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p-ISSN: 2149-8407journal homepage: <http://ijisef.org/>**Perceptions of Islamic Banking Among Muslim and Non-Muslim Citizens in Tanzania****Nahifa Said Soud***Anadolu University, naysoud@gmail.com***Özlem Sayılır***Asst. Prof. Anadolu University, Faculty of Business Administration, osayilir@anadolu.edu.tr*

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ABSTRACT

Keywords: *Islamic Banking,
Perception, Awareness***JEL Classification Code:** *N27,
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This study investigates perceptions of Muslim and non-Muslim citizens with respect to Islamic banking in Tanzania. We also attempt to measure the awareness regarding Islamic banking products and services as well as the factors which influence citizens of Tanzania in choosing Islamic banking. We explore if there are any similarities and differences between Muslim and non-Muslim citizens. By using snow ball sampling technique, a sample of 660 citizens (50% Muslim and 50% non-Muslim) was surveyed. Chi-square test was used to test if there is any significant difference between perceptions of Muslim and non-Muslim toward Islamic banking in Tanzania. Our findings imply that there a significant difference between perceptions of Muslims and non-Muslims with respect to Islamic banking in Tanzania. Furthermore, with respect to level of awareness of Islamic banking our findings reveal that nearly two thirds of Muslim respondents are aware of Islamic banking whereas only one third of non-Muslim citizens are aware of Islamic banking. Respondents claim that they learn about Islamic banking products and services mostly through friends or Islamic banks. Moreover, Muslim and non-Muslim citizens tend to have different factors which may encourage or discourage them to use Islamic banking.

1. Introduction

Islamic finance has distinctive characteristics because its foundation is based on Shariah principles and rules of Islamic law. Islamic banking system is an important element of Islamic finance.

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. The main objectives of Islamic banking are to improve the system of Islamic banking services and to help both Muslims and non-Muslims customers. Another objective of Islamic banking activities is to compromise the prohibited act 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 banks offer products and services which are free of interest unlike conventional banks. Islamic banking was first 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 principles consist of prohibitions of investing in businesses deemed morally harmful, such as alcohol or pornography and lending money with interest, which is known as usury.

Through the latest global financial crisis, Islamic banking and finance has become one of the mostly discussed issues around the world. Islamic banks have been evaluated since the beginning of the crisis in order to identify their characteristics, opportunities, weaknesses, and sources of resilience.

Islamic banking has the potential to enhance financial sector development in Tanzania. Tanzania is a developing country and its economic growth can be reinforced by financial sector development especially through the expansion of Islamic banking.

- **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 below. Brian Kettell (2011).

- **Principle of profit and loss sharing.**

One of the most important principles of Islamic banking is encouraging Muslims 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. In Islam, profit is considered as the reward of capital. A depositor in Islamic banks can make a profit through profit sharing by contributing his capital to the business partnership and through rental earning on an asset that has been financed by his capital.

- **Prohibition of riba**

Another principle of Islamic banking is prohibition of riba (interest). Interest means an effortless profit that increases 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.

- **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.

- **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.

- **Certainty principle**

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.

- **Openness, transparency and disclosure principle**

In Islam, openness, transparency and disclosure of information are most important principles 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.

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 country 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 branch 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 includes 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).

- **Problem Statement**

Introduction of Islamic banking system may encounter a lot of challenges, especially in countries where there is a high proportion of non-Muslim citizens, possibly due to misconceptions. Lack of knowledge, awareness, and understanding of the key concepts of Islamic banking can result in limited participation in the system even for Muslim citizens. Non-Muslim citizens may perceive Islamic banking negatively

and think that Islamic banking is only for Muslim citizens. There might be objections and criticisms from some non-Muslim individuals and their religious organizations which may hinder participation of non-Muslim citizens in the Islamic banking system.

