muslim and Non-Muslim people toward Islamic banking.
- ii. To explore Muslim and non-Muslims' awareness on Islamic banking products and services.
- iii. To examine the factors which influence Muslim non-Muslims to choose Islamic banking products and services (to compare if there are any similarities and differences).
- iv. To examine the factors which hold back Muslim and non-Muslim not to choose Islamic banking product and services (to compare if there are any similarities and differences).

### **1.9. Research Questions**

- i. What are the perceptions of Muslim and non-Muslim towards the introduction of Islamic banking in Tanzania?

- ii. What is the level of awareness of Muslim and Non-Muslim on Islamic banking products and services?
- iii. What are the factors which influence Muslim and non-Muslim customers in choosing Islamic banking products and services?
- iv. What are the factors which hold back Muslim and non-Muslim citizens from choosing Islamic banking?

#### **1.10. Significance of The Study**

The results of this study may offer a number of contributions to policy makers in the banking sector as well as to the literature and the knowledge stock in this field. For the case of policy makers, the study findings may provide knowledge to managers and practitioners of Islamic banking on the way of improving and extending their services to community in general, through understanding their perception and the way of thinking towards the Islamic banking products and services. Indeed, the study may provide the managers and practitioners with knowledge of what kind of promotional tools and education need to be delivered especially to non-Muslims, so that they fully become aware of Islamic banking and understand the nature of Islamic financial services which may help to attract them to join the industry of Islamic banking services.

For the case of literature, the study may contribute towards the growth of knowledge in this area of research. This is true as there is a dearth of information on perception of Muslim and non-Muslims towards the introduction of Islamic financial services in the Islands of Zanzibar and Tanzania in general.

#### **1.11. Scope of the Study**

The study will cover only citizens of Tanzania, which is a union of two countries, Tanganyika and Zanzibar. Zanzibar is represented by two islands, namely Unguja and Pemba. Unguja has 3 regions and Pemba has 2 regions. Tanganyika is the mainland which have 25 regions. In this study, we focused on all five regions of Zanzibar and one region of Tanzania mainland, which is Dar-salaam. The study covered those areas because of the

availability of Islamic banks branches in Tanzania, and availability of Muslim and non-Muslim population in the selected areas.

## **CHAPTER TWO**

### **2. LITERATURE REVIEW**

This chapter deals with survey of the literature on the subject under the study. The literature survey is divided into two main parts; the theoretical part and empirical part. The chapter starts with review of some theoretical postulates on perceptions and Islamic banking services followed by presentation of review of empirical literature on the same issue. Finally, the chapter presents the brief summary and the gap observed in the literature and conceptual frame work of the study.

#### **2.1. Theoretical Reviews**

The theoretical foundation of a research relates to the philosophical basis on which the research takes place, and forms the link between the theoretical aspects and practical components of the investigation undertaken. As noted earlier, the study endeavors to explore the perception of Muslim and non-Muslims towards the introduction of Islamic banking in Tanzania. Thus, based on this subject, the critical areas that need theoretical exploration are the concept of perception and the introduction of Islamic banking in Tanzania. Therefore, the below sub-sections provide the review of concept of perception and the historical review of introduction of Islamic banking in Tanzania.

##### **2.1.1. The Concept of Perception**

Perception can be defining as the state of mind in organizing, identifying and interpreting the input information before a decision is made pertaining to the subject matter being brought up. In other words, perception involves the process of constructing mental representation of distal stimuli or object in the real world based on the available information that could be perceived by (Ariff, 1988).

For the case of introduction of Islamic banking, the term can be defined as the appeal of the banking products and services that will enter the first process of sensory input in providing the basic information on Islamic banking to provide customers' confidence. The bank selection criteria enter the second process of expectation for perception and acceptance. As for non-Muslims, their perceptions towards introduction of Islamic banking imply the

process of constructing their mental representation of distal stimuli or object in the real world based on the available information about Islamic banking that could be perceived in their minds. That is, in the context of this study, Muslims and non-Muslims perception refers to the way they translate sensory impressions into a coherent unified view about the introduction of Islamic banking services in Tanzania.

### **2.1.2. Introduction of Islamic Banking in Tanzania**

The Islamic banking in Tanzania especially in Zanzibar believes that the service it provides is controlled under the Islamic system and Islamic shariah to both Muslims and non-Muslims. This system lead to continuation of other banking services which intend to complete and provide goods and services to the society.

The Islamic banking in Tanzania helps in creation and expansion of good ethic in society, expansion of good communication in the society and creates good governance which should provide services without discriminating ideologies or religious belief. For now, the Islamic banks in Tanzania have different branches at different regions which can be the reason for Tanzania community to know their services and how Islamic banking it's operate.

## **2.2. Review of Empirical Literature**

This section presents review of empirical literature related to the subject matter. Empirical literature provides us with limited information about Muslim and non-Muslim perception towards introduction of Islamic banking. Specifically, there is no even a single empirical literature on Muslim and non-Muslim perception towards the Islamic banking in Tanzania. The available stock of literature explores the perception of non-Muslim customers in Islamic banking in several parts of Muslim world. It should be noted that this study deals with Muslims and non-Muslims perception not customers' perception. Initially, the previous researchers intended to explore the perception of non-Muslim customers but this became impossible from empirical point of view. Islamic banking customer consists of less than 1% of all customers. In fact, according to available banking information, the number of non-Muslim customers is less than 50 in Tanzania. Through that reason, it leads this study to

concentrate on the perception of both Muslims and non-Muslims towards Islamic banking services by compare their perceptions and finding the reasons for the low response rate.

Thus, the existing review of empirical literature contains mainly the review of past studies on perception of non-Muslim customers on Islamic banking in various parts of the world. This information is deemed important as it provide the baseline information for this study. The review also covers the studies on bank selection criteria of Islamic banking products and service.

### **2.2.1. Muslim and non-Muslim perception toward Islamic banking**

Abdullah,*et, al.* (2012), examined the perception of non-Muslim customers towards Islamic banking in Malaysia. The study involved 152 respondents. The outcome of the study presented that Islamic banking services are making progress among non-Muslims in Kuala Lumpur. Most of the customers have both Islamic and conventional banking account, this showing that non-Muslims really supported Islamic banking system in that study area. The study also revealed most of non-Muslims of the age group between 19 – 35 years old and with higher education obtained a better knowledge and understanding on Islamic banking products and services. Regardless of this positive movement, additional efforts need to improve the level of understanding for non-Muslim customers on the Islamic banking concepts. The authors tried to explain that more research is needed to be conducted in order to detect various reasons of Islamic banking selection by non-Muslim customers.

Ling, *et, al.* (2012), examined the level of perception, awareness and understanding of non-Muslim in Malaysia towards Islamic banking products and services. The study selected different cities in Malaysia and got 280 respondents. The results showed that most of 50% of respondents are aware of Islamic banking in Malaysia but they had weakness in awareness of its products and services. On the other hand, the study looked down on the demographical factors which can lead for the non-Muslim customer to move in Islamic banking system which found out that level of education, occupation and income has a significance relationship while religion does not have significance with awareness of Islamic banking.



Sumar (2009), examined the level of awareness and knowledge of customers toward the Islamic financial system and banking in the United Kingdom. The study samples 15 Muslims and 15 non-Muslims to form a general opinion. Though 100% of Muslims and 86% of non-Muslims are aware of the Islamic banking system, the analysis exposed that only participants with special circumstances such as an occupation providing exposure, an explicit interest or actually owning an Islamic financial product are likely to have high level of awareness and understanding of the Islamic banking products. For the non-Muslim sample, only one respondent supports the implementation of Islamic financial system if it could accommodate everyone and not just Muslims. Other non-Muslims respond negatively as they feel Islam is being negatively portrayed in the media. The study indicates that the majority of non-Muslims perceptions and knowledge toward Islamic banking are extremely minimal.

Lateh *et. al.* (2009), determined the perception of Thailand customers towards the objectives and characteristics of the Islamic banks and looked on the bank criteria which lead customers to Islamic banking and different between Muslim and non-Muslim perception towards Islamic banking. The study survey obtained 462 respondents. This study revealed that the customers knows more the most important characteristics of Islamic banking is prohibition of interest. On the other hand, the study found that there is different between Muslims and non-Muslims perception which lead different selection criteria of Islamic banking which shows that Muslims are more consider the prohibition of interest while non-Muslims tend to concern more about reputation and image, knowledge and competent personnel are the main factors which influence them to select Islamic banking.

Fada *et. al.* (2012), measured the viewpoints of people of Gombe Local Government Area to review their perceptions toward Islamic banking. The study used primary data and structured questionnaires was used to collect those data, which involved sample of 134 respondents. The study revealed that the perception of people in the study area is largely consistent with misunderstanding of the subject matter. However, the study concludes by calling on appropriate stakeholders including the Central Bank to start awareness campaign programs to direct and educate the public about Islamic Banking, its products, services and economic benefits to be derived from the development of Islamic banking.

Ahmed, (2014), examined the viewpoints of employee who work in Islamic banks in Muscat to review their perceptions toward the Islamic banking. The study used primary data through structured questionnaire which involved sample of 140 respondents. The result revealed that bankers have limited knowledge regarding Islamic banking. Most of the bankers working in the operation department are diploma holder or below. therefore, issue of educated, well trained and skilled employees must be addressed censoriously by the government, industry players and educationist for the sustainable growth of Islamic Banking in Oman.

Shah, *et, al.* ( 2016), examined the perceptions of employees in Islamic banks and Islamic branches in conventional banks concerning practices and growth of Islamic banking in Pakistan. The questionnaires were distributed to the employees working on these banks. The results disclose that bankers in Islamic banks perceive that Islamic banking is in accordance with Shari'ah and Islamic principles. Most of the employees they hold positive perception regarding the practices, objectives and growth of Islamic banking and they believe that banks and government are committed towards the development of Islamic banking in the country. The result also display that bankers are confident that Islamic baking will grow and expand in the future.

Shoaib & Rehman (2014), examined the perception and knowledge of employees in both Islamic banks and conventional banks offering Islamic products and services and the potential of Islamic banking in Pakistan. Data was collected from 197 banking sectors individual employed in the banks located in two cities Rawalpindi and Islamabad. The result shows that the employees have a positive perception toward Islamic banking and Islamic banking products have high potential in Pakistan. On the other hand, the result revealed that Islamic bankers have high degree of knowledge regarding Islamic banking products and services than their counterpart. Employee positive perception and knowledge of Islamic banking services have significant positive impact on the potential of Islamic products and services in Pakistan.

Loo, (2010), the study interviewed 100 Muslims and 100 non-Muslims towards the perception and attitude of Islamic banking in Malaysia and revealed that Muslim are

supportive of Islamic banking while non-Muslim believe that Islamic banking is only for Muslim. On the other hand, among non-Muslim especially x generation has more favorable acceptance towards Islamic banking compare with baby boomer side.

Metawa, (1998), determined the background and habit of the Islamic bank customers. Also, in his article the author analyzed the level of awareness, consumption and degree of satisfaction of the customers in Bahrain specifically in Bahrain Islamic bank and Faisal Islamic Bank. This research adopted a quantitative method, 300 questionnaires were distributed. The study found out that most of the Islamic bank customers have a high level of education. They also have used Islamic banking service and have a high level of knowledge regarding Islamic banking products.

Bisharat, (2014), evaluated the selection criteria for Islamic banking in Pakistan. The study used close ended questionnaires to collect data from customers; involve sample size of 300 customers of Islamic banks. The result of this study concluded that 81% of the data collection responds that rate of return, Islamic teaching and bank's reputation is the main reason which influences behavior of customers toward Islamic banking.

Ahmad, *et, al.* (2010), examined perception of banking customers regarding services quality of the Islamic banking as well as conventional banks in Pakistan. The data were collected from 720 bank customers by using stratified random sampling. The result revealed that among the customers there is significance difference in perception of service quality based on gender, while there is no significant different among the female and male customers in service quality of conventional banks. The study discovered that customers of Islamic banking have a greater perception toward services quality then the customers of conventional banks.

Sohail, *et, al.* (2014), examined the perception of individual consumers towards Islamic banking products and services in Pakistan. The study revealed that most of respondents are not aware about Islamic banking system, and they just believe that Islamic banking and conventional banking there doing the same thing, same products and services.

Bley & Kuehn, (2004), investigate the relationship between the university students' knowledge about financial concept terms of conventional and Islamic banking in United Arab Emirate. Sample size was 667 which include university graduate and undergraduate. Role of financial knowledge, religion, and language on self-reported attitudes and preference for financial services were considered in this study. The result revealed that knowledge of conventional banking terms and concept was higher among the students then knowledge of Islamic banking and its terminology.

Akbar, *et. al.* (2012), examined the user perception of Islamic banking practices in the United Kingdom. The result found out that Islamic banking in United Kingdom is not fully aligned with the paradigm version of Islamic finance. However, the respondents agree that profit and loss sharing is among the elements which shows the true spiritual of Islamic banking practice, while on the other hand due to the lack of awareness of Islamic banking product and services respondents they are not sure about full benefit of Islamic product and service. On that reason, it suggested that by generating more awareness to the users about Islamic banking it will lead achieve more from the Islamic banking paradigm.

Darbouk, *et. al.* (2014), examined the perception of people of Egypt toward Islamic banking by distributing questionnaires to know their awareness and their understanding about Islamic banking. The result found that students who have high level of education are most awareness and are the one who involved in Islamic banking. However, 52% of people they even don't know the concept of Islamic banking, on top of that part of them they even believe that Islamic banking are only for Muslim and are strictly religion.

Ranjbar & Sharif (2008), examined the level of awareness attitude and bank selection criteria toward Islamic banking by compare Muslim and non-Muslim customers in Klang valley Malaysia. The result indicated that majority of respondents are aware about Islamic banking but Muslims are mostly aware compare with non-Muslim customers. However, Muslim attitude thinking that religious are the main reason to be motivated to deposit money in Islamic banking but Non-Muslim they just looking on profitability. Additionally, there are some difference of bank selectin criteria between Muslims and non-Muslims.

### **2.2.2. Islamic banking selection criteria: Muslim and Non-Muslim customers**

Generally, for people being a customer their perception is often identified by the level of their satisfaction towards products or services. Perception, awareness and understanding of Islamic banking vary across different criteria such as age, religion view sex, income, education background, occupation, trust, transparency, confidentiality services quality, location and others Additional important indicator to determine positive of negative perception is through patronage criteria toward the service provider. One among the earliest patronage studies on Islamic banking (Erol & El-Bdour 1989) and (Erol C. K., 1990) the studies examined the factors that influence customers to choose Islamic banking. Both conventional and Islamic bank customers as the respondents, the study revealed that the provision of a fast and efficient service, bank's reputation and confidentiality were the most significant bank selection criteria for customers who patronize Islamic banks. However, religion was found to play a less important role in customers' decisions to manage with the Islamic bank.

However, the study was supported by Naser, *et, al.* (1999) and Gerrard & Cunningham (2001) they conducted a research among Muslim and non-Muslim customers' perception in Islamic banking system, the study was Jordan and Singapore. The findings exposed that credibility and honestly of banking stuffs is vital role in building customer confidence. Additionally, providing accurate and timely banking information is also important to the customers. Naser, *et, al.* (1999).

Echchabi & Aziz (2012), examined the willingness of the Moroccan customers to Adopt Islamic banking services and factors that may influence their decision. The study used primary data where by a total of 200 questionnaires randomly distributed to the Moroccan customers where by 146 were properly filled and returned. The results exposed that uncertainty, relative advantage, compatibility, awareness as well as subjective norm, have a significant influence on the attitude towards Islamic banking services in Morocco. Similarly, normative belief was also found to have a significant influence on subjective norm, regarding the parents, siblings, peers and colleagues, as the main referent groups. Furthermore, facilitating conditions was found to have a significant influence on perceived behavioral

control and finally attitude, subjective norm and perceived behavioral control were found to have a significant impact on the intention to adopt Islamic banking services in Morocco. It is worth noticing that complexity does not have any influence on attitude and self-efficacy does not have any influence on perceived behavioral control as well. On the other hand, the results have also revealed that the Moroccan customers are willing to shift to Islamic banking services, with a slight preference of long run adoption i.e. three years and above.

Roslinah, *et. al.* (2010), discovered the choice criteria for home financing among Malayan Banking Berhad customers which is the biggest bank in Malaysia. The study used sample of 350 of Malayan Banking Berhad home financing products customer among public servants, private sector workers, and self-employment were chosen as respondent. The result found that the advantage and goodness of product, the income and advice from the third party and lifestyle were the factors that motivate customer in choosing Islamic home financing. In contrast, the customer chooses conventional home financing because of product advantages and life style, advice from the third party and market performance as the factors that motivate them to choose conventional home financing.

Similarly, Hidayat & Al-Bawardi (2012), assessed the non-Muslims perception toward Islamic banking in Saudi Arabia, especially for product and services which offered by Islamic banking. Data was gathered by questionnaires from non-Muslim emigrant bank customers of 103 respondents. The results of this study showed that all respondents were aware of and have or had earlier Islamic banking experiences. The study also revealed that cheaper transaction cost and high quality of service delivered are the main reason that attracted them to use Islamic banking services. The findings indicated that main stream of non-Muslim customers in Saudi Arabia perceive current Islamic banking services as different from other banks and suitable in satisfying their banking needs.

Islamic banking has high level of trust, bank confidentiality, transparency, transaction security, suitable guidance by banks stuffs, good reputation and images; due to that reason, Islamic banks are extremely selected, (Haron, *et. al.* 1994; Othman, & Owen 2001; (El-Nagar, & El- Biely 2011).

A study conducted by Akmal & Saleem (2008), reported that information should be confidential, is not allowed to go to any third party without customer's approval, otherwise it is considered fraud. On the other hand, the author revealed that transparency is another important point to increase confidence and acceptance of Islamic banking it can even reduce a pressure at the time of financial crises.

