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Islamic Retail Banking Adoption in Malaysia: The Moderating Effect of Religion and Region

¹Seethaetchumy Thambiah, ²Hishamuddin Ismail, ²Elsadig Musa Ahmed and ¹Aye Aye Khin

¹Faculty of Management, Multimedia University, Persiaran Multimedia, 63100 Cyberjaya, Selangor, Malaysia

²Faculty of Business and Law, Multimedia University, Jalan Ayer Keroh, Melaka, Malaysia

Corresponding Author: Seethaetchumy Thambiah, Faculty of Management, Multimedia University, Persiaran Multimedia, 63100 Cyberjaya, Selangor, Malaysia Tel: 60383125799 Fax: 60383125590

ABSTRACT

This study investigated the moderating effect of religious reasons and regional differences against the intention to use Islamic Retail Banking (IRB) products and services in Malaysia, since previous researchers in the domain of Islamic banking have underscored the degree of interaction of these two factors. The intention to use IRB products and services being the dependent variable, the study comprises of eight independent variables: Customer awareness of IRB, relative advantage, compatibility, complexity, uncertainty, observability, promotional efforts and perceived information quality. The survey instrument of the study was a set of questionnaire and quota-sampling technique was used to collect data from urban and rural regions of Malaysia. Moderated multiple regression analysis was employed to anticipate the moderator effect of the variables. The findings reveal religion moderates the interaction between relative advantage, compatibility, complexity and the intention to use IRB, whilst region moderates, the interaction between awareness of IRB attributes, compatibility, complexity and the intention to use IRB. This implies religious reasons and regional differences play an important role to certain extent in influencing the Malaysian banking customers' intention to use IRB products and services. Thus, the findings of this study are expected to be useful to the financial institutions to formulate marketing strategies considering these moderators.

Key words: Islamic retail banking, banking behavior, moderated multiple regression, Malaysia

INTRODUCTION

The birth of Islamic financial system has caused a paradigm shift in economic models, specifically to Islamic banking, having captured a significant share in the global financial market (Fazlan and Mohammad, 2007; Hassan and Lewis, 2007). Over the past four decades, the growth of Islamic banking is highly notable with an estimated growth rate of 15-20% per annum and expected to reach USD 1.5 trillion by 2015 (BNM, 2010). Islamic banks are financial intermediaries that are governed by Islamic Law (Shariah law) (Iqbal and Mirakhor, 2007). Therefore, the core principles of Islamic banking operations is, prohibition of interest or riba in all forms of banking transactions and earn a fair and legitimate profit in all business and trade activities undertaken. In addition, it also embraces donating zakat (alms tax) and development of all halal aspects of a business, whilst prohibiting monopoly (Haron, 1997; Mirakhor, 2000).

In the context of Malaysia, the Malaysian government aims to build a progressive and strong Islamic banking industry ingrained in the Islamic core values and principles. At the same time one that is as competitive as conventional banking system and which, best contributes to the growth of the nation's economy (Aziz, 2005). In fact, it is the Malaysian government's vision to develop Malaysia into a regional Islamic banking hub. Therefore, great effort has been taken by the Malaysian government to develop the Islamic banking industry into a well functioning and efficient banking system (Aziz, 2006, 2007, 2009). While opportunities for Islamic banking will continue to grow, there is a need to develop products and services that are accustomed with customers' needs and preferences because intense competition is a notable scenario in the banking sector today, not only in Malaysia but also across the globe. Thus, the same goes for Islamic banks in Malaysia. Islamic banks as significant players in the financial service industry today are faced with strong competition with the conventional banks which is dominant and long established, the international players and as well as within themselves. This necessitates continuous research in this area in order to obtain deeper insights of the adoption behavior of the Malaysian banking customers towards IRB products and services (Dusuki and Abdullah, 2007). So that appropriate IRB products can be developed, considering the perception of the banking customers and factors that influence the customers' adoption behavior.

The motivation for this analysis originated from the fact, that studies on adoption in the area of marketing indeed, have emphasized the importance of moderator variables for predicting consumer behavior (McMullan, 2005; Walsh *et al.*, 2008). Moderator factors play a crucial role in predicting the degree of interaction or strength of the relation between the dependent and independent variables of the study (Aguinis, 2004; Hair and Anderson, 2010). However, previous Islamic banking studies conducted by Yusof (1999), Naser *et al.* (1999), Abbas *et al.* (2003), Haque *et al.* (2007) and Haque (2010) overlooked the importance of the moderating effect of demographic factors in assessing the adoption of IRB. This study therefore, attempts to fill the gap by providing additional insights about the degree of interaction of two demographic factors that is religion and region.