In Tanzania especially in Zanzibar, some problems are arising from non-Muslim's refusal to accept the system as an alternative or at least as an additional mode of banking. Islamic banks in Tanzania have a limited number of customers probably because of misperceptions of both Muslim and Non-Muslim with respect to Islamic Banking. Lack of awareness and knowledge of the key concepts of Islamic banking may cause citizens to refrain from becoming Islamic banking customers. Based on these issues, this study intends to examine perceptions as well as level of awareness and knowledge of Muslim and non-Muslim citizens concerning Islamic Banking in Tanzania.

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 perceptions of Muslim and Non-Muslim citizens with respect to Islamic banking
- ii. To explore awareness of Islamic banking products and services among Muslim and non-Muslim citizens
- iii. To examine the factors which encourage 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 restrain Muslim and non-Muslim from choosing Islamic banking products and services (to compare if there are any similarities and differences)

2.Literature Review

In this section, we summarize some of the empirical studies on the subject of our study.

Abdullah, et.al. (2012), examined the perceptions of non-Muslim customers towards Islamic banking in Malaysia. 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 accounts, showing that non-Muslims really supported Islamic banking system in that area.

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.

Lateh, *et al.* (2009), studied the perception Muslim and non-Muslim of Thailand customers towards the objectives and characteristics of the Islamic banks and identified the bank criteria which lead customers to choose Islamic banking. The findings revealed that there is a significant difference with respect to perceptions between Muslim and non-Muslim customers, which lead different selection criteria for Islamic banking. Muslims consider the prohibition of interest more, while non-Muslims tend to concern more about reputation and image, knowledge and competent personnel to select Islamic banking.

Ahmed (2014), explored the viewpoints of employees who work in Islamic banks in Muscat to review their perceptions toward the Islamic banking. 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.

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. 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.

Loo (2010) interviewed 100 Muslim and 100 non-Muslim people to reveal perceptions and attitudes regarding Islamic banking in Malaysia and found 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 generation X has more favorable acceptance towards Islamic banking compared with baby boomers.

Ahmad, *et al.* (2010), explored perceptions of banking customers regarding services quality of the Islamic banking as well as conventional banks in Pakistan. The results 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.

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 with the same products and services.

Bley & Kuehn, (2004) investigated the relationship between the university students' knowledge about financial concept terms of conventional and Islamic banking in United Arab Emirates. The result revealed that knowledge of conventional banking terms and concepts was higher compared to knowledge of Islamic banking and its terminology.

Erol & El-Bdour (1989) and Erol C. K. (1990) examined the factors that influence customers to choose Islamic banking. 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 choose Islamic banks.

Similarly, Hidayat & Al-Bawardi (2012), assessed the non-Muslim perception toward Islamic banking in Saudi Arabia, especially for product and services which are offered by Islamic banking. The results of this study showed that all respondents were aware of or had earlier Islamic banking experiences. The study also revealed that cheaper transaction costs and high quality of service delivered are the main reasons that attracted them to use Islamic banking services.

Gerrard, *et al.* (2004) identified the types of incidents which lead consumers to switch between banks. The results show that bank switching is strongly influenced by three types of incidents: service failures, pricing and inconvenience, with pricing being more influential. Also, the study found 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 before switching.

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 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.

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 in 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.

3. Research Methodology

To measure the awareness, knowledge and perceptions of the respondents, quantitative research methods were utilized 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.

- **Sampling Technique**

The sampling technique that was adopted in this research is non-probability sampling technique. Non-probability sampling is the most useful sampling technique to be used when it is difficult or costly to locate respondents. We used snowball sampling in this research, since it was difficult to identify the religion of respondents. Snowball sampling enabled us to generate new subjects depending on referrals from initial subjects so that equal proportion of Muslim and non-Muslim citizens were included in the sample.

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. Furthermore, Chi square test was used to test if there is any significant differences with respect to religion regarding perceptions of Islamic banking. SPSS 13 was used for statistical data analysis purposes.