Tara, *et. al.* (2014), scrutinized the awareness, religious, perception, and preference in terms of reputation and networking on Islamic banking of Pakistan community. Survey study was conducted which obtained 150 respondents of Muslim community. The result found out that awareness of financial teaching of Islam, reputation, network and religion are the first important criteria which lead the adoption of Islamic banking, while awareness of product and services, advertisement does not really have a significant impact on adoption to Islamic banking.

Hedayatnia, *et. al.* (2011), the study conducted at Iranian retail banks to identify the banks criteria which lead banks customers to consider when they select a bank, due to the reason of getting feedback of the customers by getting chance to plan their marketing strategies and services in powerful competition that exist in this industry. The study used a total of 798 customers; where by 55.7% male and 44.3% female. The result found that the important factors which determining the customer's selection are service quality, new banking selection, friendliness of staff and confidence, innovation and responsiveness of banks, confidence in manager, staff attitudes, price and cost and convenience of bank location and other services.

Gerrard, *et. al.* (2004), identified the types of incidents which reason consumer to switch between banks. The weighting of each incident on the switching decision, whether single or multiple incidents encourage switching decisions, and the level to which switchers clarify the problems they have faced prior to departing. The result found that bank switching is strongly influenced by three types of incidents which is service failures, pricing and inconvenience, with pricing being more influential. Also, the study explained that seventy five percent of bank switching is caused by more than one incident, and some 7 percent of respondents said they had spoken to bank staff in the period before existing.

Imtiaz, *et. al.* (2013), examined the influence of different factors on behavior of individuals toward Islamic banking in Pakistan. The authors tried to check on what basis individual move towards Islamic banking and what they expect from them. The result of this study exposed that people choose Islamic banking mostly due to the religious view and banking services. Furthermore, the study examined the understanding of Islamic banking and found that students have better understanding of Islamic banking. Old age people, females and students prefer more Islamic banking.

Omar, *et. al.* (2016), explored the perception of non-Muslims towards Islamic banking, specifically the study looked on the factors which influence non-Muslims to accept Islamic banking. Survey study was conducted and 250 respondents participated at selected areas in Kedah, Malaysia. The result of his hypotheses has exposed that there is a substantial relationship between perception among non-Muslims which is indicated by confidence and bank selection criteria, towards acceptance of Islamic banking system in Malaysia.

Kaynak, *et. al.* (1991) examined the commercial bank selection in Turkey, and revealed that there are different among bank customers in their bank patronage behavior where by demographic and socioeconomic factors are considered. On the other hand, (Boyd, 1994) revealed that Occupation is another important factor which influences acceptance and positive perception of Islamic banking. This is due to most white-collar employees concentrated on reputation and appropriate facilities on banking selection while blue collar employees focused on accessibility of basic banking services.

Gait, *et. al.* (2008), considered the attitude, perception and the knowledge of Islamic financial products and services. This research adopted a quantitative and comparative methods between conventional and Islamic finance products. The authors discovered that the religious factor is the main reason for customers to opt Islamic finance. Also, study revealed that usually business firm when they want to select financial institution's products and services they employ criteria that are more conventional, such as the cost of finance in their decision making. The study explained that there is an interest among financial institutions in supplying Islamic financial products and services, but this is alleviated by complications with firm management and a lack of familiarity with business conditions. The concept of risk



sharing with borrowers serves as a substantial barrier to most financial institutions engaging in Islamic methods of finance.

Sohail, *et, al.* (2014) examined the important factors which caused user to select bank either conventional or Islamic is cost over benefit, service delivery ,size and image of the bank, convenience factor and friendliness .On that reason the study conclude that Islamic banks should take those factors in consideration in order to attract the customers over conventional one, and also should have crucial advertisement and gives knowledge to the community in order for them to be aware and understanding the main concept of Islamic banking product and services.

Salamat & Abdul-Kadi, (2012), determined the banks selection criteria by Muslims and non-Muslims in dual banking environment in Malaysia. A sample of 200 bank customers in Klang valley were surveyed in order to retrieving the different factors which influence Muslim and non-Muslim customer's selection criteria in conducting banking transactions. The outcome of the study found that there is no significant different in the selection criteria; both Muslim and Non-Muslim have common perception in selecting their banks. On the other hand, the study found out that religion issue is not factor which influence in banking selection criteria but most of the customers they need high quality of services which have sympathy on delivery, confidential of the bank and banks reputation and image as their main selection criteria. The study found that customer preferences are the main factors to consider in banking services than religious.

Similarly, Khan, (2008), analyzed the Islamic bank customers' behavior in Bangladesh. This research adopted quantitative method, distributing 100 questionnaires to the mass. The finding concludes that most of the Islamic bank customers aged between 25 to 35 and obtained a high academic qualification they have a high level of awareness in using the deposit instruments but lacked in the usage of personal financing instruments. Apart from that, religious factors also play an important part in influencing the customers banking preference.

Kumajdi, (2013), the aimed of the study was to identify factors which influence customer's decision to choose Islamic banking in Southern part of Thailand. The study used a survey method, factor analysis and structural equation modeling;300 sampling size were used. The result found that 51.7% of the responds are corporate customers and most of them are woman entrepreneurs, which shows that huge number of woman are more extensive user of Islamic banking product and services. The study also revealed that factors which lead customer's confidence in selecting Islamic banking in Thailand are religion, reputation, knowledge, attitude, convenience and services.

Hasan, *et, al.* (2012) observed the criteria of Islamic banking selection for the diversified consumers of Karachi Pakistan. The outcome of the study found that high profit and low service charge are the most important factors and should be considered by Islamic banks.

### **2.3. Summary and Observed Gap**

Based on the literature review above, it can be concluded that the level of knowledge of the salient features of the various Islamic banking products or services seems weak amongst bank customers and also the customer's perceptions and attitudes toward Islamic banking are at least partly influenced by religious considerations and other individual preferences like service quality, low service charge and others. Furthermore, no study so far investigated the perceptions of Muslim and non-Muslim toward Islamic banking services in Tanzania. Similar studies have been undertaken and performed in other countries like Malaysia, Saudi Arabia, Thailand, Singapore, Jordan etc. and most of the studies conducted in those countries do not focus on the comparison of perceptions of Muslim and non-Muslim towards introduction of Islamic banking, but rather on the perception of only non-Muslim customers towards Islamic banking.

The literature shows that many non-Muslims have negative perception on Islamic banking and they just believe that only Muslim can use Islamic banking. However, the literature shows even when they are aware of Islamic banking, they do not actually understand the operation of Islamic banking. For that reason, few Non-Muslim customers

were willing to join Islamic banking. On the other hand, although Muslim customers are more likely to be customers of Islamic banking, they even have a lack of awareness, knowledge and understanding of the main concepts of Islamic banking which may cause some of them prefer more conventional banking over Islamic banking for reasons such as cost over benefit, service quality, convenient location and others. Similarly, the literature also shows different factors may lead Muslims and non-Muslims to select Islamic banking system, such as education, gender, income, trust, confidentiality and many other.

Generally, when Islamic financial institutions have clear understanding about the user's awareness, understanding and perception, it will help them to create suitable marketing strategies to take a larger share of the financial market. This is because awareness, understanding and perceptions are the foundation of usage of Islamic banking products and services. If majority of population are not aware and do not understand the Islamic banking products, they would not take the initiative to adopt Islamic banking products. Therefore, to attract people of different religion to adopt Islamic banking products, it is sensible to go back to the root of the problem and to make sure that their customers understand about their principles of operating or else they would have post-purchase dissonance.

#### **2.4. Proposed Theoretical /Conceptual Framework**

In this study, the main objective is to determine the perception of Muslims and non-Muslims toward Islamic banking by measuring their awareness, understanding and knowledge regarding Islamic banking system. Perception can be identified through the satisfaction level about any product or service and satisfaction level usually measured by the offering services by the institution. (Turnbull, 1983) is among the first researchers who studied perception of corporate customers toward their banks. His detections were showing that big organizations prefer foreign banks rather than their local banks. Islamic banking system does not have great potential in Tanzania than the conventional banking system, this is caused by the lack of knowledge, awareness and understanding the key concept of Islamic banking and how it operates.

#### **2.4.1. Awareness**

Awareness is the situation whereby does not refer to deep understanding. People can be aware that Islamic banking exists in Tanzania but they do not know anything about it. They only know that Islamic banking is like conventional banking. For example, we can say that people in Tanzania are aware of Islamic banking but they do not have enough information. For that reason, this study measures the level of awareness concerning Islamic banking. When someone is full aware about something, he/she can have full information which may lead them to understand and gain enough knowledge about it. Knowing the awareness of people regarding Islamic banking may help Islamic banks to make sure that they make efficient and effective advertisement and education to promote their products and services.

#### **2.4.2. Understanding**

Understanding is the ability to think and act flexibly with what one knows. Understanding comes after having full awareness of something. When people are aware and have information regarding Islamic banking products and services, the key concept which differentiate Islamic banking from conventional banking, we can consider that those people have understood the Islamic banking system. However, understanding refers to interpretation and people can understand the Islamic banking but how they interpret it depends from people to people. That is why this study examines the perception of Muslim and non-Muslim concerning Islamic banking system in Tanzania through understanding concept.

#### **2.4.3. Knowledge**

Knowledge refers to depth understanding and familiarity, coming through the awareness or information gained through experience or education. Knowledge is formed when people have full understanding the Islamic banking system. For example, people, can have perception that Islamic banking is for Muslim only. Through this example, if most people have the same perception, it shows that people do not have enough knowledge concerning Islamic banking. Because what they know is not the reality. This study is going to measure the level of knowledge which people have regarding Islamic banking system.

Through measuring people's awareness, understanding and knowledge, the study will find out how they perceive Islamic banking system. This will help policy makers and bankers to be able to contribute to the adoption and development of Islamic banking by better understanding the perceptions and preferences of potential customers and making necessary changes in product and service design and promotion.

## **CHAPTER THREE**

### **3. METHODOLOGY AND DATA COLLECTION**

In carrying out this research, specific research methodologies will be employed so as to facilitate the exercise and achieve the visualized goal. Issues concerning the research design will be applied and data collection procedure will be discussed; the approach to the study will also be explained and being used in data analysis. In addition, the chapter will look in to the issues of reliability and validity test performed before and after the assignment of data collection.

#### **3.1. Research Design**

Research design is the detailed framework or structure that is used to conduct the entire study. As stated before, the purpose of this study is to examine the perception of Muslims and non-Muslims toward introduction of Islamic banking in Tanzania. To measure the awareness, understanding and knowledge of the respondents, quantitative research is found to be more appropriate in this study. According to (Matthews, 2010) quantitative research is the kind of research that is useful for the collection of numerical data which is structured and which could be represented numerically.

The purpose of this study is descriptive research. This is because descriptive data has been collected through detailed questionnaires to understand the perception of Islamic banking products and services by Muslim and non-Muslim citizens in Tanzania.

Cross-sectional research design is the descriptive research which can only measure differences between or from among a variety of people, subjects, or phenomena rather than change. As such, researchers using this design can only employ a relative passive approach to making causal inferences based on findings.

In this study, descriptive statistical technique was used to measure the objectives of this study. Descriptive statistics is one among statistical method which used to report the basic features of the data in a study. It used to describe or summarize data in ways that are meaningful and useful. However, descriptive statistics provide simple summaries about the

sample and the measures. Together with simple graphics analysis, it forms the basis of virtually quantitative analysis of data.

Descriptive statistics are used to present quantitative descriptions in a manageable form. In a research study, we may have lots of measures, or we may measure a large number of people on any measure. Descriptive statistics help us to simplify large amounts of data in a sensible way. Each descriptive statistic reduces lots of data into a simpler summary. For example, we are going to measure the perception of Muslim and non-Muslim toward Islamic banking in Tanzania; and we have five level of scale from two groups, Muslim and non-Muslim, from the statement of “Islamic banks are only for Muslims. It has nothing to do with non-Muslims” from the respondents you are going to get 60 strongly agree, 50 agree, 70 neutral, 80 disagree and 100 strongly disagree, from that example there are two different groups of people, namely Muslim and non-Muslim. This study used descriptive statistics because is at the heart of all quantitative analysis.

### **3.2. Sample Technique**

The sampling techniques that is adopted in this research is non-probability sampling techniques. The population of Tanzania for both Muslim and non-Muslim are very large. The researcher was not able to collect data from the entire population. In addition, it was very hard to identify who is Muslim and non-Muslim. On the other hand, the study intended to reach users of Islamic banking so as to learn their perception about Islamic banking; it was also very hard to identify the users of Islamic banking without guidance from other people or from the banks itself. For that reason, the study applied non-probability sampling technique, because the selection of elements for the sample is not necessarily made with the aim of being statistically representative of the population. Finally, the probability of any element of the population being chosen is unknown. Non-probability sampling is the most useful sampling to be used when time and cost are limited and when target population are large.

The type of non-probability sampling used in this research was snowball sampling design. Snowball sampling is a type of convenience sample which can be used when you

trying to recruit people who are difficult to identify or must meet certain criteria to participate. This kind of research design can happen when you find one person who qualifies to participate, and ask him or her to recommend several other people who have the knowledge or qualities you are looking for, and participant list can grow from there.

Moreover, Cross tabulation analysis was used to compare if there any similarities and differences factors between Muslim and non-Muslim which influence people to choose and not to choose Islamic banking in general.

Cross tabulation analysis is a statistical tool that is used to analyze categorical data or variables that are separated into different categories that are mutually exclusive from one another. Cross tabulation helps to understand how two different variables are related to each other. For example, suppose you wanted to see if there is a relationship between the Muslim and non-Muslim of the survey responder and Islamic banking can contribute to social welfare. Using the survey data, you can count the number of Muslim and non-Muslim who said that Islamic banking can contribute to social welfare, and the number of Muslim and non-Muslim who said that Islamic banking cannot contribute to social welfare. Finally, this information collected will help to create a contingency table, which displays the frequency of each of the variables.

Furthermore, Chi square test was used to compare perceptions and level of awareness between Muslims and non-Muslims regarding Islamic banking. By observing if there is any significant different with respect to religion.

### **3.3. Sampling size**

Sampling size is the number of elements to be included in the research. The target population of this study involved Muslim and non-Muslim citizens of Tanzania. By using snow ball sampling techniques, a sample of 660 people has been chosen, based on accessibility of the researchers where by 330 represented by Muslims and 330 represented by Non-Muslims. Thus, to get enhance diversity in sample, the participants are being selected from different locations across Tanzania.



### **3.4. Research Instruments**

Research instruments are the tool of data collection. This study used questionnaire instruments for data collection.

#### **3.4.1. Survey Questionnaire**

In this study, questionnaire was used to achieve the objectives of this study. Questionnaires are most productive tools when researcher needs to reach large number of respondents (Denscombe, 2010). Closed ended questionnaires have been used to collect data from Tanzanian Muslim and non-Muslim populations.

Closed ended questionnaire is a kind of questionnaires which restrict the respondents to choose what is only available to the question. This kind of questionnaires provide information which can be easily converted into quantitative data; for example, by counting the number of yes or number of no from the respondent's answers.

Close ended questionnaires involve the using of rating scale to measure the strength of attitude or emotion, for example strongly agree, agree, neutral, disagree, and strong disagree. The questions are standardized and all respondents are asked the same question in the same order. For that reason, the questionnaires can be replicated easily to check for reliability. Therefore, it easy for other researcher to use the same questionnaire to check if the results are consistent.

#### **3.4.2. Questionnaire Design**

The questionnaires used in this research have been designed as 2 segments. The first part of questionnaires is established to collect personal information (demographic) from Muslim and non-Muslim populations. The questions request for the respondent 's gender, age, marital status, religions, educational level, and occupation.

On the other hand, the second part of questionnaire aims to evaluate the perception and level of awareness, knowledge and understanding about Islamic banking products and services. It also examined the reason of using Islamic banking products for the users and the reasons which hold them back from using Islamic banking products and services.

Through Primary data collection, target people have been personally contacted and conducted face to face by the researcher. Thus, high rate of response was achieved face to face compared to online or mail survey.

### **3.4.3. Pre-Testing of Instrument**

The pilot study or pre-testing was performed for the purpose of determining how the questionnaire can be improved and if the constructed questions are well understood by the respondents. The number of participants in the pilot study or group is normally smaller compared to the number scheduled respondents in the similar group by which sample will be selected. In this study, the pilot involved a group of twenty respondents to the test questionnaire constructs for inter alias, vagueness and ambiguity to determine whether questions were correctly structured and to identify questions of sensitive nature. This insight was gained from the clear response received from respondents.

Last but not least, the questionnaire was approved by the Ethics Board of Anadolu University before it was conducted on the sample.

### **3.4. Background of The Respondents**

As noted earlier, this study involved respondents of two different categories: Muslim and Non-Muslim citizens of Tanzania. Thus, target population involved people who are living in Zanzibar, due to the availability of high population of Muslim and Dar es Salam due to the availability of high population of non-Muslim in order to evaluate their perceptions towards introduction of Islamic banking in Tanzania. Indeed, targeted respondents included students of different academic levels and professions, government employees, private employees, businessmen/businesswomen and all people who reached 18 years old. With regards to ordinary citizens, the sample comprised of respondents of different socio-economic status. By excluding age, there were no other restrictions and other criterion imposed in the selection of sample respondents.

### **3.5. Measurement and Instrumentation**

The data for this study were collected through a formal self-report questionnaire. The questionnaire consists of measurements that were adopted from previous established instruments and self-organized interview were conducted for foreign students at Anadolu University.

The purpose of that interview is to know the reason of individual to choose Islamic banking and the reason for not selected Islamic banking in order to apply in selection area. The questionnaire was medium, clear, and straight forward. It consists of only 16 questions that captured almost all aspects of the study. The first, second and third question asks about gender, age, and religion. Also, question four consists of marital status of respondents; fifth question consists of the education level; sixth questions is related to the professional of the respondents; question number seven asks if the respondents have ever heard about Islamic banking, questions number eight is related with the awareness of Islamic Banking Products.