However, no study thus far, has tested the moderator effect of religion, within the framework of Roger (2003), innovation diffusion model in the context of IRB, although previous studies in the area of Islamic banking have found religious principles as strong reasons for customers' adoption of Islamic banking (Haque, 2010). Whilst, the region was included to examine whether geographical differences in terms of urban and rural customers moderates the intention to use IRB. Therefore, this study aims to investigate the moderating effect of religion and region on customer awareness of IRB attributes and perceived attributes of IRB, against the intention to use IRB products and services.

RESEARCH FRAMEWORK

Innovation diffusion theory (IDT): Rogers (2003) Innovation Diffusion Theory (IDT) underpins the framework of this study. identified five main characteristics of innovations: Relative advantage, compatibility, complexity, trialability and observability. In addition to these five variables, customers' awareness of IRB attributes has been included in the framework. Limited awareness or uninformed customers on the attributes of IRB services can be a pertinent factor that restricts the adoption of IRB in Malaysia (Dusuki and Abdullah, 2007; Rosly, 2008; Thambiah *et al.*, 2011a). Moreover, Kotler and Armstrong (2001) and even Rogers (2003), have stressed that adoption of an innovation begins with awareness. However, very few studies have investigated customers'

awareness of Islamic banking attributes, exceptions being studies conducted by Kader (1993, 1995) and Haron *et al.* (1994), whose study examined customers' awareness on the existence of Islamic banking and the fundamental terms. Beside, recent studies conducted by Dusuki and Abdullah (2007) and Rosly (2008) in Malaysia, on Islamic banking patronage factors emphasized the need for public education and awareness towards the distinctive characteristics of Islamic banking products and services and how it could benefit the customers in their financial dealings.

However, due to the intangible attribute of banking products and services perceived trialability was excluded from this study. The nature of banking products and services is that it does not allow for prior trialability but is experienced whilst it is produced (Metawa and Almosawi, 1998; Yusof, 1999). Moreover, Islamic banking studies conducted by Yusof (1999) in Singapore did not include perceived trialability. Likewise later studies conducted by Rugimbana and Iverson (1994) and Gerrard and Cunningham (2004) in the area of Internet banking and self-service technology also excluded perceived trialability reason being the intangible nature of banking products and services which do not give the option of prior trialability to the customers. Therefore, perceived trialability was not examined in this study, instead perceived uncertainty which is deemed more appropriate, was incorporated.

According to Rogers (2003), trialable innovations seemed to create less uncertainty to the customers who intend to use a product or service, since it allows one to experiment prior to usage or adoption (Kotler and Armstrong, 2001; Rogers, 2003). However, since IRB products and services are intangible in nature and do not allow prior trialability, it may trigger more uncertainty among banking customers. The banking customers might be skeptical about using it. In fact, the context of uncertainty has been tested in various dimensions in previous researches. In fact, Black *et al.* (2002), measured uncertainty in terms of the accuracy and reliability of data in his internet banking adoption study. Suganthi *et al.* (2001) examined uncertainty in the context of banking customers' security and trust over the bank, in her on-line banking study. However, Yusof (1999) did not examine perceived uncertainty directly but tested the reliability of Islamic banking services, to see if it is compliant to *Shari'ah* principles which may serve as a form of uncertainty in the mind of customers (Rogers, 2003).

Therefore, the dependent and independent variable of primary interest to this research is derived from the theory of Diffusion of Innovation (Rogers, 2003). The dependent variable of this study is intention to use Islamic Retail Banking (IRB). Given that, the independent variables are Awareness of IRB Attributes, Relative Advantage, Compatibility, Complexity, Observability and Uncertainty. Thus, the framework as shown in Fig. 1 provides the conceptual foundation of this research.

Awareness of IRB attributes: Adoption is the acceptance and continued use of a product, service or idea and according to Rogers (2003), consumers go through a five stage process that is knowledge, persuasion, decision, implementation and confirmation before the decision to adopt a product or service is made. Likewise, Kotler and Armstrong (2001) have opined that an important characteristic for any adoption of innovative service or product is creating awareness among consumers about the service or product. Thus, the adoption or rejection of an innovation takes place when the consumer becomes aware of the existence of a product or service and the same time has some preliminary knowledge about it. Customers' awareness has been tested as one of the key variables in numerous studies, specifically in the area of on-line banking, internet banking and self-services technology adoption (Sathye, 1999; Guru *et al.*, 2000; Suganthi *et al.*, 2001; Li, 2001;