- **Sampling size**

The target population of this study consists of Muslim and non-Muslim citizen 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 Muslim and 330 represented Non-Muslim citizens. In order to enhance diversity in the sample, participants were selected from different locations across Tanzania.

- **Survey Questionnaire**

In this study, a questionnaire was used to collect data 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. Questionnaires were conducted face-to-face and incomplete questionnaires were dropped from the sample.

Pre-Testing of Instrument

A pilot study or pre-testing was performed for the purpose of determining how the questionnaire could be improved and if the constructed questions were well understood by the respondents. 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 responses received from respondents.

- **Reliability 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.

Pre-test reliability test indicated that awareness questions have a Cronbach's Alpha of .892 and perception questions have Cronbach's Alpha of .778. In the actual survey, the Cronbach's Alpha value related to awareness questions was found to be .936, while the Cronbach's Alpha value related to perception questions was found to be .854, which are deemed sufficient.

4. Findings

For the purpose of this study, five demographic attributes were involved. These are respondent's gender, religion, age, level of education and occupation. Table 1 shows the summary results of demographic profile of the respondents.

Table 1. Demographic Profile of Respondents

Demographic Profile	Frequency	Percentage (%)
Gender		
Male	346	52.4
Female	314	47.6
Religion		
Muslim	330	50
Non-Muslim	330	50
Age		
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
Marital Status		
Single	246	37.3
Married	354	53.6
Widowed	26	3.9
Divorced	34	5.2
Education		
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		
Occupation		
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

Chi-Square Test results presented in Table 2 indicate the existence of significant difference between the perceptions of Muslim and non-Muslim regarding Islamic banking in Tanzania.

Table 2. Perceptions of Muslims and Non-Muslims Regarding Islamic Banking 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 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 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

Table 3 shows the cross tabulation analysis for each item regarding perceptions Muslim and Non-Muslim citizens regarding Islamic banking.

Table 3. Cross-tabulation Analysis of the Perceptions Regarding Islamic banking

Statement/level of agreement	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Religions
Islamic banking is not acceptable and should be taken out in Tanzania	2.1% 8.8%	2.7% 7.6%	5.2% 31.5%	37.3% 31.2%	52.7% 20.9%	Muslims Non-Muslims
It is a step towards the introduction of <i>Shariah</i> law in the country.	18.5% 9.7%	35.8% 21.5%	14.2% 43.3%	23.0% 19.4%	8.5% 6.1%	Muslims Non-Muslims
Islamic banks are only for Muslims. It has nothing to do with non-Muslims.	18.5% 9.7%	8.2% 13.3%	5.8% 23.6%	36.4% 32.7%	42.7% 15.2%	Muslims Non-Muslims
Islamic banking treats Muslim and non-Muslim in the same way.	43.0% 11.8%	35.5% 16.1%	7.9% 44.2%	7.9% 17.0%	5.8% 10.9%	Muslims Non-Muslims
Choosing Islamic banking means choosing Islam.	13.3% 13.3%	20.3% 20.6%	9.4% 37.6%	26.1% 17.3%	30.9% 11.2%	Muslims Non-Muslims
Islamic banking can be a good alternative source of financing besides the conventional banking.	34.8% 7.0%	40.6% 38.2%	17.6% 40.3%	3.9% 10.0%	3.0% 4.5%	Muslims Non-Muslims
Islamic banking can contribute in removing society's inequalities and improving general standard of living.	35.8% 6.1%	39.1% 28.2%	18.8% 50.3%	3.6% 11.2%	2.7% 4.2%	Muslims Non-Muslims
Islamic banking is faith based type of finance, thus, it is free from exploitations of rich to poor.	30.3% 4.5%	30.6% 23.9%	26.4% 56.1%	7.6% 9.4%	5.2% 6.1%	Muslims Non-Muslims
Islamic banking can contribute to social welfare.	43.0% 11.2%	41.8% 44.5%	10.9% 32.7%	3.3% 7.3%	0.9% 4.2%	Muslims Non-Muslims

About 67.6% of Muslims and 35.5% non-Muslims respondents appear to be aware of the existence of Islamic banking. 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 hearing about Islamic banking. $\chi^2 (1, N = 660) = 68.160, p = .000$.