Question number nine asks from where they know about Islamic banking products and services, question ten explores how much they agreed with the statements mentioned in the question about Islamic banking, namely; question eleven asks if the respondents have ever been a customer of Islamic banking; question twelve comprises factors for choosing Islamic Banking facilities. Question thirteen, asks if the respondent is willing to use Islamic banking in the future; question fourteen asks reasons for using Islamic banking in future. Question fifteen asks about reasons for not choosing Islamic banking in the future. Lastly, the questionnaire ends with question that addresses opinions about the Islamic banking industry.

### **3.6. Reliability and validity test**

The most commonly used reliability test is Cronbach's Alpha Index. This is due to the interpretation as a correlation coefficient and it is ranges from 0 to 1 (Daud, 2011). Apart from that, using the Cronbach's Alpha Index can determine whether the questionnaire is reliable and the data can be used for further analysis (Hair, 1998) . According to Hair et al. (1998), the acceptance level of Cronbach Alpha Index should exceed 0.7. A result of .00

indicates no consistency in measurement, 1.00 indicates perfect consistency in measurement whereas a result more than .70 is deemed reliable as well as good.

In this study, the pre-test involved a group of twenty respondents to test questionnaire constructs for inter alias, vagueness and ambiguity, to determine whether questions were correctly structured and to identify questions of sensitive nature. Since pre-test reliability test has shown that awareness questions have a value of .892 and perceptions questions have a value of .778.

In the actual survey, the Cronbach's Alpha result related to awareness questions is found to be .936 while the Cronbach's Alpha result related to perception questions is found to be .854. Hence, the questionnaire has passed the Cronbach's Alpha reliability test and the study can continue for further analysis. SPSS 13 was used for statistical data analysis purposes.

## CHAPTER FOUR

### 4. DATA ANALYSIS

#### 4.1. Demographic Profile of Respondents

The construct of the survey questionnaire involved a detailed account of the respondents' demographic profile with the assumption that the demographic attributes of the respondents may have influence in the Muslims and non-Muslims perception towards the introduction of Islamic banking services in Tanzania. Before jumping to the questions, the questionnaire provides the self-introduction by giving the significance; rationale and purpose of the survey to the respondents. Furthermore, the respondents have also been assured that all information provided will be kept confidential and will be used for the purpose of the study only.

For the purpose of this study, five demographic attributes were involved. These are respondent's gender, religion, age, level of education and occupation. Table 4.1 shows the summary results of demographic profile of the respondents. The results indicate that, the gender proportion of males and females were 52.4% and 47.6%, respectively. This proportion is considered fair and not biased. As for the case of religion, the proportion was equal. That is, 50% of respondents were Muslims and the 50% were non-Muslims. There were done intentionally to provide religion balance and avoid biasness in results. With regards to the age of respondents, about one third of respondents were at the age of 26 and 41 years of age while the older people were less represented because of their availability. The other age ranges are as observed in Table 4.1.

The marital status of respondents is also considered during the survey. The survey results indicate that more than half of respondents are married, 37.3% are single, 3.9% are widowed and only 5.2% are divorced. In the case of education, the results indicate that about half of the surveyed respondents possess a higher level of education (from bachelor degree to PhD) while the remaining proportion of respondent's posse either diploma, certificate, primary or secondary education. The details of each category of education and their proportion can be seen in Table 1 below. With regards to employment status (i.e. occupation) of surveyed respondents, more than 53% were employed either by public sector (25%) or

private sector (28.9%). The remaining proportion of respondents is self-employed in different sectors as clearly indicated in Table 4.1 below.

**Table 4.1. Demographic Profile of the Respondents**

<b>Demographic Profile</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>Gender</b>		
Male	346	52.4
Female	314	47.6
<b>Religion</b>		
Muslim	330	50
Non-Muslim	330	50
<b>Age</b>		
18 – 25	153	23.2
26 – 33	239	36.2
34 – 41	145	22.0
42 – 49	66	10.0
50 – 57	41	6.2
58 and Above	16	2.4
<b>Marital Status</b>		
Single	246	37.3
Married	354	53.6
Widowed	26	3.9
Divorced	34	5.2
<b>Education</b>		
Primary	14	2.1
Secondary	120	18.2
Certificate	70	10.6
Diploma	122	18.5
Degree	259	39.3
Masters	59	9.0
PhD	15	2.3
Others		
<b>Occupation</b>		
Government Employee	165	25
Private Employee	191	28.9
Self-employed	93	14.1
Fisherman	9	1.4
Farmer	14	2.1
House wife	39	5.9
Students	143	21.7
Others	6	0.9

**Source:** SPSS.

#### **4.2. Perception of Muslims and Non-Muslims: A Comparative analysis (Objective one).**

This section presents the results on perception of Muslims and non-Muslims towards the introduction of Islamic banking in Tanzania. The analysis is done on comparative basis; thus, the section endeavors to answer the question whether there is any significant statistical

difference between perception of Muslims and non-Muslims on this matter. To answer this question, cross-tabulation based on Chi-square analysis is performed with SPSS and the summary of results is presented in Table 4.2 below. To capture the respondents' perception, a question consisting of eleven items was constructed and the respondents were requested to respond to each item.

Table 4.2 shows the results for each item of the question. Generally, the results presented in Table 4.2 indicate the existence of significant difference between the perception of Muslim and non-Muslim respondents towards the introduction of Islamic banking services in Tanzania. That is, because the *p*-value is significant low compared to the alpha level, we cannot accept the null hypothesis that there is no statistical difference between perception of Muslims and non-Muslims towards introduction of Islamic banking in Tanzania. Thus, it can be concluded that there is significant difference between perception of Muslims and non-Muslims on the issue in question. This conclusion is consistent to all eleven items involved in analysis. The detailed descriptive analysis of this observation for each item of the question is given in Table 4.3 to 4.13 below.

**Table 4.2.** *Chi-Square Results on Perception of Muslims and Non-Muslims towards introduction of Islamic Banking Services in Tanzania*

Statement	Chi-Square Value	Df.	Sig. level	No. of Valid cases
Islamic banking is not acceptable and should be taken out in Tanzania.	130.668	4	.000	660
It is a step towards the introduction of <i>Sharia'h</i> law in the country.	71.598	4	.000	660
Islamic banks are only for Muslims. It has nothing to do with non-Muslims.	93.931	4	.000	660
Islamic banking system is only based on Arab countries; African countries should not be concern with it.	73.130	4	.000	660
Islamic banking treats Muslim and non-Muslim in the same way.	182.658	4	.000	660
Choosing Islamic banking means choosing Islam.	92.084	4	.000	660
Islamic banking is potential for diversified financing facilities in the country.	97.554	4	.000	660
Islamic banking can be a good alternative source of financing besides the conventional banking.	100.725	4	.000	660
Islamic banking can contribute in removing society's inequalities and improving general standard of living.	136.713	4	.000	660
Islamic banking is faith based type of finance, thus, it is free from exploitations of rich to poor.	101.710	4	.000	660
Islamic banking can contribute to social welfare.	109.823	4	.000	660

**Source:** SPSS.

#### **4.3. Perception of Muslims Vs Non-Muslims: Descriptive analysis**

This section presents the descriptive analysis of results on perception of Muslims *versus* non-Muslims towards introduction of Islamic banking in Tanzania. This is done to substantiate the results presented in Table 4.1 above. The presentation of descriptive results is also important because the questions are prepared as Likert scales based on five levels as observed in questionnaire attached in Appendix I.



#### **4.3.1. Islamic banking is not acceptable and should be taken out in Tanzania**

Table 4.3 presents the cross-tabulation results on perception of Muslims *versus* non-Muslims towards introduction of Islamic banking in Tanzania based on descriptive statistical analysis. It can be observed from Table 4.3 that (2.1%) and (2.7%) which is less than 5% of Muslim respondents strongly agree and agree that Islamic banking is not acceptable and should be taken out in Tanzania, while the remaining proportion is either neutral (5.2%), disagree (37.3%) or strongly disagree (52.7%). This result shows that large part of Muslim respondents they want Islamic banking to operate in Tanzania, where by some of them due to the lack of education their perceptions is contrary with the nature of the bank. This is show the evidence that even if Islamic banking is operating Islamically but still there is existence of mixed perceptions among Muslims themselves. Contrary to Muslim perception, the results from Table 4.3 shows that non-Muslim respondents have mixed perceptions on this matter less than 50% of non-Muslim respondents they don't want Islamic banking to operate in Tanzania where by in detailed result shows that about 31.5% on non-Muslim respondents have shown neutral perception to this matter while about 16.4% and 52.1% agree and disagree with matter, respectively.

These results imply that with this matter, majority of Muslims they need Islamic banking in Tanzania but more education is needed to be spread the importance of Islamic banking in daily life to Muslims in Tanzania. As for the case of non-Muslims, majority of respondents have unclear perceptions they have wrong conception and perception. This again calls for promotion of Islamic banking education in Tanzania.

**Table 4.3.** Results based on Cross-tabulation on the question whether Islamic banking is not acceptable and should be taken out in Tanzania

Religion of respondents		Islamic banking is not acceptable and should be taken out in Tanzania					Total
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	
Muslim	Count	7	9	17	123	174	330`
	% within religion of respondents	2.1%	2.7%	5.2%	37.3%	52.7%	100.0%
	% within Muslim	19.4%	26.5%	14.0%	54.4%	71.6%	50.0%
Non-Muslim	% of total	1.1%	1.4%	2.6%	18.6%	26.4%	50.0%
	Count	29	25	104	103	69	330
	% within religion of respondents	8.8%	7.6%	31.5%	31.2%	20.9%	100.0%
	% within non-Muslim	80.6%	73.5%	86.0%	45.6%	28.4%	50%
	% of total	4.4%	3.8%	15.8%	15.6%	10.5%	50%
Total		100%	100%	100%	100%	100%	100%

Source: SPSS.

#### 4.3.2. Islamic banking is a step towards the introduction of Sharia'h law in the country

Table 4.4 presents the cross-tabulation results on perception of Muslims *versus* non-Muslims towards introduction of Islamic banking in Tanzania based on descriptive statistical analysis. It can be observed from Table 4.4 that more than 54% of Muslim respondents agree that introduction of Islamic banking services is a step towards the introduction of *sharia'h* law in the country while the remaining proportion is either neutral (14.2%) or disagree (31.5%). This represents a misconception and wrong perception as the core objective is not to introduce *Sharia'h* in the country. Islamic banking only aims at giving Muslims (and even non-Muslims) to have alternative choice to banking services especially when it comes to the issue of interest transactions which are strictly banned in Islam. Contrary to Muslim perception, the results from Table 4.4 reveal that non-Muslims have mixed perceptions on this matter. More specifically, about 43.3% on non-Muslim respondents have shown neutral perception to this matter while about 31.2% and 25.5% agree and disagree with matter, respectively.

These results imply that with this matter, majority of Muslims have misconception and wrong perception of the introduction Islamic banking and more education need to be propagated to Muslims on this issue. As for the case of non-Muslims, majority of respondents have unclear perception and nearly one third of them have wrong conception and perception. This again calls for promotion of Islamic banking education in Tanzania.

**Table 4.4.** Results based on Cross-tabulation on the question whether Islamic banking is a step towards introduction of Sharia'h law in the country

Religion of respondents	Islamic banking is a step towards the introduction of Sharia'h law in the country					Total	
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree		
	Count	61	118	47	76	28	330
	% within religion of respondents	18.5%	35.8%	14.2%	23.0%	8.5%	100.0%
<b>Muslim</b>	% within Muslim	65.6%	62.4%	24.7%	54.3%	58.3%	50.0%
	% of total	9.2%	17.9%	7.1%	11.5%	4.2%	50.0%
<b>Non- Muslim</b>	Count	32	71	143	64	20	330
	% within religion of respondents	9.7%	21.5%	43.3%	19.4%	6.1%	100.0%
	% within non-Muslim	34.4%	37.6%	75.3%	45.7%	41.7%	50.0%
	% of total	4.8%	10.8%	21.7%	9.7%	3.0%	50.0%
	Total	100%	100%	100%	100%	100%	100%

Source: SPSS.

#### 4.3.3. Islamic banks are only for Muslims. It has nothing to do with non-Muslims

With regards to the question whether Islamic banks are meant for Muslims only, the results presented in Table 4.5 indicate that generally, about 79.1% of Muslim respondents disagree with this notion and only 15.2% agree while the remaining 5.8% are neutral. With this point of perception, it can be concluded that the overwhelming majority of Muslims in Tanzania has perfect perception that Islamic banking is for everybody regardless of the religion of a customer. That is, non-Muslims are also allowed to join Islamic financial services. With regards to non-Muslims, the results from Table 4.5 show mixed perceptions among non-Muslims. While nearly half of respondents have right perception about

introduction of Islamic banking in the country, 28.5% believes that Islamic banks are only for Muslims and non-Muslims have not place in this newly emerged banking business.

**Table 4.5.** Results based on Cross-tabulation on the question whether Islamic banks are meant for Muslims only

Religion of respondents		Islamic banks are only for Muslims. It has nothing to do with non-Muslims.					Total
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	
<b>Muslim</b>	Count	23	27	19	120	141	330
	% within religion of respondents	7.0%	8.2%	5.8%	36.4%	42.7%	100.0%
	% within Muslim	31.5%	38.8%	19.6%	52.6%	73.8%	50.0%
	% of total	3.5%	4.1%	2.9%	18.2%	21.4%	50.0%
<b>Non-Muslim</b>	Count	50	44	78	108	50	330
	% within religion of respondents	15.2%	13.3%	23.6%	32.7%	15.2%	100.0%
	% within non-Muslim	68.5%	62.0%	80.4%	47.4%	26.2%	50.0%
	% of total	7.6%	6.7%	11.8%	16.4%	7.6%	50.0%
	Total	100%	100%	100%	100%	100%	100%

Source: SPSS.

#### **4.3.4. Islamic banking system is only based on Arab countries; African countries should not be concern with it.**

On the other hand, the survey involved the assessment of respondents' perception of the question whether the Islamic banking system is only based on Arab countries and it has nothing to do with African countries. The results presented in Table 4.6 reveal that overwhelming majority Muslims respondents (88.2%) do not agree with this notion thereby presenting the correct perception. Similarly, majority of non-Muslim respondents (about 63.7%) have correct perception on this matter. The remaining proportions of non-Muslim respondents either possess neutral perception (about 18.5%) or negative perception (about 17.9%) on this matter.

**Table 4.6.** Results based on Cross-tabulation on the question whether Islamic banking system is only based on Arab countries, it does not fit for African countries

Religion of Respondents		Islamic banking system is only based on Arab countries; African countries should not be concern with it.					Total
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	
<b>Muslim</b>	Count	6	15	18	122	169	330
	% within religion of respondents	1.8%	4.5%	5.5%	37.0%	51.2%	100.0%
	% within Muslim	13.3%	42.9%	22.8%	50.2%	65.5%	50.0%
<b>Non-Muslim</b>	% of total	0.9%	2.3%	2.7%	18.5%	25.6%	50.0%
	Count	39	20	61	121	89	330
	% within religion of respondents	11.8%	6.1%	18.5%	36.7%	27.0%	100.0%
	% within non-Muslim	86.7%	57.1%	77.2%	49.9%	34.5%	50%
	% of total	5.9%	3.0%	9.2%	18.3%	13.5%	50.0%
Total		100%	100%	100%	100%	100%	100%

Source: SPSS.

#### 4.3.5. Islamic banking treats Muslim and non-Muslim in the same way

With regards to the question whether Islamic banking give similar treatment to Muslims and non-Muslims, the results presented in Table 4.7 indicate that 78.8% of Muslim respondents have correct perception, 7.9% neutral and 13.7% have negative perception and believe that Islamic banking treat Muslims and non-Muslims differently. On the other hand, non-Muslims have mixed perception on this matter with more than 44% of neutral perception, 27.9% disagree and believe that because there are not Muslim they can't obtain good services like Muslims, and only 27.9% have positive perception on this concept. Islamic banking gives Muslims and non-Muslims the same treatments, it is not regard in which religion the customer coming from. On that reason, this misconception is needed to be corrected by Islamic banking stakeholder by giving education to both Muslims and non-Muslims.

**Table 4.7.** Results based on Cross-tabulation on the question whether Islamic banking system treats Muslims and non-Muslims in the same way

Religion of respondents		Islamic banking treats Muslim and non-Muslim in the same way.					Total
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	
<b>Muslim</b>	Count	142	117	26	26	19	330
	% within religion of respondents	43.0%	35.5%	7.9%	7.9%	5.8%	100.0%
	% within Muslim	78.5%	68.8%	15.1%	31.7%	34.5%	50.0%
	% of total	21.5%	17.7%	3.9%	3.9%	2.9%	50.0%
	Total	100%	100%	100%	100%	100%	100%
<b>Non-Muslim</b>	Count	39	53	146	56	36	330
	% within religion of respondents	11.8%	16.1%	44.2%	17.0%	10.9%	100.0%
	% within non-Muslim	21.5%	31.2%	84.9%	68.3%	65.5%	50%
	% of total	5.9%	8.0%	22.1%	8.5%	5.5%	50.0%
	Total	100%	100%	100%	100%	100%	100%

Source: SPSS.

#### 4.3.6. Choosing Islamic banking means choosing Islam

Also, the survey involved the assessment of respondents' perception of the question whether choosing Islamic banking means choosing Islam. Table 4.8 represents that about 33.6% of Muslims agree on this statement, among 9.4% neutral responded while 57% disagree of this statement. This show that large number of Muslims perceive that Islamic banking is like other banking it can be used to anyone without being a Muslim. More education is needed to make Muslims more aware that Islamic banking is accepting any one without regarding customer's religion. By compare to non-Muslim respondents in table 4.8 shows that about 33.9% of non-Muslims agree on this statement,37.6% are neutral and 28.5%

disagree on this statement. This showing that there is mixed perception among non-Muslims on whether choosing Islamic banking means choosing Islamic religion. Therefore, more education is supplementary needed to non-Muslim populations so as to be aware that by using Islamic banking there is no force which can lead them to convert from their religion to Muslim religion, Islamic banking is like other banking any one can use it without being a Muslim.