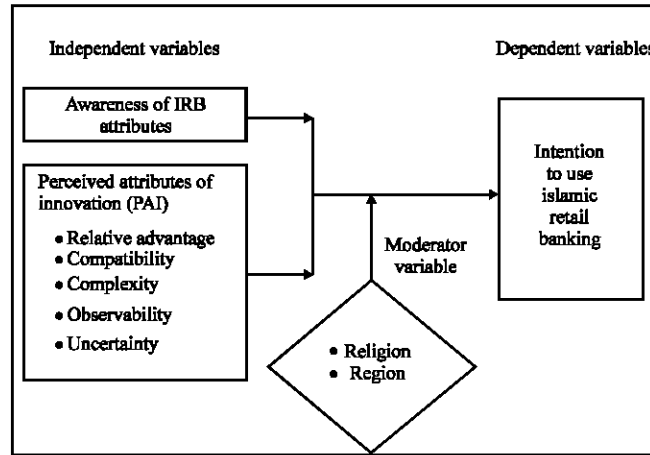


Fig. 1: The research framework

Karjaluoto *et al.*, 2002; Gerrard and Cunningham, 2003; Laforet and Li, 2005). However, very limited studies have investigated on customer awareness in the area of Islamic banking adoption, particularly in Malaysia. Haron *et al.* (1994) tested on the Muslim and non-Muslim customers' awareness of Islamic banking existence. According to his findings majority of non-Muslims believed that Islamic banking services are meant only for the Muslims. This gives only a general overview of Haron's study. Besides, there are studies which reported that Muslim respondents though aware of fundamental terms in Islam, were almost unaware of the meaning of specific Islamic financial terms like Mudaraba, Musharaka and Ijara (Naser *et al.*, 1999; Thambiah *et al.*, 2011b). However, these studies neglected to examine the moderating effect of religion and region on awareness of IRB attributes and intention to use IRB. Thus, the following hypotheses were tested in this study:

- **H1a:** Religion moderates the strength between awareness of IRB attributes and the intention to use IRB
- **H1b:** Region moderates the strength between awareness of IRB attributes and usage of IRB

Relative advantage: Relative advantage is defined as the degree to which an innovation is perceived as being better than the 'idea' it supersedes (Rogers, 2003). Potential adopters want to know the degree to which a new idea is better than an existing one. Besides, earlier researchers in adoption studies too have asserted relative advantage as one of the best predictors of an innovation's rate of adoption (Tornatzky and Klein, 1982; Yusof, 1999; Gerrard and Cunningham, 2003; Alam, 2004; Suki, 2006; Thambiah *et al.*, 2011a). According to Rogers (2003) adopters invariably perceived relative advantage in terms of the economic benefits and the costs resulting from the adoption of an innovation and improvements that are afforded to their social status. In addition, Gerrard and Cunningham (2003), in his Internet banking adoption study in Singapore had defined economic profitability, low initial cost, a decrease in discomfort, social prestige, savings in time and effort and the immediacy of the reward as the sub-dimensions of relative advantage. Therefore, the present study investigated the economic benefits (profits earnings, reduce the burden of interest, reduce risk, profit and loss sharing benefits) and fairness of IRB (in the conduct of profit sharing, ethical banking system, equal distribution of wealth) and

whether religion and region moderates the relationship between relative advantage and the intention to use IRB. This leads to the following hypotheses:

- **H2a:** Religion moderates the strength between relative advantage and the intention to use IRB
- **H2b:** Region moderates the strength between relative advantage and the intention to use IRB

Compatibility: Rogers (2003) defined compatibility as the degree to which an innovation is perceived as being coherent with the current values, past experiences and the needs of potential adopters. Whereas, Zaltman and Stiff (2003) have stated compatibility as a measure of the values or beliefs of consumers, the ideas they have adopted previously and the ability of an innovation to meet their needs. In addition, several studies have highlighted compatibility in terms of previous experiences and values that influence the adoption behavior of an innovation (Yusof, 1999; Gerrard and Cunningham, 2003; Alam, 2004; Suki, 2006). As such, in regards to banking experiences and practices, Malaysian banking consumers already possess banking habits from the long operating conventional banks and Islamic banking functions and operations are not new to them. Hence, this study sought to examine whether religion and region moderates the relationship between compatibility and the intention to use IRB, thus the following hypotheses were tested:

- **H3a:** Religion moderates the relationship between compatibility and the intention to use IRB
- **H3b:** Region moderates the relationship between compatibility and the intention to use IRB