Figure 1. Awareness of Islamic Banking: Comparison of Muslim and non-Muslim Citizens

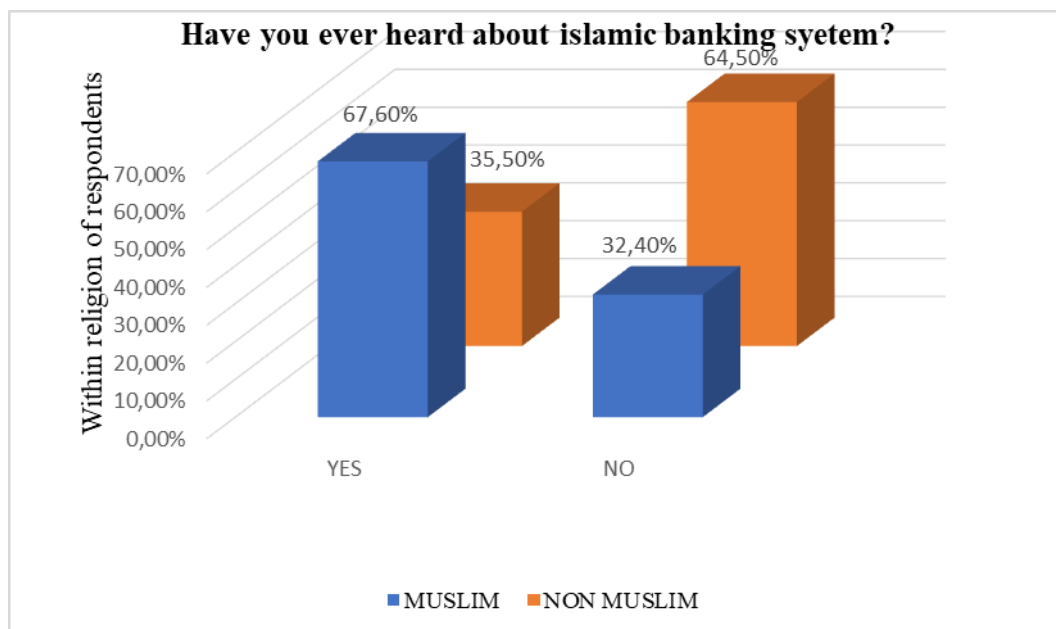


Table 4 and Table 5 show that there is a significant difference between awareness regarding islamic banking products and services among Muslim and non-Muslim citizens. Non-Muslim citizens seem to be less aware of Islamic banking products and services.

Table 4. Chi-Square Test Results on Awareness of Islamic Banking Products and Services (Muslim and non-Muslim Citizens)

	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

Table 4. Cross-tabulation Analysis on Awareness of Islamic Banking Products and Services (Muslim and non-Muslim Citizens)

Product/Level of awareness	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Religions
I know Wadiah account	26.6%	35.1%	15.2%	14.2%	7.2%	Muslims
	11.8%	22.7%	14.3%	23.5%	27.7%	Non-Muslims
I know Murabaha financing	22.5%	32.0%	21.2%	18.9%	5.4%	Muslims
	3.4%	20.2%	22.7%	21.8%	31.9%	Non-Muslims

I know Mudaraba financing	21.3% 4.2%	26.7% 16.0%	26.7% 16.0%	20.4% 27.7%	6.3% 30.3%	Muslims Non- Muslims
I know Musharaka financing	20.7% 8.4%	42.8% 23.5%	17.6% 16.8%	14.0% 22.7%	14.0% 22.7%	Muslims Non- Muslims
I know Salam financing	12.6% 6.7%	26.6% 12.6%	23.9% 16.8%	30.2% 30.3%	6.8% 36.6%	Muslims Non- Muslims
I know Istisna financing	14.0% 6.7%	26.6% 12.6%	21.2% 16.0%	27.9% 33.6%	11.3% 34.5%	Muslims Non- Muslims
I know Ijara/lease financing	14.0% 6.7%	26.6% 12.6%	17.6% 16.0%	18.0% 26.9%	8.1% 33.6%	Muslims Non- Muslims