**Table 4.8.** Results based on Cross-tabulation on the question whether Choosing Islamic banking means choosing Islam

Religion of Respondents		Choosing Islamic banking means choosing Islam					Total
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	
<b>Muslim</b>	Count	44	67	31	86	102	330
	% within religion of respondents	13.3%	20.3%	9.4%	26.1%	30.9%	100.0%
	% within Muslim	50.0%	49.6%	20.0%	60.1%	73.4%	50.0%
	% of total	6.7%	10.2%	4.7%	13.0%	15.5%	50.0%
	Total	100%	100%	100%	100%	100%	100%
<b>Non- Muslim</b>	Count	44	68	124	57	37	330
	% within religion of respondents	13.3%	20.6%	37.6%	17.3%	11.2%	100.0%
	% within non-Muslim	50.0%	50.4%	80.0%	39.9%	26.6%	50%
	% of total	6.7%	10.3%	18.8%	8.6%	5.6%	50.0%
	Total	100%	100%	100%	100%	100%	100%

Source: SPSS.

#### 4.3.7. Islamic banking is potential for diversified financing facilities in the country.

However, the survey involved the assessment of respondents' perception of the question whether Islamic banking is potential for diversified financing facilities in the country. The results presented in Table 4.9 reveal that majority Muslims respondents (69.1%) agree with this concept thereby presenting the correct perception. Only 7.3% disagree on this

statement and 23.6% are neutral. Similarly, non-Muslim respondents (about 34.9%) have correct perception on this matter. The remaining proportions of non-Muslim respondents either possess neutral perception (about 49.1%) or negative perception (about 16.1%) on this matter.

**Table 4.9.** *Results based on Cross-tabulation on the question whether Islamic banking is potential for diversified financial facilities in the country*

Religion of respondents		Islamic banking is potential for diversified financing facilities in the country.					Total
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	
<b>Muslim</b>	Count	91	137	78	17	7	330
	% within religion of respondents	27.6%	41.5%	23.6%	5.2%	2.1%	100.0%
	% within Muslim	84.3%	58.3%	32.5%	32.1%	29.2%	50.0%
	% of total	13.8%	20.8%	11.8%	2.6%	1.1%	50.0%
	Total	100%	100%	100%	100%	100%	100%
<b>Non- Muslim</b>	Count	17	98	162	36	17	330
	% within religion of respondents	5.2%	29.7%	49.1%	10.9%	5.2%	100.0%
	% within non-Muslim	15.7%	41.7%	67.5%	67.9%	70.8%	50%
	% of total	2.6%	14.8%	24.5%	5.5%	2.6%	50.0%
	Total	100%	100%	100%	100%	100%	100%

**Source:** SPSS.

#### **4.3.8. Islamic banking can be a good alternative source of financing besides the conventional banking.**

Similarly, the survey involved the capture of respondents' perception on whether the introduction of Islamic banking can be suitable alternative source of financing besides the conventional banking. The results are reported in table 4.10. According to table 4.10 below, it shows that out of 330 of Muslim respondents 75.4% have positive perception of this



view,17.6% are neutral and only 6.9% disagree on this statement. On the other hand, non-Muslim respondents have mixed perception where by 45.5% agree ,40.3% neutral and 14.5% disagree. Thus, it can clearly be seen that there is a mixed perception among non-Muslims about this notion on introduction of Islamic banking in Tanzania.

**Table 4.10.** *Results based on Cross-tabulation on the question whether Islamic banking is good alternative source of financing to convention banking*

Religion of Respondents		Islamic banking can be a good alternative source of financing besides the conventional banking.					Total
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	
<b>Muslim</b>	Count	115	134	58	13	10	330
	% within religion of respondents	34.8%	40.6%	17.6%	3.9%	3.0%	100.0%
	% within Muslim	83.3%	51.5%	30.4%	28.3%	40.0%	50.0%
	% of total	17.4%	20.3%	8.8%	2.0%	1.5%	50.0%
	Total	100%	100%	100%	100%	100%	100%
<b>Non-Muslim</b>	Count	23	126	133	33	15	330
	% within religion of respondents	7.0%	38.2%	40.3%	10.0%	4.5%	100.0%
	% within non-Muslim	16.7%	48.5%	69.6%	71.7%	60.0%	50%
	% of total	3.5%	19.1%	20.2%	5.0%	2.3%	50.0%
	Total	100%	100%	100%	100%	100%	100%

**Source:** SPSS.

#### **4.3.9. Islamic banking can contribute in removing society's inequalities and improving general standard of living**

Respondents were supposed to show their perception on whether Islamic banking system can contribute in removing inequalities and improve standard of living. Table 4.11 shows that about 74.9% of Muslims agree on this perception,18.8% neutral and only 6.3% disagree. However, non-Muslim respondents they have mixed perception 50.3% are neutral,34.3% agree and 15.4% disagree. The result shows that non-Muslim they have mixed

perception on this matter like they don't believe that Islamic banking can contribute in removing inequalities and improve standards of living.

**Table 4.11.** Results based on Cross-tabulation on the question whether Islamic banking system can contribute in removing inequalities and improve standard of living

Religion of Respondents		Islamic banking can contribute in removing society's inequalities and improving general standard of living					Total
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	
<b>Muslim</b>	Count	118	129	62	12	9	330
	% within religion of respondents	35.8%	39.1%	18.8%	3.6%	2.7%	100.0%
	% within Muslim	85.5%	58.1%	27.2%	24.5%	39.1%	50.0%
	% of total	17.9%	19.5%	9.4%	1.8%	1.4%	50.0%
	Total	100%	100%	100%	100%	100%	100%
<b>Non-Muslim</b>	Count	20	93	166	37	14	330
	% within religion of respondents	6.1%	28.2%	50.3%	11.2%	4.2%	100.0%
	% within non-Muslim	14.5%	41.9%	72.8%	75.5%	60.9%	50%
	% of total	3.0%	14.1%	25.2%	5.6%	2.1%	50.0%
	Total	100%	100%	100%	100%	100%	100%

Source: SPSS.

#### **4.3.10. Islamic banking is faith based type of finance, thus, it is free from exploitations of rich to poor**

The respondents were also requested to reveal their perception on whether the existence of Islamic banking is faith type of finance, it is free from exploitation of rich to poor. The result from table 4.12 indicate that 60.9% of Muslims agree and have positive perception on this notion, while 12.8% disagree and 26.4% have mixed perception (neutral). Similarly, more than half of non-Muslim respondents they have mixed perception which is 56.1%, about 28.4% agree with the notion and 15.5% have negative perception on this view. In fact,

majority of non-Muslim respondents are not sure if the existence of Islamic banks in the country may contribute in removing inequalities and improve standard of living.

**Table 4.12.** Results based on Cross-tabulation on the question whether Islamic banking is faith based type of finance, thus, it is free from exploitations of rich to poor

Religion of Respondents		Islamic banking is faith based type of finance, thus, it is free from exploitations of rich to poor					Total
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	
<b>Muslim</b>	Count	100	101	87	25	17	330
	% within religion of respondents	30.3%	30.6%	26.4%	7.6%	5.2%	100.0%
	% within Muslim	87.0%	56.1%	32.0%	44.6%	45.9%	50.0%
	% of total	15.2%	15.3%	13.2%	3.8%	2.6%	50.0%
	Total	100.0%	100.0%	100.0%	100.0%	100%	100%
<b>Non- Muslim</b>	Count	15	79	185	31	20	330
	% within religion of respondents	4.5%	23.9%	56.1%	9.4%	6.1%	100.0%
	% within non-Muslim	13.0%	43.9%	68.0%	55.4%	54.1%	50%
	% of total	2.3%	12.0%	28.0%	4.7%	3.0%	50.0%
	Total	100.0%	100.0%	100.0%	100.0%	100%	100%

**Source:** SPSS.

#### 4.3.11. Islamic banking can contribute to social welfare

The last statement which was measured the perception of Muslims and non-Muslims toward introduction of Islamic banking in Tanzania on whether Islamic banking can contribute to social welfare. Table 4.13 shows that overwhelming of Muslim respondents has positive perception which is 84.8%, only 0.9% disagree on this notion and few of them 10.9% replied neutral. This shows that Muslims have strongly believe that Islamic banking banks in Tanzania can really contribute to the social welfare. Similarly, more than half of non-Muslim respondents have positive perception about 55.7% ,32.7% have mixed perception and only 15.7% are totally disagree on this notion. This result showing that majority of the respondents have positive perceptions on this notion but then more education is needed so as for those

who have mixed perceptions to believe that Islamic banking can do more than what they believe.

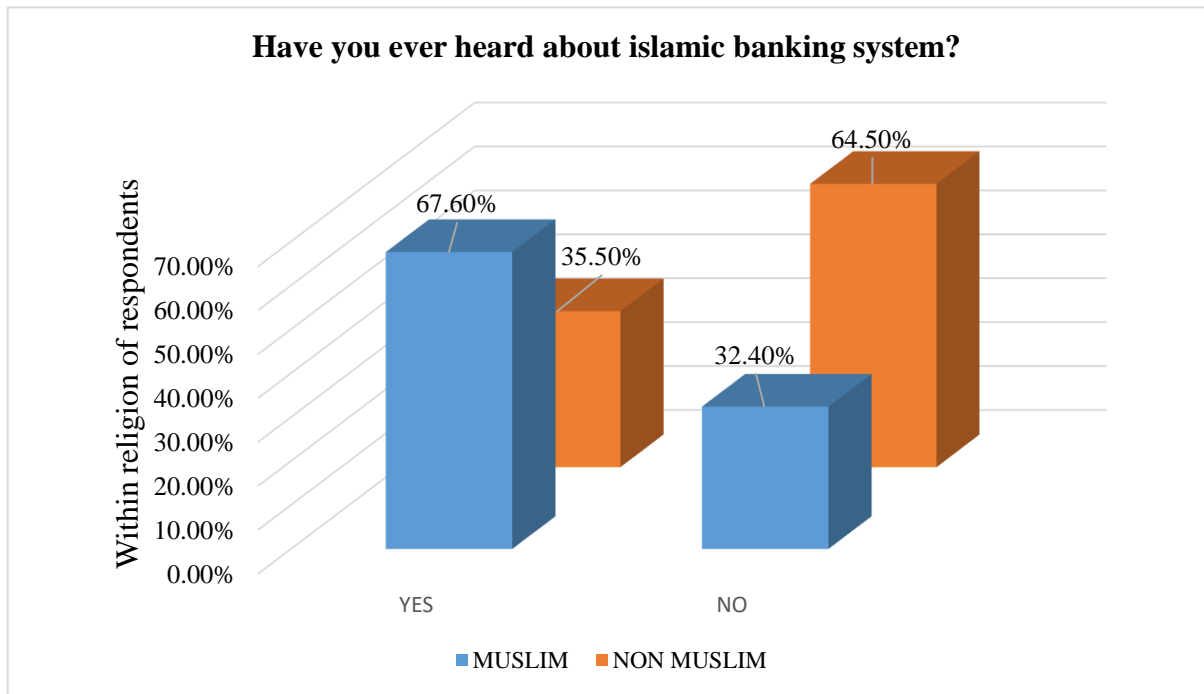
**Table 4.13.** Results based on Cross-tabulation on the question whether Islamic banking can contribute to social welfare

Religion of Respondents		Islamic banking can contribute to social welfare					Total
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	
<b>Muslim</b>	Count	142	138	36	11	3	330
	% within religion of respondents	43.0%	41.8%	10.9%	3.3%	0.9%	100.0%
	% within Muslim	79.3%	48.4%	25.0%	31.4%	17.6%	50.0%
	% of total	21.5%	20.9%	5.5%	1.7%	0.5%	50.0%
<b>Non-Muslim</b>	Count	37	147	108	24	14	330
	% within religion of respondents	11.2%	44.5%	32.7%	7.3%	4.2%	100.0%
	% within non-Muslim	20.7%	51.6%	75.0%	68.6%	82.4%	50%
	% of total	5.6%	22.3%	16.4%	3.6%	2.1%	50.0%
	Total	100%	100%	100%	100%	100%	100%

Source: SPSS.

#### 4.4. Awareness of Muslims and non-Muslims on Islamic banking products and services: A comparative analysis (Objective two)

This objective has been shown in question number 7 in the questionnaire whereby the respondents are requested to answer if they ever heard about the Islamic banking system. As shown in the figure 4.1 about 67.6% of Muslim respondents replied yes and 32.4% replied no. However, 35.5% of non-Muslim respondents said yes and 64.5% replied no. This shows that majority of non-Muslim have never heard about Islamic banking system. Chi-square test was performed and it was found that there is a significant difference between Muslim and non-Muslim with respect to the awareness of Islamic banking.  $X^2 (1, N = 660) = 68.160, p = .000$ .



**Figure 4.1.** Analysis between Muslim and non-Muslim toward awareness of islamic banking system

**Source:** SPSS

#### **4.5. Islamic Banking Products and services: A Comparative analysis between Muslim and Non-Muslim awareness**

This section presents the results on awareness of islamic banking products and services by comparing the level of awareness between Muslims and non-Muslims. The analysis is done on comparative basis; thus, the section attempts to answer the question whether there is any significant statistical difference between awareness of Muslims and non-Muslims on this matter. Like the first objective to answer this question, cross-tabulation based on Chi-square analysis is performed with SPSS and the summary of results is presented in Table 4.14 below. To capture the respondents' awareness, a question consisting of seven items of products and services which was constructed and those respondents who already heard about Islamic banking were requested to respond to each item.

Table 4.14 shows the results for each item of the question. Mostly, the results presented in Table 4.14 indicate the existence of significant difference between the awareness of

Islamic banking products and services between Muslims and non-Muslims in Tanzania. The p-value is significant low compared to the alpha level, we cannot accept the null hypothesis that there is no statistical difference between awareness of Muslim and non-Muslim of Islamic banking products and services. Therefore, it can be concluded that there is significant difference between awareness of Muslims and non-Muslims on the issue in question. This conclusion is consistent to all seven items involved in analysis. The detailed descriptive analysis of this observation for each item of the question is given in figure 4.2 to 4.8 below.

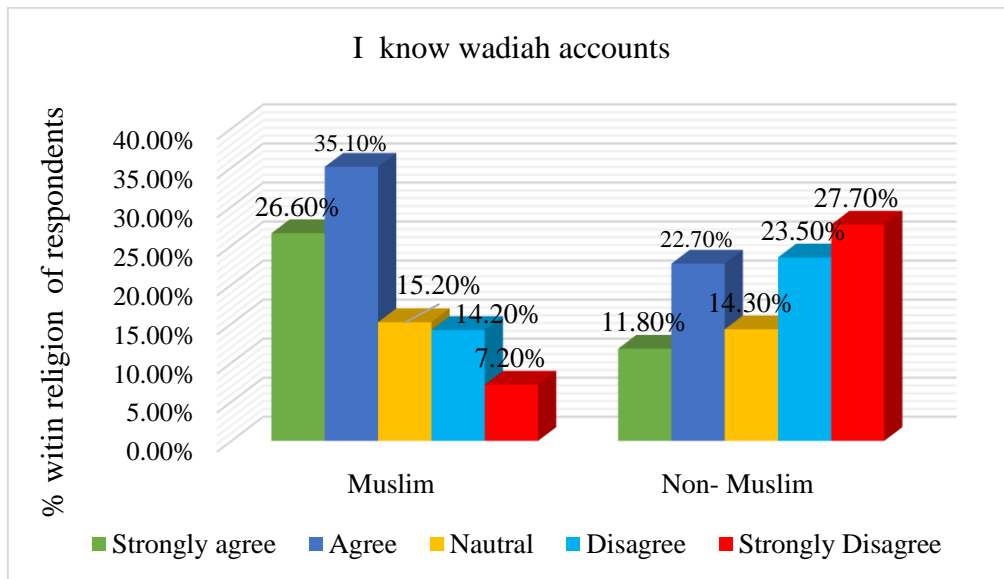
**Table 4.14.** *Chi-Square Results on awareness of Muslims and Non-Muslims on Islamic banking products and services.*

Statement	Chi-Square Value	Df.	Sig. level	No. of Valid cases
I know Al-Wadiah accounts	37.984	4	.000	341
I know Murabaha financing	59.440	4	.000	341
I know Mudaraba financing	50.921	4	.000	340
I know Musharaka financing	51.364	4	.000	341
I know Salam financing	45.967	4	.000	341
I know Istisna financing	37.494	4	.000	341
I know Ijara/lease financing	52.358	4	.000	341

**Source:** SPSS.

#### 4.5.1. I know Al-Wadia Accounts

Figure 4.2 presents the cross-tabulation results on awareness of Muslims *versus* non-Muslims on Islamic banking products and services based on descriptive statistical analysis. The respondents were supposed to answer this question if they know *wadiah accounts*. It can be observed from the figure 4.2 that more than half of Muslim who respond this question they are aware of this service which is 61.7%, about 16.2% are neutral and 22.1% they are not aware of this Islamic banking services. Similarly, non-Muslim respondents indicate that 51.2% are not aware of this services, 34.5% they are aware of this service and only 14.3% they replied neutral. This result shows that both Muslims and non-Muslims they heard about Islamic banking but they are not aware about the services of Islamic banking. On that reasons, Islamic bank's stakeholder they supposed to know this situation and try their best to give education to community regarding islamic banking products and services for improving people's awareness like the way they know the facilities of conventional banking.