Complexity: Complexity is the degree to which an innovation is perceived as difficult to understand and use (Rogers, 2003). As opined by Yusof (1999) any idea could be classified on the complexity-simplicity continuum. Scholars in the area of adoption behavior have asserted, potential adopters easily understand some innovations, whereas others are difficult to comprehend. Thus, complexity has been measured in relations to perceptions concerning the simplicity of the attributes of the innovation and its intended use and the ease with which it can be used (Yusof, 1999; Gerrard and Cunningham, 2003). Previous studies by Yusof (1999), Gerrard and Cunningham (2003), Alam (2004), Suki (2006), Tan (2010) and Thambiah *et al.* (2011b) have asserted that there is a negative relationship between complexity and adoption rate. The more a product is perceived as complex, the lower will be the rate of adoption (Rogers, 2003). However, Polatoglu and Ekin (2001) opined that literacy level plays a very important role in determining the degree of complexity among banking customers. Islamic banking is a form of financial innovation in terms of its banking principles. Thus, it is imperative to study the perceived complexity among the Muslim and non-Muslim customers, as well as the urban and rural banking customers. Therefore, this study examined the degree of interaction of religion and region, between complexity and the intention to use IRB. As such, the following hypotheses were tested:

- **H4a:** Religion moderates the relationship between complexity and the intention to use IRB
- **H4b:** Region moderates the relationship between complexity and the intention to use IRB

Observability: Observability is described as the degree to which the results of the usage of an innovation are visible to others (Rogers, 2003). The outcome of certain ideas is easily noticeable. Therefore, it can be easily communicated to others, whereas the results of some innovations are

difficult to observe, thus not easy to describe to others. According to Yusof (1999) and Gerrard and Cunningham (2003), this is true especially for a service which, the characteristic of intangibility will hinder its visibility. Nevertheless, Yusof (1999) opined that in the case of Islamic banking, it is possible that Muslim consumers will find it easier to explain and provide evaluative feedback to others regarding the results of using Islamic banking services due to their religious background which would influence their adoption behavior. Therefore, in this study, observability was examined in the context of customers' noticing the outcome and benefits of using Islamic deposits and financing schemes, considering the opinion of family, friends and peers concerning IRB and willingness to share the experience of using IRB products and services, as well as the degree of interaction of religion and region, between observability and the intention to use IRB. Thus, this leads to the following hypotheses.

- **H5a:** Religion moderates the relationship between observability and the intention to use IRB
- **H5b:** Region moderates the relationship between observability and the intention to use IRB

Uncertainty: Uncertainty is the degree to which a number of alternatives are perceived, with respect to the occurrence of an event and the relative probabilities of these alternatives (Rogers and Shoemaker, 1971; Rogers, 2003). Perceived risk, trust and reliability of a system are known to be some of the attributes of uncertainty (Zaltman and Stiff, 1973; Kotler and Armstrong, 2001; Rogers, 2003). It is believed that there is a negative relationship between uncertainty and the rate of adoption (Yusof, 1999; Alam, 2004; Thambiah *et al.*, 2011a). The more consumers feel uncertain about an innovation; the lower would be the rate of adoption. Ostlund (1974), in a non-banking context, appears to have been the first to identify perceived risk as one of the characteristics that influences the rate of adoption. Moreover, in self-service technologies in banking, risk has been identified as relevant characteristic in the Phone banking study of Lockett and Littler (1997). In the context of Internet banking, Black *et al.* (2002) suggest that data accuracy and reliability of the system as a measure of uncertainty, whereas Suganthi *et al.* (2001) examined uncertainty in the context of security and the customers' trust on the bank. Whereas, Yusof (1999) in his study about Islamic banking adoption in Singapore investigated reliability of Islamic banking services, in terms of truly *Shari'ah* compliant, as a form of uncertainty. Therefore, this study sought to examine uncertainty within the dimension of confusion, fear, risk, trust and doubtfulness and the moderating effect of religion and region between uncertainty and the intention to use IRB as well. Given that, the following hypotheses were tested:

- **H6a:** Religion moderates the relationship between uncertainty and the intention to use IRB
- **H6b:** Region moderates the relationship between uncertainty and the intention to use IRB

RESEARCH METHODOLOGY

This research is a quantitative study and the survey instrument used was a set of questionnaire. The questionnaires were personally administered by the researcher and in total 800 questionnaires were distributed equally to the potential users of IRB products and services, in urban and rural regions of Malaysia. The conceptual model shown in Fig. 1, serves as the basis for the questionnaire designed. However, several items were adapted from prior works on innovation deployment and adoption studies (Yusof, 1999; Gerrard and Cunningham, 2003). Responses to the survey question on the variables were entered on a five-point Likert-type scale as follows:

- 1: Strongly disagree
- 2: Disagree
- 3: Neither agree or disagree
- 4: Agree
- 5: Strongly agree

Respondents were also required to answer whether they are users or non-users of Islamic deposits and financing schemes. In addition, data on participant's demographic profile including gender, age, ethnicity, religion, education level, monthly income, occupation and the location they reside also included.