The respondents are requested to select one or more sources through which they learnt about Islamic banking products and services. Table 6 shows that the majority of respondents learning Islamic banking through friends (28%), through Islamic banks (27%), through studying Islamic banking and social media (17%).

Table 5. Sources of Learning about Islamic Banking

Sources	RESULTS	
	Frequency	Percentage
Through Islamic banks	94	27%
Through studying Islamic banking	60	17%
Through social media	60	17%
Through TV advert	23	7%
Through street promotions	8	2%
Through a friend(s)	96	28%
Others	6	2%
Total	347	100%

Out of 660 respondents 125 Muslim and 28 non-Muslim respondents are users of Islamic banking which is equal to 23.2% in total. As shown in the table 7, the most important reason for Muslims to use Islamic banking is compliance with Shariah Principles, whereby it is the unavailability of interest charge in the loan and deposits for non-Muslims.

Table 6. Factors Encouraging Use of Islamic Banking

Factor	Muslims Positive	Muslims Negative	Total Muslim respondent	Non-Muslim Positive	Non-Muslim Negative	Total Non-Muslim respondents

Compliance with Islamic Sharia principles.	77.0%	23%	125	35.7%	64.3%	28
Confidentiality of bank.	33.6%	66.4%	125	32.1%	67.9%	28
A wide range of product and services provided.	24.0%	76%	125	17.9%	82.1%	28
Better modes of financing.	37.6%	62.4%	125	35.7%	64.3%	28
Bank's reputation and image.	13.6%	86.4%	125	25.0%	75.0%	28
Good customer care.	31.2%	68.8%	125	53.6%	46.4%	28
Recommendation of family and friends.	19.2%	80.8%	125	17.9%	82.1%	28
Mass media advertising.	12.8%	87.2%	125	25.5%	75.0%	28
No interest charge in the loan and deposits	56.0%	44.0%	125	78.6%	21.4%	28
Low service charge.	39.2%	60.8%	125	71.4%	28.6%	28

On the other hand, the respondents who are not using Islamic banking currently were requested to reply if they would have interest to use in the future, and which factors could encourage them to use Islamic banking in the future. About 253 respondents (150 Muslims and 103 non-Muslim respondents) replied that they have an interest to use Islamic banking in the future.

As seen in Table 8, the most important reason for both Muslims and non-Muslims to use Islamic banking in the future is Islamic Banks charging no interest in the loans and deposits.

Table 7. Reasons for Selecting Islamic Banking in the Future

Reason	Muslims Positive	Muslims Negative	Total Muslim respondents	Non-Muslim Positive	Non-Muslim Negative	Total Non Muslim respondents
Islamic banking will be known everywhere and many people will use it.	44.7%	55.3%	150	59.6%	40.4%	103
Islamic banking will outperform conventional banking.	23.3%	76.7%	150	32.0%	68.0%	103
Advanced technology will be used	28.7%	71.3%	150	36.9%	63.1%	103
Islamic banks deposits will be more secure in the future	40.7%	59.3%	150	35.0%	65.0%	103
Islamic Bank's reputation and image will increase in the future	32.0%	68.0%	150	34.0%	66.0%	103
Because it is more resilient to financial crises as compared to	32.0%	68.0%	150	59.2%	40.8%	103

conventional banking						
Because of sharing profit and loss.	40.7%	59.3%	150	26.2%	71.8%	103
No interest charges in the loan and deposits	66.0%	34.0%	150	65.7%	34.3%	103
It complies with Islamic sharia principles.	65.3%	34.7%	150	23.3%	76.7%	103
Confidentiality and trustfulness of the Islamic banks.	45.3%	54.7%	150	36.9%	63.1%	103

Similarly, the study determined the factors which hinder Muslim and non-Muslims not to use Islamic banking in the future. Out of 660 respondents 55 Muslim 199 non-Muslim respondents replied that they are not going to use Islamic banking in the future. The most important factor for Muslims, as shown in table 8 that; the belief that Islamic banking lacks proper mechanism of transparency and disclosure to the public. Non-Muslim state that they are not going to use Islamic banking because of unfamiliarity with Islamic banking products and services.