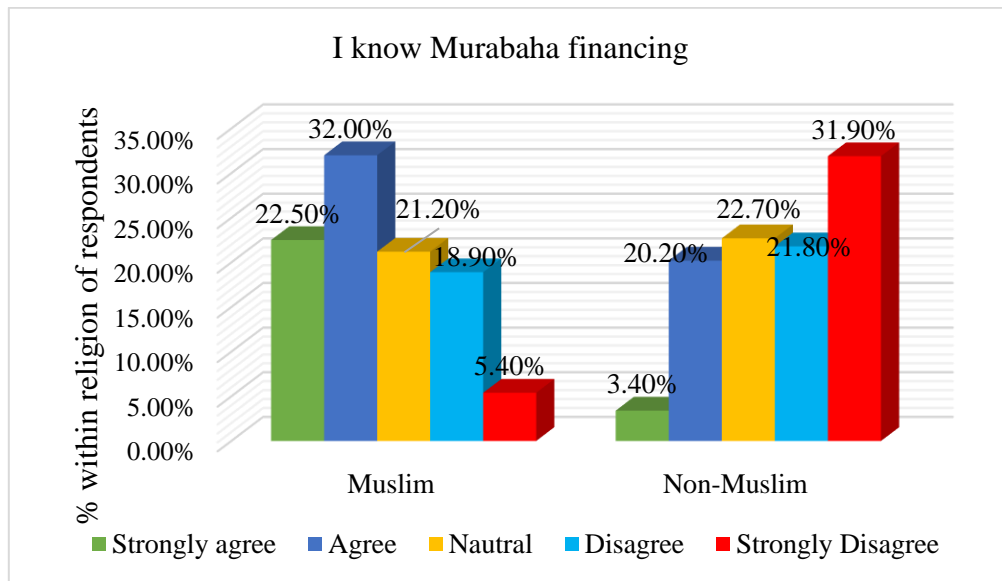


**Figure 4.2.** Result came from crosstab analysis based on the question I know AL-Wadia account.

**Source:** SPSS

#### 4.5.2. I know Murabaha financing

With regards to survey results on non-Muslims awareness on above named Islamic banking lending products, the results from figure 4.3 shows that 54.5% of Muslim they know about Murabaha financing. 24.3% they are not aware and 21.2% they reacted neutral. On the other hand, non-Muslim respondents indicate that 53.7% they are not aware of this products' 23.6% shows that non-Muslim respondents they are aware of listed products of Islamic banking and 22.7% are neutral. Therefore, the result shows that there is different for Muslim and non-Muslim where by large number of non-Muslim they are not aware of this service and some of them they have mixed awareness



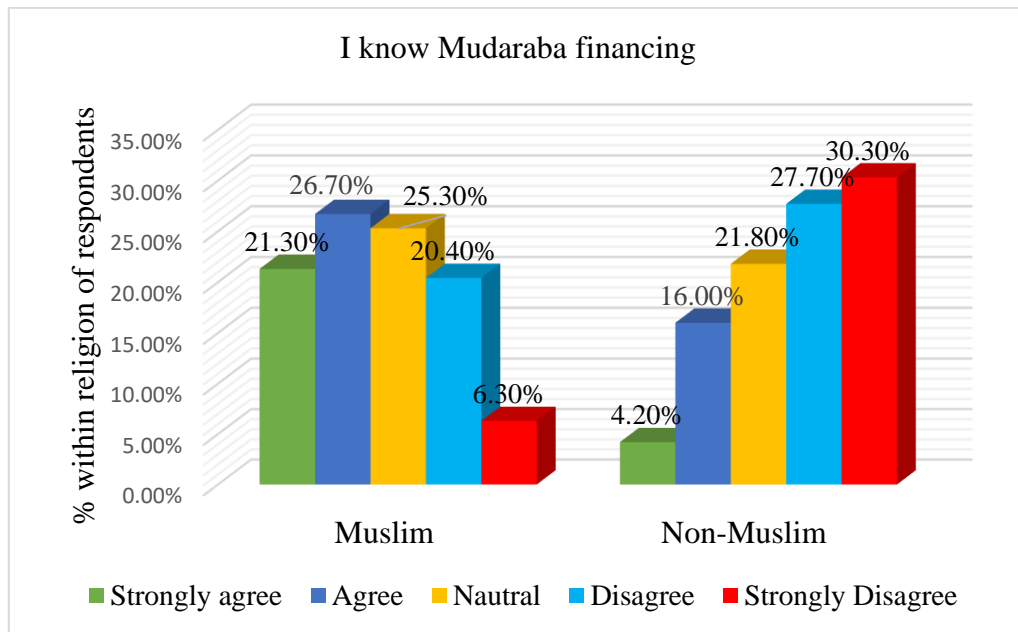
**Figure 4.3.** Results came from crosstab analysis based on the question I know Murabaha financing.

**Source:** SPSS.

#### 4.5.3. I know Mudarabah financing

Also, Respondents were requested to reveal their awareness if whether they know the product of Islamic banking which is called Mudaraba financing. Figure 4.4 shows that about 48% of Muslim they are aware of Mudaraba financing product, 25.3% are neutral and 26.7% they are not aware about the listed product. However, non-Muslim respondents 58% are not aware about this product, 21.8% are neutral and 20.2% they are aware about itemized product. Thus, the result indicates that majority of non-Muslim and part of Muslim they are not aware about the enumerated product of Islamic banking.



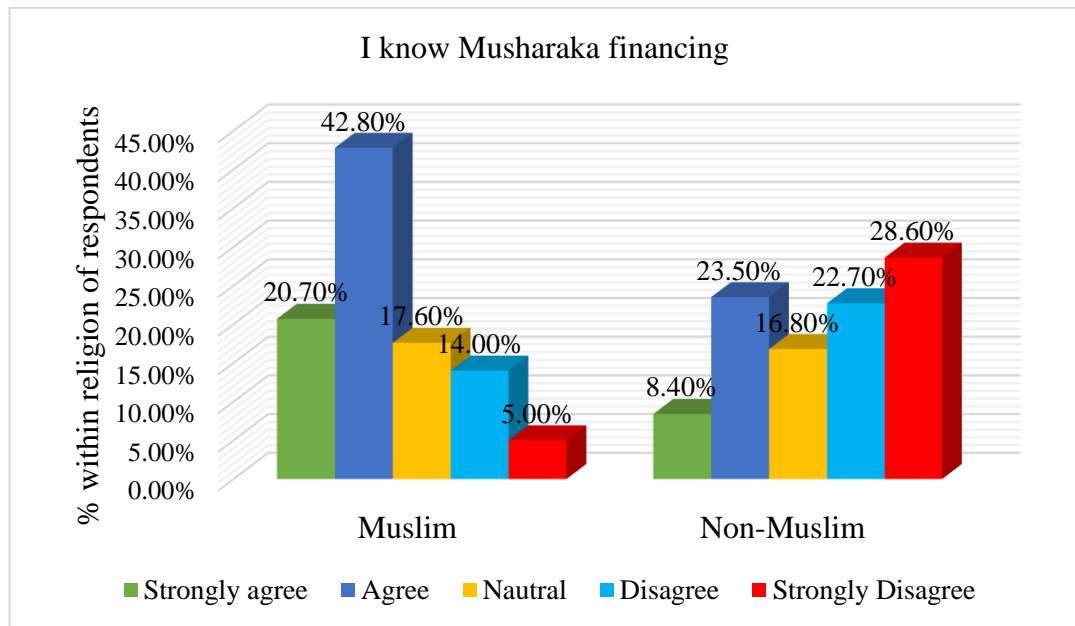


**Figure 4.4.** Results came from crosstab analysis based on the question I know Mudarabah financing.

**Source:** SPSS.

#### 4.5.4. I know Musharaka financing

Another listed product of Islamic banking which was supposed to be answered by respondents was musharaka financing. Figure 4.5 shows that approximately 63.5% of Muslim respondents they know about musharaka financing, 17.6% are neutral and only 19.0% are not aware about listed product. Similarly, about 51.3% of non-Muslim respondents are totally not aware about Musharaka financing, 31.9% they have positive awareness and 16.8% replied neutral. Therefore, the result specifies that the awareness of Muslims and non-Muslims about the listed product are totally difference.

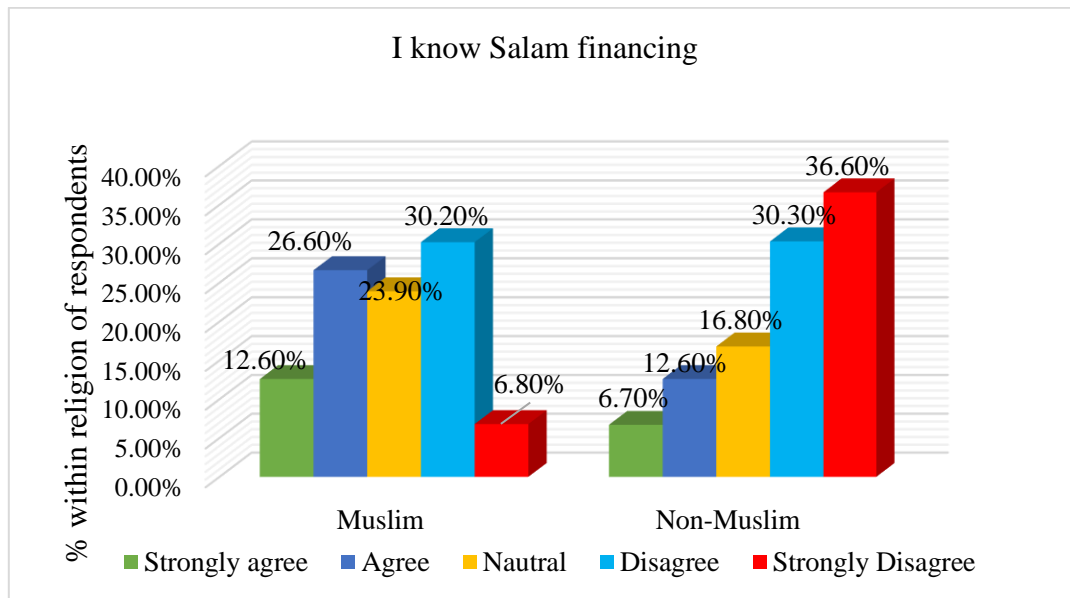


**Figure 4.5.** Results came from crosstab analysis based on the question I know Musharaka financing.

**Source:** SPSS.

#### 4.5.5. I know Salam financing

With respects to survey results on level of awareness between Muslims and non-Muslim on above named Islamic banking giving products, the results from figure 4.6 shows that 39.2% of Muslim respondents they know about Salam financing, 37.0% they have undesirable awareness and 23.9% are neutral. Correspondingly, Non-Muslim respondents shows that about 66.9% are absolutely don't know about the listed product, 19.3% they know about salaam financing and 16.8% reacted neutral. The result still shows that Islamic banking need to provide a basis for the call of promotion and awareness campaign of Islamic banking on its products especially to non-Muslims as well as the general public.

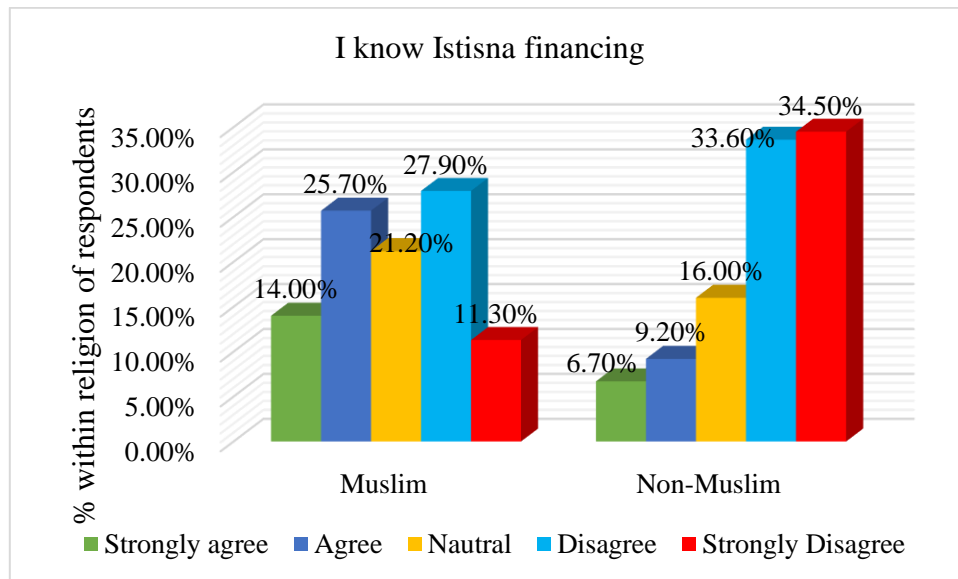


**Figure 4.6.** Results came from crosstab analysis based on the question *I know Salam financing*.

**Source:** SPSS.

#### 4.5.6. I know Istisna financing

As for the case of respondents' awareness on Islamic banking product of istisna financing, the summary of survey results is presented in figure 4.7. According to information presented in figure 4.7 it is showing that the level of awareness of Muslim respondents are low, whereby 39.7% are fully aware about istisna financing, 39.2% are totally not aware and 21.2% replied nonaligned. Likewise, Non-Muslim respondents shows that about 68.1% are not aware about istisna financing, 16.0% replied neutral and 15.9% have positive awareness about listed product. Therefore, the results show that there is big difference of awareness between Muslims and non-Muslims which is needed to be corrected by Islamic bank's managements by advertising more their products and services.

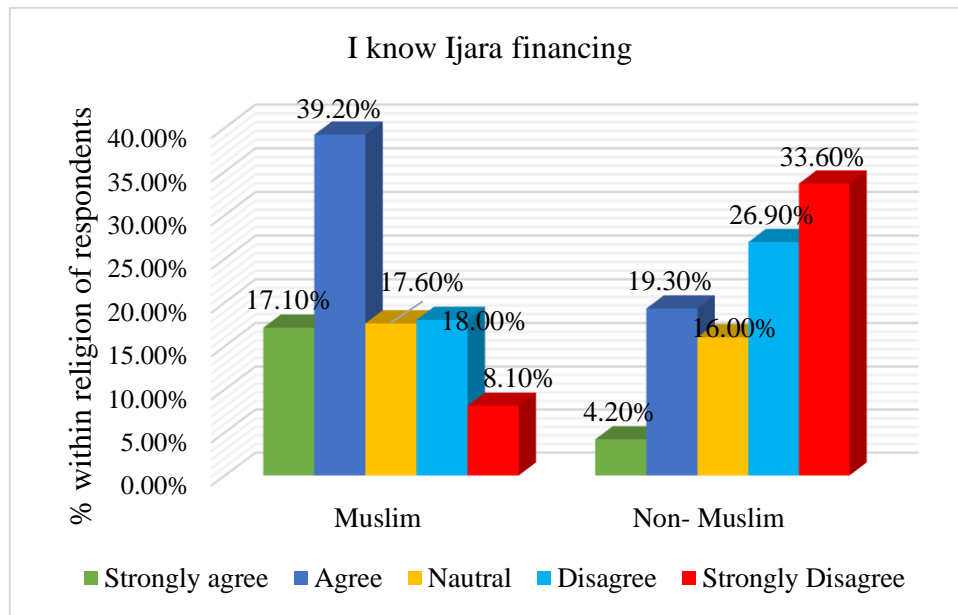


**Figure 4.7.** Results came from crosstab analysis based on the question *I know Istisna financing*.

**Source:** SPSS.

#### 4.5.7. I know Ijara financing

The last product was ijara financing whereby the respondents were requested to replied their level of awareness about this product of Islamic banking. Figure 4.8 shows that about 56.3% of Muslim respondents they know about ijara financing, 26.1% are not aware and 17.6% replied neutral. However, non-Muslim respondents shows that 60.5% have negative awareness about itemized product, 23.5% they agree with being aware about istisna financing and 16.0% replied neutral. Thus, the result shows that advertising is more needed so as to make both Muslims and non-Muslims aware about the products and services in order for them to fill the gap which is existing between Muslims and non-Muslims.



**Figure 4.8.** Results came from crosstab analysis based on the question *I know Ijara financing*.

**Source:** SPSS.

#### 4.6. Source of Knowing Islamic Banking Products and Services

Also, question 9 was answered by the respondents who already heard about Islamic banking system and are aware about Islamic banking products and services. The respondents are requested to select one or more source which lead them to know Islamic banking products and services. Table 4.15 shows the frequency of the respondents whereby majority of respondents they got to know islamic banking through friends 28.2%, through islamic banks 27.6% and through studying islamic banking and social media which represent 17.6% for each.

**Table 4.15.** *Frequency table analysis about source of knowing Islamic banking products and services*

<b>Source of knowing Islamic banking products and services</b>	<b>Frequency of the respondents</b>	<b>Percentage of the respondents</b>
Through Islamic banks	94	27.6%
Through studying Islamic banking	60	17.6%
Through social media	60	17.6%
Through TV advert	23	6.7%
Through street promotions	8	2.3%
Through a friend(s)	96	28.2%
Others	6	1.8%

**Source:** SPSS.

#### **4.7. Similarities and Difference Factors Which Influence Muslim And Non-Muslims To Choose Islamic Banking Products and Services: A Comparative Analysis (Objective Three)**

In question number 11 in the questionnaire, the respondents are requested to answer if they have ever been a customer of an Islamic banking. Cross tabulation analysis in the table 4.16 shows that 38.5% of Muslim respondents replied yes, they have been a customer of an Islamic banks, whereby 61.5% of Muslim respondents said no. Also, non-Muslim respondents 8.2%% said yes whereby 91.8% they said no. This result display that, the majority of non-Muslims do not use Islamic banking and some of Muslim population they started to wake up their mind and using Islamic banking. The Chi-square test was performed and it was found that  $p = .000$  which indicated that there is significant relationship between religion (Muslim and non-Muslim) and being a customer of Islamic banking.  $X^2 (1, N = 660) = 84.698, p = .000$

**Table 4.16.** *Cross Tabulation analysis between Muslim and non-Muslim about being a customer of Islamic banking*

Religion of respondent		Have you ever been a customer of Islamic banking?		
		Yes	No	Total
<b>Muslim</b>	Count	127	203	330
	% within religion of respondents	38.5%	61.5%	100.0%
	% Muslim	82.5%	40.1%	50.0%
	% of total	19.2%	30.8%	50.0%
<b>Non-Muslim</b>	Count	27	303	330
	% within religion of respondents	8.2%	91.8%	100.0%
	% Non-Muslim	17.5%	59.9%	50.0%
	% of total	4.1%	45.9%	50.0%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### 4.7.1. Compliance with Islamic Shariah principles

Question 12 in the questionnaire asked the respondents who already being a customer of Islamic banking which reasons to they think encouraged them to use Islamic banking products and services. The respondents are requested to choose one or more reason which influenced to use islamic banking. The first reason was compliance with Islamic shariah principles whereby 126 Muslim and 28 non-Muslim respectively replied the question. *Cross tabulation analysis* in the table 4.17 shows that about 97 and 10 of Muslim and non-Muslim respondents chose the above-mentioned factor as a reason for using islamic banking which is equal to 77.0% and 35.7% respectively. With the corresponding of *chi-square*, it was found that there is significant relationship between religions and listed factor as a reason of using islamic banking which is compliance with Islamic sharia principles.  $X^2 (1, N = 154) = 18.401, p = .000$

**Table 4.17.** *Compliance with shariah principle: A comparative analysis between Muslim and non-Muslim*

Religion of respondent		Compliance with Islamic shariah principles		
		Yes	No	Total
<b>Muslim</b>	Count	97	29	126
	% within religion of respondents	77.0%	23.0%	100%
	% Muslim	90.7%	61.7%	81.8%
	% of total	63.0%	18.8%	81.8%
<b>Non-Muslim</b>	Count	10	18	28
	% within religion of respondents	35.7%	64.3%	100.0%
	% Within Non-Muslim	9.3%	38.3%	18.2%
	% of total	6.5%	11.7%	18.2%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### 4.7.2. Provision for fast and efficient services

The second reason was provision for fast and efficient services whereby 124 and 28 of Muslim respondents and non-Muslim respondents replied on this matter respectively. *Cross tabulation analysis* in the table 4.18 show that about 22.6% and 32.1% of Muslim and non-Muslim respondents respectively, select this factor as a reason for using islamic banking. *Chi square test* found that there is no significant difference between religions and the itemized factor of using Islamic banking which is provision of fast and efficient services.  $X^2 (1, N = 152) = 1.134, p = .287$ .



**Table 4.18.** *Provision of fast and efficient services: A comparative analysis between Muslim and non-Muslim*

Religion of respondent		Provision for fast and efficient services		
		Yes	No	Total
<b>Muslim</b>	Count	28	96	124
	% within religion of respondents	22.6%	77.4%	100.0%
	% Muslim	75.7%	83.5%	81.6%
	% of total	18.4%	63.2%	81.6%
<b>Non-Muslim</b>	Count	9	19	28
	% within religion of respondents	32.1%	67.9%	100.0%
	% Within Non-Muslim	24.3%	16.5%	18.4%
	% of total	5.9%	12.5%	18.4%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### 4.7.3. Confidentiality of bank

With regard to the question another reason was Confidentiality of bank whereby 125 Muslim and 28 non-Muslim respectively answered the question. *Cross tabulation analysis* in the table 4.19 shows that approximately 33.6% and 32.1% of Muslim and non-Muslim respondents respectively agree that because of confidentiality they chose Islamic banking. *Chi-square* test result has shown that there are no significant differences between religions and specified factor as a reason of using Islamic banking which is confidentiality of bank.  $X^2(1, N = 153) = .022, p = .882$

**Table 4.19.** Confidentiality of bank: A comparative analysis between Muslim and non-Muslim

Religion of respondent		Confidentiality of bank		
		Yes	No	Total
<b>Muslim</b>	Count	42	83	125
	% within religion of respondents	33.6%	66.4%	100.0%
	% Muslim	82.4%	81.4%	81.7%
	% of total	27.5%	54.2%	81.7%
<b>Non-Muslim</b>	Count	9	19	28
	% within religion of respondents	32.1%	67.9%	100.0%
	% Within Non-Muslim	17.6%	18.6%	18.3%
	% of total	5.9%	12.4%	18.3%
	Total	100.0%	100.0%	100.0%

Source: SPSS.

#### 4.7.4. A wide range of product and services

Another reason which can be selected as a factor of using Islamic banking products and services, was a wide range of product and services whereby 125 and 28 of Muslim and non-Muslim respectively replied this question. *Cross Tabulation analysis* in table 4.20 shows that about 24.0% and 17.9% of Muslim and non-Muslim respondents respectively chose the listed factor as a reason of using islamic banking. *Chi -square* result has shown that there is no significant difference between religions and the listed factor of using Islamic banking which is a wide of product and services.  $X^2 (1, N = 153) = .489, p = .484$

**Table 4.20.** *A wide range of product and services: A comparative analysis between Muslim and non-Muslim*

Religion of respondent		A wide range of product and services		
		Yes	No	Total
<b>Muslim</b>	Count	30	95	125
	% within religion of respondents	24.0%	76.0%	100.0%
	% Muslim	85.7%	80.5%	81.7%
	% of total	19.6%	62.1%	81.7%
<b>Non-Muslim</b>	Count	5	23	28
	% within religion of respondents	17.9%	82.1%	100.0%
	% Within Non-Muslim	14.3%	19.5%	18.3%
	% of total	3.3%	15.0%	18.3%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### 4.7.5. Better modes of financing

With respect to another listed factor was better modes of financing as a reason of using Islamic banking products and services, whereby 125 and 28 of Muslim respondents and non-Muslim respondents respectively answered this question. *Cross Tabulation analysis* in the table 4.21 shows that about 37.6% of Muslims and 35.7% of non-Muslims replied that this factor is the reason for using islamic banking. Though, *chi square* result indicated that there is no significant difference between religions and specified factor as a reason of using Islamic banking which is better modes of financing.  $X^2 (1, N = 153) = .035, p = .852$

**Table 4.21.** *Better modes of financing: A comparative analysis between Muslim and non-Muslim*

Religion of respondent		Better modes of financing		
		Yes	No	Total
<b>Muslim</b>	Count	47	78	125
	% within religion of respondents	37.6%	62.4%	100.0%
	% Muslim	82.5%	81.2%	81.7%
	% of total	30.7%	51.0%	81.7%
<b>Non-Muslim</b>	Count	10	18	28
	% within religion of respondents	35.7%	64.3%	100.0%
	% Within Non-Muslim	17.5%	18.8%	18.3%
	% of total	6.5%	11.8%	18.3%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### **4.7.6. Bank's reputation and image**

Another itemized factor as a cause of using Islamic banking was bank's reputation and image whereby 125 and 28 Muslim respondents and non-Muslim respondents respectively replied this question. *Cross tabulation analysis* in table 4.22 displays that 13.4% of Muslims and 25.0% of non-Muslims agreed on the listed factor. *Chi -square* result found that there is no significant difference between religions and specified factor as a reason of using Islamic banking which is bank's reputation and image.  $X^2 (1, N = 153) = 2.248, p = .134$

**Table 4.22.** *Bank's reputation and image: A comparative analysis between Muslim and non-Muslim*

Religion of respondent		Banks reputation and image		
		Yes	No	Total
<b>Muslim</b>	Count	17	108	125
	% within religion of respondents	13.6%	86.4%	100.0%
	% Muslim	70.8%	83.7%	81.7%
	% of total	11.1%	70.6%	81.7%
<b>Non-Muslim</b>	Count	7	21	28
	% within religion of respondents	25.0%	75.0%	100.0%
	% Within Non-Muslim	29.2%	16.3%	18.3%
	% of total	4.6%	13.7%	18.3%
Total		100.0%	100.0%	100.0%

**Source:** SPSS.

#### 4.7.7. Good customer care

Similarly, another factor as a listed reason for using Islamic banking was good customer care, 125 Muslim and 28 non-Muslim respondents answered this question. Cross tabulation analysis in table 4.23 displays that about 31.2% of Muslim respondents and 53.6% of non-Muslim respondents agreed with the factor. A *chi-square* test was performed and has shown that there are significant differences between religions and the specified factor as reason of using Islamic banking which is good customer care.  $X^2 (1, N = 153) = 5.103, p = .025$

**Table 4.23.** *Good customer care: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		Good customer care		
		Yes	No	Total
<b>Muslim</b>	Count	39	86	125
	% within religion of respondents	31.2%	68.8%	100.0%
	% Muslim	72.2%	86.9%	81.7%
	% of total	25.5%	56.2%	81.7%
<b>Non-Muslim</b>	Count	15	13	28
	% within religion of respondents	53.6%	46.4%	100.0%
	% Within Non-Muslim	27.8%	13.1%	18.3%
	% of total	9.8%	8.5%	18.3%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### 4.7.8. Convenient location

Also, convenient location was a specified factor as a reason of using Islamic banking. 125 Muslim and 28 non-Muslim respondents answered this question. *Cross tabulation analysis* in the table 4.24 shows that about 16.8% of Muslims and 32.1% of non-Muslim respondents used this factor as an influence to choose Islamic banking. *Chi -square* test was performed and it was found that there is slight significant difference between religions and the indicated factor as a reason of using Islamic banking which is convenient location.  $X^2 (1, N = 153) = 3.416, p = .065$

**Table 4.24.** *Convenient location: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		Convenient location		
		Yes	No	Total
<b>Muslim</b>	Count	21	104	125
	% within religion of respondents	16.8%	83.2%	100.0%
	% Muslim	70.0%	84.6%	81.7%
	% of total	13.7%	68.0%	81.7%
<b>Non-Muslim</b>	Count	9	19	28
	% within religion of respondents	32.1%	67.9%	100.0%
	% Within Non-Muslim	30.0%	15.4%	18.3%
	% of total	5.9%	12.4%	18.3%
Total		100.0%	100.0%	100.0%

**Source:** SPSS.

#### **4.7.9. Recommendation of family and friends**

Another listed factor as a reason of using Islamic banking was Recommendation of family and friends. *Cross Tabulation analysis* in the table 4.25 shows that 125 Muslim and 28 non-Muslim respondents answered this question. About 19.2% of Muslim respondents and 17.9% of non-Muslim respondents use Islamic banking due to the reason of their family or friends. *Chi-square test* was performed and it found that there is no significant difference between religions and the specified reason of using Islamic banking which is recommended of family and friends.  $X^2 (1, N = 153) = .027, p = .870$ .

**Table 4.25.** Recommendation of family and friends: A comparative analysis between Muslims and non-Muslims

Religion of respondent		Recommendation of family and friends		
		Yes	No	Total
<b>Muslim</b>	Count	24	101	125
	% within religion of respondents	19.2%	80.8%	100.0%
	% Muslim	82.8%	81.5%	81.7%
	% of total	15.7%	66.0%	81.7%
<b>Non-Muslim</b>	Count	5	23	28
	% within religion of respondents	17.9%	82.1%	100.0%
	% Within Non-Muslim	17.2%	18.5%	18.3%
	% of total	3.3%	15.0%	18.3%
Total		100.0%	100.0%	100.0%

Source: SPSS.

#### 4.7.10. Mass media advertising

Also, Mass media advertising was a specified factor as a reason of using Islamic banking. 125 Muslim and 28 non-Muslim respondents answered this question *Cross Tabulation analysis* in the table 4.26 shows that 12.8% of Muslim respondents and 25.5% of non-Muslim respondents agreed that they are using Islamic banking because of mass media advertisement. *Chi- square test* result found that there is no significant difference between religions and the itemized factor as reason of using Islamic banking which is mass media advertising.  $X^2 (1, N = 153) = 2.666, p = .103$



**Table 4.26.** *Mass media advertising: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		Mass media advertising		
		Yes	No	Total
<b>Muslim</b>	Count	16	109	125
	% within religion of respondents	12.8%	87.2%	100.0%
	% Muslim	69.6%	83.8%	81.7%
	% of total	10.5%	71.2%	81.7%
<b>Non-Muslim</b>	Count	7	21	28
	% within religion of respondents	25.5%	75.0%	100.0%
	% Within Non-Muslim	30.4%	16.2%	18.3%
	% of total	4.6%	13.7%	18.3%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### **4.7.11. No interest charge in the loan/deposit.**

Another itemized factor as a reason of using Islamic banking was no interest charge in the loan /deposit, 125 Muslim and 28 non-Muslim respondents answered this question. *Cross Tabulation analysis* in the table 4.27 shows that majority of Muslims and non-Muslims use islamic banking as a reason of this factor which equal to 56.0% and 78.6% respectively. *Chi-square* test result implies there is a significant difference between religion and the enumerated factor as a reason of using Islamic banking which is no interest charge in the loan / deposit.  $X^2 (1, N = 153) = 4.861, p = .027$

**Table 4.27.** *No interest charge in the loan/deposit: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		No interest charge in the loan/ deposit		
		Yes	No	Total
<b>Muslim</b>	Count	70	55	125
	% within religion of respondents	56.0%	44.0%	100.0%
	% Muslim	76.1%	90.2%	81.7%
	% of total	45.8%	35.9%	81.7%
<b>Non-Muslim</b>	Count	22	6	28
	% within religion of respondents	78.6%	21.4%	100.0%
	% Within Non-Muslim	23.9%	9.8%	18.3%
	% of total	14.4%	3.9%	18.3%
Total		100.0%	100.0%	100.0%

**Source:** SPSS

#### **4.7.12. Low service charge**

The last listed factor as a reason of using Islamic banking was low service charge. 125 Muslim and 28 non-Muslim respondents answered this question. *Cross Tabulation analysis* in the table 4.28 shows that 39.2% of Muslim respondents and 71.4% of non-Muslim respondents agreed with this factor. *Chi-square* test was performed and found that there is significant difference between religions and the listed factor as a reason of using Islamic banking which is low service charge.  $X^2 (1, N = 153) = 9.597, p = .002$

**Table 4.28.** *Low service charge: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		Low service charge		
		Yes	No	Total
<b>Muslim</b>	Count	49	76	125
	% within religion of respondents	39.2%	60.8%	100.0%
	% Muslim	71.0%	90.5%	81.7%
	% of total	32.0%	49.7%	81.7%
<b>Non-Muslim</b>	Count	20	8	28
	% within religion of respondents	71.4%	28.6%	100.0%
	% Within Non-Muslim	29.0%	9.5%	18.3%
	% of total	13.1%	5.2%	18.3%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### **4.8. Factors which influence Muslims and non-Muslims to use Islamic banking products and services in the future: A comparative analysis**

Question 13 in the questionnaire was asked the respondents that if they are not using islamic banking currently would they have interested in using it in the future? Whereby question 14 examined if there are any similarities or differences of the itemized reasons of using Islamic banking in the future. *Cross Tabulation analysis* in the table 4.29 shows that out of 205 of Muslim respondents who replied this question 150 said yes which is equal to 73.2% and 55 said no which is equal to 26.8%. Also, about 300 of Non-Muslim respondents replied on this question whereby 101 said yes which is equal to 33.7% and 199 said no which is equal to 66.3%. *Chi square* test indicated that there is significant difference between religions and the willingness of using Islamic banking in the future.  $X^2 (1, N = 505) = 76.023$ ,  $p = .000$

**Table 4.29.** *Cross Tabulation analysis between Muslim and non-Muslim about the agreement of using Islamic banking in the future*

Religion of respondent		If you are not using Islamic banking currently would you be interested using it in the future?		
		Yes	No	Total
<b>Muslim</b>	Count	150	55	205
	% within religion of respondents	73.2%	26.8%	100.0%
	% Muslim	59.8%	21.7%	40.6%
	% of total	29.7%	10.9%	40.6%
<b>Non-Muslim</b>	Count	101	199	300
	% within religion of respondents	33.7%	66.3%	100.0%
	% Non-Muslim	40.2%	78.3%	59.4%
	% of total	20.0%	39.4%	59.4%
Total		100.0%	100.0%	100.0%

Source: SPSS.

#### 4.8.1. Islamic banking will be known everywhere and many people will use it.

The objective three of the study is continued to question 14 which itemized the factors as a reason of choosing Islamic banking in the future whereby the first reason was Islamic banking will be known everywhere and many people will use it. *Cross Tabulation* analysis in the table 4.30 shows that out of 150 and 104 of Muslim and non-Muslim respectively, only 67 of Muslim and 62 of non-Muslim respondents chose this factor as a reason which is going to influence them to use islamic banking in the future, which is equal to 44.7% and 59.6% respectively. *Chi square* test found that there is a statistically significant difference between religions and listed factor as a reason of choosing islamic banking in the future.  $X^2 (1, N = 254) = 5.491, p = .019$

**Table 4.30.** *Islamic banking will be known everywhere and many people will use it: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		Islamic banking will be known everywhere and many people will use it		
		Yes	No	Total
<b>Muslim</b>	Count	67	83	150
	% within religion of respondents	44.7%	55.3%	100.0%
	% Muslim	51.9%	66.4%	59.1%
	% of total	26.4%	32.7%	59.1%
<b>Non-Muslim</b>	Count	62	42	104
	% within religion of respondents	59.6%	40.4%	100.0%
	% Within Non-Muslim	48.1%	33.6%	40.9%
	% of total	24.4%	16.5%	40.9%
	Total	100.0%	100.0%	100.0%

Source: SPSS.