Table 8. Reasons for not Selecting Islamic Banking in the Future

Reasons	Muslims Positive	Muslims Negative	Total Muslim respondent	Non-Muslim Positive	Non-Muslim Negative	Total Non Muslim respondents
Unfamiliarity with the Islamic Banking products and services.	45.5%	54.5%	55	69.3%	30.7%	199
Islamic banking is for Muslim only	9.1%	90.9%	55	33.7%	66.3%	199
Because of sharing profit.	14.5%	85.5%	55	13.1%	86.9%	199
Lack of using advanced technology and media	20.0%	80.0%	55	10.1%	89.9%	199
Islamic banks are highly susceptible to closing down in the future	12.7%	87.3%	55	7.0%	93.0%	199
There is no proper mechanism of transparency and disclosure to the public.	49.1%	50.9%	55	63.3%	36.7%	199

5. Conclusion

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. Findings of this study reveal that there are significant differences between Muslim and non-Muslim citizens in Tanzania with respect to perceptions of Islamic banking and awareness towards Islamic banking. 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.

Muslims and non-Muslims tend to have different factors which encourage and discourage them to use and not to use Islamic banking. The most important factors for Muslims to prefer Islamic banking is because it complies with Islamic principle and unavailability of interest charge in the loan, while non-Muslim prefer Islamic banking because they offer products and services with no interest and low services charge. Furthermore, the most important factor for Muslims for not using Islamic banking in the future is the belief that Islamic banking lacks proper mechanism of transparency and disclosure to the public, whereas the most important factor for non-Muslims to use Islamic banking in the future is unfamiliarity with Islamic banking products and services.

Apparently, most of the citizens in Tanzania are unaware of Islamic banking. If citizens, especially non-Muslim citizens, are well educated on Islamic banking; Islamic banking in Tanzania can outweigh conventional banking in the future. It can be suggested that to enhance the participation of people in Islamic banking and to promote the growth of Islamic banking, policy makers 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,

More publication on Islamic banking concepts and operations should be made publicly available in order to raise the level of awareness and to improve the level of knowledge regardless of age and level of education among Muslim and non-Muslims. 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.

Our findings suggest that people learn about Islamic banking products and services mostly through friends or Islamic banks. The Islamic banks themselves, which have been in existence for more than 7 years in Tanzania, should take more proactive and aggressive efforts such as developing frequent product campaigns and collaborating with schools to promote their banking products and services to non-Muslims as well as Muslims. Moreover, Islamic banks must provide their employees intensive professional training so as to enable them to deliver efficient services to the customers to enhance “word of mouth” among people. Incentives in the form of free registration and discount on Islamic banking transactions should be offered to the non-Muslim as well as Muslims. Higher rewards for frequent usage of Islamic banking services should also be offered to attract non-Muslims toward Islamic banks. Considering Tanzania’s growing population, targeting non-Muslims at an early age would augur well for promoting Islamic banking as well as help avoid any negative perceptions on Islamic banking.

As a limitation, our study focuses on a developing country in Africa and reflects the local culture of the respondents. Our study utilized survey methodology due to time constraints. Further studies in this field can employ in-depth interviews to explore people’s perceptions in more detail. Lastly, we suggest that future research can focus on measuring the satisfaction level of Islamic banking customers in Tanzania in order to compare consumer satisfaction levels between conventional banking and Islamic banking.

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