#### 4.8.2. Islamic banking will outperform conventional banking

With respect to the specified factor as a reason of using Islamic banking in the future was the statement that Islamic banking will outperform conventional banking. *Cross Tabulation* analysis in the table 4.31 shows that out of 150 of Muslim respondents 35 agreed with this factor which is equal to 23.3% However, out of 103 of non-Muslim respondents 33 also agreed which is equal to 32.0%. *Chi-square* test found that there is no significant difference between religions and the specified factor as a reason of using islamic banking in the future.  $X^2 (1, N = 253) = 2.355 p = .125$

**Table 4.31.** *Islamic banking will outperform conventional banking: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		Islamic banking will outperform conventional banking		
		Yes	No	Total
<b>Muslim</b>	Count	35	115	150
	% within religion of respondents	23.3%	76.7%	100.0%
	% Muslim	51.5%	62.2%	59.3%
	% of total	13.8%	45.5%	59.3%
<b>Non-Muslim</b>	Count	33	70	103
	% within religion of respondents	32.0%	68.0%	100.0%
	% Within Non-Muslim	48.5%	37.8%	40.7%
	% of total	13.0%	27.7%	40.7%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### 4.8.3. Advanced technology will be used

Another mentioned factor in the questionnaire as a reason of choosing Islamic banking in the future was the statement that advanced technology will be used. Cross Tabulation *analysis* in the table 4.32 displays that about 43 of Muslim respondents and 38 of no-Muslim respondents agreed with the statement which is equal to 28.7% and 36.9% respectively. *Chi square* test found that there is no significant difference between religions and listed factor that advance technology will be used in the future.  $X^2 (1, N = 253) = 1.899 p = .168$

**Table 4.32.** *Advanced technology will be used: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		Advanced technology will be used		
		Yes	No	Total
<b>Muslim</b>	Count	43	107	150
	% within religion of respondents	28.7%	71.3%	100.0%
	% Muslim	53.1%	62.2%	59.3%
	% of total	17.0%	42.3%	59.3%
<b>Non-Muslim</b>	Count	38	65	103
	% within religion of respondents	36.9%	63.1%	100.0%
	% Within Non-Muslim	46.9%	37.8%	40.7%
	% of total	15.0%	25.7%	40.7%
Total		100.0%	100.0%	100.0%

**Source:** SPSS.

#### **4.8.4. Islamic bank's deposit will be more secured in the future.**

However, another specified factor as reason of using Islamic banking in the future was the statement that Islamic bank's deposit will be more secured in the future. *Cross Tabulation analysis* in table 4.33 shows that about 61 of Muslim and 36 of non-Muslim respondents agreed with the statement, which is equal to 40.7% and 35.0% respectively. *Chi-square test* found that there is no significant difference between religions and listed factor as a reason of using islamic banking in the future; that Islamic bank's deposit will be more secured in the future.  $X^2 (1, N = 253) = .844 p = .358$

**Table 4.33.** *Islamic bank's deposit will be more secured in the future: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		Islamic bank's deposit will be more secured in the future		
		Yes	No	Total
<b>Muslim</b>	Count	61	89	150
	% within religion of respondents	40.7%	59.3%	100.0%
	% Muslim	62.9%	57.1%	59.3%
	% of total	24.1%	35.2%	59.3%
<b>Non-Muslim</b>	Count	36	67	103
	% within religion of respondents	35.0%	65.0%	100.0%
	% Within Non-Muslim	37.1%	42.9%	40.7%
	% of total	14.2%	26.5%	40.7%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### **4.8.5. Islamic bank's reputation and image will increase in the future**

Another specified factor as a reason of choosing Islamic banking in the future was the statement that Islamic bank's reputation and image will increase in the future. Cross Tabulation analysis in the table 4.34 shows that 48 of Muslim's respondents and 35 of non-Muslim's respondents agreed with this factor which is equal to 32.0% and 34.0% respectively. Chi square test found that there is no significant difference between religions and listed factor as a reason of using islamic banking; that Islamic bank's reputation and image will increase in the future.  $X^2 (1, N = 253) = .109 p = .742$



**Table 4.34.** *Islamic bank's reputation and image will increase in the future: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		Islamic bank's reputation and image will increase in the future		
		Yes	No	Total
<b>Muslim</b>	Count	48	102	150
	% within religion of respondents	32.0%	68.0%	100.0%
	% Muslim	57.8%	60.0%	59.3%
	% of total	19.0%	40.3%	59.3%
<b>Non-Muslim</b>	Count	35	68	103
	% within religion of respondents	34.0%	66.0%	100.0%
	% Within Non-Muslim	42.2%	40.0%	40.7%
	% of total	13.8%	26.9%	40.7%
	Total	100.0%	100.0%	100.0%

Source: SPSS.

#### 4.8.6. Islamic banking is more resilient to financial crises as compared to conventional banking

Also, the respondent was supposed to choose if they will use Islamic banking in the future for the reason that Islamic banking is more resilient to financial crises as compared to conventional banking. *Cross Tabulation analysis* in the table 4.35 shows that 48 of Muslim's respondents chose this as a reason which is going to encourage them to use islamic banking in the future which is equal to 32.0%. On the other hand, 61 of Non-Muslim's respondents agreed with the statement which is equal to 59.2%. *Chi square* test found that there is a significant difference between religions and itemized factor that Islamic banking will be used in the future because it is more resilient compared to conventional banking.  $X^2 (1, N = 253) = 18.456 p = .000$

**Table 4.35.** *Islamic banking is more resilient to financial crises as compared to conventional banking: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		Because Islamic banking is more resilient to financial crises as compared to conventional banking		
		Yes	No	Total
<b>Muslim</b>	Count	48	102	150
	% within religion of respondents	32.0%	68.0%	100.0%
	% Muslim	44.0%	70.8%	59.3%
	% of total	19.0%	40.3%	59.3%
<b>Non-Muslim</b>	Count	61	42	103
	% within religion of respondents	59.2%	40.8%	100.0%
	% Within Non-Muslim	56.0%	29.2%	40.7%
	% of total	24.1%	16.6%	40.7%
Total		100.0%	100.0%	100.0%

Source: SPSS.

#### 4.8.7. Sharing profit and loss

Sharing profit and loss was specified factor as a reason of using Islamic banking in the future. *Cross tabulation analysis* in the table 4.36 shows that 61 of Muslim's respondents agreed on this factor which is equal to 40.7%. Nevertheless, 29 of non-Muslim's respondents agreed with the statement which is equal to 26.2%. *Chi square* test found that there is significant difference between religions and specified reason that Islamic banking will be used in future because of sharing profit and loss.  $X^2 (1, N = 253) = 4.171p = .041$

**Table 4.36.** *Sharing of profit and loss: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		Because of sharing profit and loss		
		Yes	No	Total
<b>Muslim</b>	Count	61	89	150
	% within religion of respondents	40.7%	59.3%	100.0%
	% Muslim	67.8%	54.6%	59.3%
	% of total	24.1%	35.2%	59.3%
<b>Non-Muslim</b>	Count	29	74	103
	% within religion of respondents	26.2%	71.8%	100.0%
	% Within Non-Muslim	32.2%	45.4%	40.7%
	% of total	11.5%	29.2%	40.7%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### **4.8.8. No interest charge in the loan/deposit**

Another factor that was listed as a reason of using Islamic banking in the future because there is no interest charge in the loan/ deposit. *Cross Tabulation analysis* in the table 4.37 shows that 99 Muslim of respondents and 67 of non-Muslim respondents agreed which is equal to 66.0% and 65.7% respectively. *Chi square* test found that there is no significant difference between religions and specified factor that Islamic banking will be used in the future because there is no interest in the loan/deposit.  $X^2 (1, N = 253) = .003 p = .959$

**Table 4.37.** *No interest in the loan/ deposit: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		No interest charge in the loan/deposit		
		Yes	No	Total
Muslim	Count	99	51	150
	% within religion of respondents	66.0%	34.0%	100.0%
	% Muslim	59.6%	53.3%	59.5%
	% of total	39.3%	20.2%	59.5%
Non-Muslim	Count	67	35	102
	% within religion of respondents	65.7%	34.3%	100.0%
	% Within Non-Muslim	40.4%	40.7%	40.5%
	% of total	26.6%	13.9%	40.5%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### 4.8.9. Complies with Islamic shariah principles

Also, Complies with Islamic Shariah principles was a listed of using islamic banking in the future. Whereby *cross tabulation analysis* in the table 4.38 shows that 98 of Muslim respondents and 24 of non-Muslim the respondents agreed with this factor which is equal to 65.3% and 23.3% respectively. *Chi square* test found that there is a statistical significant difference between religions and the listed factor that Islamic banking system will be used in the future because it complies with Islamic shariah principles.  $X^2 (1, N = 253) = 43.210 p = .000$

**Table 4.38.** *Islamic banking system complies with Islamic shariah principles: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		Islamic banking system complies with Islamic shariah principles		
		Yes	No	Total
<b>Muslim</b>	Count	98	52	150
	% within religion of respondents	65.3%	34.7%	100.0%
	% Muslim	80.3%	39.7%	59.3%
	% of total	38.7%	20.6%	59.3%
<b>Non-Muslim</b>	Count	24	79	103
	% within religion of respondents	23.3%	76.7%	100.0%
	% Within Non-Muslim	19.7%	60.3%	40.7%
	% of total	9.5%	31.2%	40.7%
	Total	100.0%	100.0%	100.0%

Source: SPSS.

#### 4.8.10. Confidentiality and truthfulness of Islamic banks

The Last listed reason was confidentiality and truthfulness of Islamic banks. *Cross Tabulation analysis* in the table 4.39 shows that 67 of Muslim respondents and 38 of non-Muslim respondents agreed with the factor that they will use Islamic banking system in the future because of confidentiality and trustfulness, which is equal to 45.3% and 36.2% respectively. *Chi square* test found that there is no significant difference between religions and specified factor that Islamic banking will be used in the future because of its confidentiality and trustfulness.  $X^2 (1, N = 251) = 1.752, p = .186$

**Table 4.39.** Confidentiality and trustfulness of Islamic banking: A comparative analysis between Muslims and non-Muslims

Religion of respondent		Confidentiality and trustfulness of the Islamic banks		
		Yes	No	Total
<b>Muslim</b>	Count	67	81	148
	% within religion of respondents	45.3%	54.7%	100.0%
	% Muslim	63.8%	55.5%	59.0%
	% of total	26.7%	32.3%	59.0%
<b>Non-Muslim</b>	Count	38	65	103
	% within religion of respondents	36.9%	63.1%	100.0%
	% Within Non-Muslim	36.2%	44.5%	41.0%
	% of total	15.1%	25.9%	41.0%
	Total	100.0%	100.0%	100.0%

Source: SPSS

#### **4.9. Similarities and difference factors which influence Muslims and non-Muslims not to choose Islamic banking products and services in the future: A comparative analysis (Objective four)**

The respondents are requested to answer question fifteen, to reveal the factors or reasons that hold back them not to choose Islamic banking in the future.

##### **4.9.1. Unfamiliarity with the Islamic banking products and services.**

The first specified reason was unfamiliarity with the Islamic banking products and services. *Cross Tabulation analysis* results in table 4.40 shows 25 of Muslim and 138 of non-Muslim respondents agreed that among the factor which discourage them not to use islamic banking in the future is because of unfamiliarity of islamic banking products and services, which is equal to 45.5% and 69.3% respectively. *Chi-square* test was performed and found that there is a significant difference between religions and itemized factor that unfamiliarity of Islamic banking products and service are the reason that hold back not to choose Islamic banking in the future.  $X^2 (1, N = 254) = 10.699, p = .001$ .

**Table 4.40.** *Unfamiliarity with the Islamic banking products and services: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		Unfamiliarity with the Islamic banking products and services		
		Yes	No	Total
<b>Muslim</b>	Count	25	30	55
	% within religion of respondents	45.5%	54.5%	100.0%
	% Muslim	15.3%	33.0%	21.7%
	% of total	9.8%	11.8%	21.7%
<b>Non-Muslim</b>	Count	138	61	199
	% within religion of respondents	69.3%	30.7%	100.0%
	% Within Non-Muslim	84.7%	67.0%	78.3%
	% of total	54.3%	24.0%	78.3%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### **4.9.2. Islamic banking is for Muslim only**

Another specified reason that may hold back respondents not to choose Islamic banking in the future was the statement that Islamic banking is for Muslim only. *Cross Tabulation analysis* in the table 4.41 shows that 5 Muslim respondents agreed and 67 of non-Muslims agreed, which is equal to 9.1% and 33.7% respectively. *Chi-square* test was performed and found that there is a significant difference between religions and factor of not using Islamic banking in the future because Islamic banking is known as a bank of Muslim only.  $X^2 (1, N = 254) = 12.815, p = .000$

**Table 4.41.** *Islamic banking is for Muslim only: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		Islamic banking is for Muslim only		
		Yes	No	Total
<b>Muslim</b>	Count	5	50	55
	% within religion of respondents	9.1%	90.9%	100.0%
	% Muslim	6.9%	27.5%	21.7%
	% of total	2.0%	19.7%	21.7%
<b>Non-Muslim</b>	Count	67	132	199
	% within religion of respondents	33.7%	66.3%	100.0%
	% Within Non-Muslim	93.1%	72.5%	78.3%
	% of total	26.4%	52.0%	78.3%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### 4.9.3. No interest in Islamic banking deposits

Another listed factor as a reason that may hold back respondents not to use Islamic banking is unavailability of interest in the Islamic banks. *Cross Tabulation analysis* in the table 4.42 shows that about 16 Muslim respondents and 75 of non-Muslims agreed with this reason which is equal to 29.1% and 37.7% respectively. *Chi-square* test found that there is no significant difference between religions and specified factor which may hold respondents not to use Islamic banking in the future, which is lack of interest in Islamic banking deposits.  $X^2 (1, N = 254) = 1.385, p = .239$



**Table 4.42.** *No interest in Islamic banking deposits: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		No interest in Islamic banking deposits		
		Yes	No	Total
<b>Muslim</b>	Count	16	39	55
	% within religion of respondents	29.1%	70.9%	100.0%
	% Muslim	17.6%	23.9%	21.7%
	% of total	6.3%	15.4%	21.7%
<b>Non-Muslim</b>	Count	75	124	199
	% within religion of respondents	37.7%	62.3%	100.0%
	% Within Non-Muslim	82.4%	76.1%	78.3%
	% of total	29.5%	48.8%	78.3%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### 4.9.4. Sharing of profit

Also, sharing profit was listed as a factor which may hinder respondents not to use Islamic banking in the future. *Cross Tabulation analysis* in the table 4.43 has shown that 8 Muslim respondents and 26 of non-Muslims respondents agreed with this reason, which is equal to 14.5% and 13.1% respectively. *Chi -square* test indicated that there is no significant difference between religions and the listed factor as a reason of hinder the respondents not to use Islamic banking in the future.  $X^2 (1, N = 254) = .081, p = .775$

**Table 4.43.** *Sharing of profit: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		Because of sharing profit		
		Yes	No	Total
<b>Muslim</b>	Count	8	47	55
	% within religion of respondents	14.5%	85.5%	100.0%
	% Muslim	23.5%	21.4%	21.7%
	% of total	3.1%	18.5%	21.7%
<b>Non-Muslim</b>	Count	26	173	199
	% within religion of respondents	13.1%	86.9%	100.0%
	% Within Non-Muslim	76.5%	78.6%	78.3%
	% of total	10.2%	68.1%	78.3%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### **4.9.5. Lack of using advanced technology and media**

Lack of using advanced technology and media is another factor that may hold respondents back from using Islamic banking in the future. *Cross Tabulation analysis* in the table 4.44 shows that 11 and 20 of Muslim and non-Muslim respondents agreed with this reason, which is equal to 20.0% and 10.1% respectively. *Chi-square test* was performed and it was found that there is a significant difference between religions and itemized factor that lack of using advanced technology and media is the reason that hold respondents back from using Islamic banking in the future.  $X^2 (1, N = 254) = 3.881, p = .046$

**Table 4.44.** *Lack of using advanced technology and media: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		Lack of using advanced technology and media		
		Yes	No	Total
<b>Muslim</b>	Count	11	44	55
	% within religion of respondents	20.0%	80.0%	100.0%
	% Muslim	35.5%	19.7%	21.7%
	% of total	4.3%	17.3%	21.7%
<b>Non-Muslim</b>	Count	20	179	199
	% within religion of respondents	10.1%	89.9%	100.0%
	% Within Non-Muslim	64.5%	80.3%	78.3%
	% of total	7.9%	70.5%	78.3%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### **4.9.6. Islamic banks are highly susceptible to closing down in the future**

Another itemized factor as a reason of not using Islamic banking in the future was because Islamic banking are highly susceptible to closing down in the future. *Cross Tabulation analysis* in the table 4.45 shows that 7 respondents from Muslim and 14 from non-Muslims agreed with this reason, which is equal to 12.7% and 7.0% respectively. *Chi-square* test was performed and found that there is no significant difference between religions and specified factor that Islamic banks are highly susceptible to closing down in the future.  $X^2 (1, N = 254) = 1.841, p = .175$

**Table 4.45.** *Islamic banks are highly susceptible to closing down in the future: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		Islamic banking is highly susceptible to closing down in the future		
		Yes	No	Total
<b>Muslim</b>	Count	7	48	55
	% within religion of respondents	12.7%	87.3%	100.0%
	% Muslim	33.3%	20.6%	21.7%
	% of total	2.8%	18.9%	21.7%
<b>Non-Muslim</b>	Count	14	185	199
	% within religion of respondents	7.0%	93.0%	100.0%
	% Within Non-Muslim	66.7%	79.4%	78.3%
	% of total	5.5%	72.8%	78.3%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

#### **4.9.7. There is no proper mechanism of transparency and disclosure to the public**

The last specified factor as a reason of not using Islamic banking in the future is that in Islamic banks there is no proper mechanism of transparency and disclosure to the public. *Cross Tabulation analysis* in the table 4.46 shows that 27 respondents from Muslim and 126 from non-Muslims agreed with this statement, which is equal to 49.1% and 63.3% respectively. *Chi-square* test performed and exposed that there is significant difference between religions and itemized factor that there is no proper mechanism of transparency and disclosure to the public.  $X^2 (1, N = 254) = 3.641, p = .056$

**Table 4.46.** *There is no proper mechanism of transparency and disclosure to the public: A comparative analysis between Muslims and non-Muslims*

Religion of respondent		There is no proper mechanism of transparency and disclosure to the public		
		Yes	No	Total
<b>Muslim</b>	Count	27	28	55
	% within religion of respondents	49.1%	50.9%	100.0%
	% Muslim	17.6%	27.7%	21.7%
	% of total	10.6%	11.0%	21.7%
<b>Non-Muslim</b>	Count	126	73	199
	% within religion of respondents	63.3%	36.7%	100.0%
	% Within Non-Muslim	82.4%	72.3%	78.3%
	% of total	49.6%	28.7%	78.3%
	Total	100.0%	100.0%	100.0%

**Source:** SPSS.

## **CHAPTER FIVE**

### **5. SUMMARY OF FINDINGS RECOMMANDATION AND CONCLUSION**

This chapter gives the summary of the entire research report; summary of the major findings of the study, the recommendations derived from study findings and proposed research areas for the future. The chapter is accordingly divided into sections and subsections based on these themes.

#### **5.1. SUMMARY**

The main purpose of this study was to examine the perceptions of Muslims and non-Muslims towards introduction of Islamic banking in Tanzania. Specifically, the study intended to achieve four objectives. The first objective was to compare the perception of Muslims and Non-Muslims people toward Islamic banking. The second objectives were to explore the level of awareness on Islamic banking products and services between Muslim and non-Muslims. The third objective was examined (if there is any similarities and difference) factors which influence Muslim and non-Muslims to choose Islamic banking products and services; and the final objective was to examine (if there is any similarities and difference) factors which hold back Muslim and non-Muslim not to choose Islamic banking product and services.

The study adopted the quantitative research approach based on non-probability sampling technique. The close ended survey questionnaire was constructed and used for data collection. The questionnaire was self-administered whereby out of 900 questionnaires distributed 660 were correctly and completely filled and hence used for the analysis. The analysis of the data was solely based on descriptive statistical analysis and the presentations of the results were based on tables as can be observed in chapter four. The major findings of the study are summarized in conclusion section.

#### **5.2. RECOMMENDATIONS AND POLICY IMPLICATIONS**

The recommendations of this study are divided in two parts; whereby one part is from researcher and another part is from respondents, recommends to the Central bank of Tanzania B.O.T and to the islamic banking authorities.

### **5.2.1. Researcher's Recommendation**

The researcher's recommendations will base on the findings given in the previous chapter, literature review, and from the experience.

#### **Modification of the regulatory and supervisory systems**

The BOT as the body vested with laws, regulation and supervision of all banks in Tanzania needs to have in place a regulatory mechanism which takes into accounts both the traditional prudential supervision aspect and a developmental role that is equally important to Islamic banking. Furthermore, the system must take into considerations as they arise from the risk-sharing nature of investment deposits, in which depositors provide the funds that the bank invests in the activities it deems profitable. It must also take into consideration the aspect of safeguarding the interests of demand depositors and such systemic considerations in view of the fact that, the failure of an Islamic bank can significantly result in the public's loss of confidence in the stability of the banking system as a whole, thus triggering a generalized bank run.

#### **Alignment of Regulatory and Supervisory Rules to International Best Practices**

As the question of central banking is not alien to an Islamic framework the basic functions of a modern central bank are relevant also for an Islamic monetary system. This systems from the imperative of ensuring the viability, strength, and continued expansion of these institutions and enhancing their contribution to financial stability and economic development. The regulatory and supervisory instruments of the BOT need something regarding Islamic banking in view of the relatively different risk perspective of these institutions. Tanzania banking sector is part of a larger global economy. It does not work in a vacuum. The BOT and other banking practitioners must affect a liaison with international bodies for Islamic banking best practices.

#### **Intensive training to employees**

Shareholders and owners of Islamic banking must keep emphasis to their employees by providing to them intensive professional training so as to enable them to provide efficient

and best services to the customers. They need to know how Islamic banks work in order to affect a worthwhile supervision to the benefits of Islamic banking and the general financial system. It is dangerous in a central bank to have staff engaged in supervision of Islamic banks while they have not had enough exposure to Islamic banking activities. There is a need to put in place requisite Islamic banking professionalism in the BOT supervision practice. This is necessary as most staff are more conversant as they were trained in conventional economics. Without this they may lack while on duty the requisite vision and conviction on the efficiency.

### **Improve Corporate Governance**

It is also recommended that there is a necessity of improving and streamlining corporate governance so that the funds received by firms from banks are more effectively utilized for the ultimate benefit of both the financier and the user. To effect this either new laws and regulations are needed or a massive accommodative amendment of the existing documents should be effected.

### **Amendment of the Trading law**

The law said that the bank must get approval from central bank of Tanzania BOT, if it's going to engage in trade or other commercial activities.<sup>1</sup> For Islamic banking in Tanzania this is among the challenges. Islamic banking is not possible without trading. Trade is the continuous activity of these banks. The fact is the section allows B.O. T to approve trading by banks only for temporary purposes. This is a big challenge to the smooth operation of Islamic banks. On that reason if we want Islamic banking to perform more in Tanzania this law is supposed to be amended in order to give them opportunities to operate the way Islamic principles are allowed and trading is the measure part in Islamic banking.

#### **5.2.2. Respondent's recommendation**

1. Most of the societies in Tanzania are not aware about Islamic banking, it may seem to be for Muslim only. If societies are well educated Islamic banking in Tanzania can

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<sup>1</sup> Section 24 (4) of the banking and Financial Institution Act. (BAFIA)



outweigh conventional banking. It can change the whole banking industry, on that reason Islamic banking should take the responsibility for giving out the education concerning the main different of islamic banking and conventional banking. And more education is needed in the rural area whereby most of Tanzania citizen are not aware about the existence of islamic banking.

2. Distribution channels: Now, the distribution points of the bank are localized in scarce areas. There is an urgent need for the bank to spread her services near to the users to improve customer service levels. The use of Automatic Teller Machines (ATMs) should be a priority. In using the ATM system, the bank authorities should consider the following:
  - i) Security of the place: The place should be secured from any dangers.
  - ii) Machine efficiency: The machine should work 24 hours a day.
  - iii) Flexibility: The machines should be programmed in order to allow a higher amount of cash withdrawal. The machines also should allow cash deposits to be made at the point
  - iv) Cost: The cost of using the ATM should be set at affordable levels.
3. Non-Muslims should have big motivation of joining Islamic banking since it is for all people and it doesn't regard difference in religion.
4. The experts of Islamic bank should give educate to community in general so as to get awareness on Islamic banking products.
5. The Islamic banking should attract those non-Muslims by their products so that they could be able join the Islamic bank easily.
6. Non-Muslims should avoid false belief of believing that choosing Islamic banks means choosing Islam.
7. Islamic banking is supposed to advertise the banking operations, products and services through different media so that everyone including non-Muslims can be able to get the actual information regarding the bank so that they can be able to join at any time.

8. Non-Muslims people should avoid the differences they have with Muslims people which make them not choosing Islamic banking because they see if they choose Islamic banking is totally embarrassment towards their religion.
9. Incentives in the form of free registration and discount on Islamic banking transactions should be offered to the non-Muslim. Higher rewards for frequent usage of Islamic banking services should also be offered to encourage and attract number of non-Muslim toward the bank.
10. Incentives should be offered for positive referrals by existing non-Muslim customers to their friends and relatives. These incentives can be in the form of lower banking transaction cost or free gifts and vouchers.
11. Frequent workshops explaining the philosophy and functioning of Islamic banking products services should be conducted for both Muslim and non-Muslim customers in order to increase their awareness and attract them toward Islamic banking
12. Government should emphasize to introduce more Islamic banking so as to increase the financial profit of the government
13. Islamic banking should operate separately without having conventional branches within it.
14. Customer has different origins and needs. Some branches of Islamic banking they have fixed of products and services. On that reason, Islamic banking it should provide all services in Islamic way so as customer to feel free to choose which services is better for them.
15. Advanced Technology should be used in order to improve services offered in the banking system, management is required to automate many of its service offering facilities in order to clear long queues (lines) that are normally experienced in the banks.
16. Opportunities available: The research findings have identified the following as the bank's opportunities:
  - i. The youth group between 18 and 41. The bank management ought to develop a marketing program to keep and expand this market including introduction of incentives to distribution channels leading to this market.

- ii. The philosophy and fundamental principles of non-interest payment on loans secured should be used as a main competitive tool to penetrate markets that are inhabited by non-Muslim people.
- iii. The opportunity that 99% of the people in Zanzibar are Muslims should not be left backward. The bank authorities should use it to expand Islamic banking as it is closely related to the Muslim culture.

### **5.3. SUGGESTION FOR FURTHER RESEARCH**

Future research should replicate this study by broadening the sample size, and involve more than six regions in Tanzania to get wider range of participants in different areas. Through Tanzania's growing population, targeting non-Muslims at an early age would augurs well with the objective to promote Islamic banking and could result in a positive long-term effect on the benefit as well as avoid any negative perception on Islamic banking.

### **5.4. CONCLUSION**

This study measured the perception of Muslims and non-Muslims toward introduction of Islamic banking, and investigated the level of awareness of Islamic banking products and services as well as the factors which influence citizens of Tanzania in choosing and not choosing Islamic banking products and services in order to compare if there are any similarities and differences between Muslims and non-Muslims citizens.

With respect to the understanding, knowledge level of citizens about Islamic banking and perceptions towards Islamic banking, there seems to be significant differences between Muslim and non-Muslim citizens in Tanzania. Nearly two thirds of Muslim respondents are aware of Islamic banking whereas only one third of non-Muslim citizens are aware of it and the difference in awareness is significant with respect to religion. It seems people learn about Islamic banking products and services mostly through friends or Islamic banks. Muslims and non-Muslims tends to have different factors which encourage and discourage them to use and not to using Islamic banking. Whereby the most important factors for Muslims to prefer Islamic banking is because its comply with Islamic principle and unavailability of interest charge in the loan or deposits. While Non-Muslim also, they prefer Islamic banking because

they offer products and services with no interest in the loan or deposit and because of low services charge. However, the most important factors for Muslims and non-Muslims not to choose Islamic banking is belief that Islamic banking doesn't have proper mechanism of transparency and disclosure to the public and unfamiliarity with Islamic banking products and services respectively, also, majority of non-Muslims have faith in that Islamic banking is for Muslim only.

Islamic banking in Tanzania and in the world, is at an early stage of development and has a high growth potential in the future to serve people of all religions. It can be suggested that to enhance the participation of people in Islamic banking and to promote the growth of Islamic banking, policy makers and Islamic bank managers should develop programs and procedures that will improve the awareness of people of Islamic banking and boost knowledge of people about Islamic banking products and services. The philosophy and benefits of Islamic banking should be highlighted and efforts should focus on building trust and good reputation to convince people that Islamic banks are sound institutions.

Lastly, more publication on Islamic banking subject should be made publicly available in order to raise the level of understanding and awareness as well as to enhance the level knowledge regardless of age and level of education among Muslim and non-Muslims on Islamic banking concept and operations. Since Islamic banking in Tanzania is exist for more than 7 years, it should take a more proactive and aggressive effort such as frequent product campaign and collaboration with schools to promote their banking products and services to non-Muslims.

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## CURRICULUM VITAE

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### Education background

- 2014-2017: Masters in Finance – Anadolu University- Turkey
- 2011 -2014: Bachelor Degree in Accounting and Finance – Tanzania / Zanzibar University
- 2009-2010: Diploma Islamic Banking and Finance –Tanzania / Zanzibar University
- 2006-2008: Connecting Continents Secondary School - ‘O’ Level Certificate. Tanzania/Zanzibar
- 2004-2005: Wawi Secondary School. Tanzania/ Zanzibar
- 1997-2003: Wawi Primary School. Tanzania/ Zanzibar

### Work Experience

- May-June 2013: Practical Training at Imara Consultant, it was four weeks training and I was performing my duty as an accountant by using accounting packages, i.e., QuickBooks.
- July-August 2010: Practical Training (PT) at C-Weeds Corporation branch at Unguja. It was four weeks training. Being with C-Weeds, I perform my duty as Cashier in the Accounting & Finance Department.

### Award:

- January 2012: Award of best academic performance in Diploma of Islamic banking and finance

## **APPENDIX**

### **QUESTIONNAIRE**

This questionnaire is designed to collect information from you to undertake an academic research for examining the perception of Muslim and non-Muslim citizens towards Islamic banking in Tanzania. Please fill this questionnaire voluntarily by providing truthful responses at the best of your knowledge. Your response is guaranteed to be strictly confidential and the information you will provide will be used only for the purpose of this study.

**NAHIFA S. SOUD.**

#### **PERSONAL DETAILS:**

*Place the right mark (√) at the appropriate position within the parentheses*

1. Gender:   A. Male (.....)                      B. Female (.....)
  
2. Religion:   A. Muslim (.....)                      B. Non-Muslim (.....)
  
3. Age:   A: 18-25(.....).   B: 26-33 (.....).   C: 34-41(.....).   D: 42-49 (.....).   E: 50-57 (.  
.....)  
  
          F: 58 and above (.....).
  
4. Marital status:                      A. Single (.....)                      B. Married (.....)  
  C. Widowed (.....)                      D. Divorced (.....)
  
5. Education:   A. Primary (.....)    B. Secondary (.....)    C. Certificate (.....)  
  D. Diploma (.....)    E. Degree (.....)    F. Master (.....)  
  G. PhD (.....)    H. Others (please specify) .....
  
6. Occupation:   A. Government Employee (.....)    B. Private employee (.....)  
  C. Self-employed (.....)                      D. Fisherman (.....)  
  E. Farmer (.....)                      F. House wife (.....)  
  G. Student (.....)                      H. Others (please Specify) .....
  
7. Have you ever heard about Islamic Banking system? If

- A. Yes  (Continue question no 8)  
 B. No  (Continue question no 10)

**8. Indicate how much you agree with of the following statements about Islamic banking products and services.**

<b>Product/Level of awareness</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly disagree</b>
I know Al-Wadiah accounts					
I know Murabaha financing					
I know Mudaraba financing					
I know Musharaka financing					
I know Salam financing					
I know Istisna financing					
I know Ijara/lease financing					

**9. How did you know about the above products?**

- A: Through Islamic banks  
 B: Through studying Islamic banking  
 C: Through social media  
 E: Through TV advert  
 E: Through street promotions  
 F: Through a friend(s)  
 G: Any other (Please specify) .....

**10. Please indicate how much you agree with the following statements (below) about Islamic banking system in Tanzania:**

	Statement/level of agreement	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
A	Islamic banking is not acceptable and should be taken out in Tanzania					
B	It is a step towards the introduction of <i>Sharia'h</i> law in the country.					
C	Islamic banks are only for Muslims. It has nothing to do with non-Muslims.					
D	Islamic banking system is only based on Arab countries; African countries should not be concern with it.					
E	Islamic banking treats Muslim and non-Muslim in the same way.					
F	Choosing Islamic banking means choosing Islam.					
G	Islamic banking is potential for diversified financing facilities in the country.					
H	Islamic banking can be a good alternative source of financing besides the conventional banking.					
I	Islamic banking can contribute in removing society's inequalities and improving general standard of living.					
J	Islamic banking is faith based type of finance, thus, it is free from exploitations of rich to poor.					
K	Islamic banking can contribute to social welfare.					

11. Have you ever been a customer of an Islamic Bank? If

A. Yes  (*Continue question no 12*)

B. No  (*Continue question no 13*)

**12. Which reasons do you think encouraged you to use Islamic banking products and services (you can select more than one)**

No.	Reason of banks selection criteria	✓
1.	Compliance with Islamic Sharia principles.	
2.	Provision of fast and efficient service.	
3.	Confidentiality of bank.	
4.	A wide range of product and services provided.	
5.	Better modes of financing.	
6.	Bank's reputation and image.	
7.	Good customer care.	
8.	Convenient location.	
9.	Recommendation of family and friends.	
10.	Mass media advertising.	
11.	No interest charge in the loan/deposit.	
12.	Low service charge.	

**13. If you are not using Islamic banking currently would you be interested in using it in the future? If**

A. Yes  (*Continue to question 14*)

B. No.  (*Continue to question 15*)

**14. According to you, what reasons could lead you to use Islamic Banking in the future from the following? (You can select more than one)**

<b>No</b>	<b>Reason of selecting Islamic banking in the future</b>	<b>✓</b>
1	Islamic banking will be known everywhere and many people will use it.	
2	Islamic banking will outperform conventional banking.	
3	Advanced technology will be used.	
4	Islamic banks deposits will be more secure in the future	
5	Islamic Bank's reputation and image will increase in the future.	
6	Because it is more resilient to financial crises as compared to conventional banking.	
7	Because of sharing profit and loss.	
8	No interest charges in the loan/ deposit.	
9	It complies with Islamic sharia principles.	
10	Confidentiality and trustfulness of the Islamic banks.	

**15. Which of the following could be the reasons that hold you back from choosing Islamic Banking in the future? (You can select more than one)**

<b>No.</b>	<b>Reason for not selecting Islamic banking</b>	<b>✓</b>
1.	Unfamiliarity with the Islamic Banking products and services.	
2.	Islamic banking is for Muslim only.	
3.	No interest in Islamic banking deposits.	
4.	Because of sharing profit.	
5.	Lack of using advanced technology and media.	
6.	Islamic banks are highly susceptible to closing down in the future	
7.	There is no proper mechanism of transparency and disclosure to the public.	

16. Do you have any opinion about the Islamic banking industry in Tanzania? Please write them down below.

.....  
 .....

**THANK YOU FOR YOUR TIME.**