The target population of this study was individual customers of banking sector (Haron *et al.*, 1994; Al-Haran, 1995; Shafie *et al.*, 2004; Haron and Azmi, 2005; Dusuki and Abdullah, 2007; Haque *et al.*, 2007; Haque, 2010). The sampling frame was not able to obtain due to banking regulations. Therefore, quota sampling was used initially to segregate the samples into urban and rural customers. Thereafter, convenience-sampling technique was used to collect data from the respondents of respective regions. The urban regions were represented by the main cities in Malaysia comprising; Kuala Lumpur, Seremban and Johore Bahru. Correspondingly the rural regions are represented by, Sekinchan, Bahau, Labis and Chaah. The samples of urban regions were drawn in front of Maybank, CIMB Bank and Public Bank, the three leading banks of Malaysia. The questionnaires were distributed at various banking hours of the same day, as well as various days of the week, to reduce any potential bias owing to high concentration of bank customers during certain hours of the days (Metawa and Almosawi, 1998; Jamal and Naser, 2002; Abbas *et al.* (2003). Similarly, for the rural regions, the samples were drawn from the mosques and households at various days and hours too.

DATA ANALYSIS AND FINDINGS

Moderated Multiple Regression (MMR) analysis was used to examine the strength of interaction of religion and region between the eight independent variables; Relative advantage, Compatibility, Complexity, Observability and Uncertainty and the Intention to use IRB which is the dependent variable of the study. Thus, in this research, MMR was conducted based on the hierarchical regression method (Aguinis, 2004). Firstly, each categorical moderator (religion and region) were recorded as dummy variables. Subsequently, the independent variables were multiplied with each dummy (moderator) variable to compute the hypothesized moderator variables that are called interaction term or product term.

The moderating effect of the model was evaluated based on its statistical significance and examining the substantive significance of its moderating effect on the independent-dependent relationship. Statistical significance was assessed via the t-value and its significance level (p-value \leq than 0.05). Whereas, a two-stage multiple regression which examines the moderating effect of religion and region was used. Stage one, includes the first-order effects only (i.e., with intention to use IRB; all eight independent variables; all three dummy moderator variables) and the second stage is with the product terms (each independent variable multiplied by dummy religion and region) included. Thus, for a moderating effect to be significant, the change in R-square from the first-order level of the model to the second-order level model must be significant (Aguinis, 2004; Hair and Andreson, 2010). The R² value indicates the model fit. An R² close to

1.0 indicates that almost all of the variability is accounted by the specified variables in the model (Hair and Andreson, 2010). However, since this study comprised of a relatively large number of independent variables (eight independent variables), with different sample sizes representing urban and rural customers, an adjusted R^2 was referred to in order to have a more objective measure of the coefficient. An adjusted R^2 is an adjustment based on the number of independent variables relative to the sample size which systematically discounts the increase in R^2 due to addition of non-significant variables (Aguinis, 2004; Hair and Andreson, 2010).

Besides that, the regression variates, that is the direction of the relationship (positive or negative) between the independent and dependent variables for this study was interpreted based on the unstandardised regression coefficients (B). If a B coefficient is positive, then the relationship of this variable with the dependent variable is positive; if the B coefficient is negative then it has a negative relationship with the dependent variable. The Table 1 below depicts the output of the moderated multiple regression analysis conducted.

Dependent variable: Intuse 1: The result reveals that both religion and region seemed to have significant moderating effects on intention to use IRB. The analysis exhibited three (3) models. Model 1 depicts the first-order level (does not include the product term) thus ignores the moderating effect and therefore, exhibits the original regression coefficient where the $R = 0.647$, $R^2 = 0.419$ and adjusted $R^2 = 0.412$. Whereas, Model 2 shows the result after the product term, religion has been included. Hence, the addition of religion resulted in, $R^2 = 0.435$, adjusted $R^2 = 0.429$ and an R^2 change of 0.016, $F(14,321) = 2.111$, $p = 0.002$, that is significant. Thus, the moderating effect of religion alone explains about 1.6% of variance with, relative advantage ($p = 0.002$), compatibility ($p = 0.013$) and complexity ($p = 0.041$) indicating statistically significant coefficient values.

Subsequently, model 3, with the inclusion of region as a moderating variable resulted, $R^2 = 0.442$, adjusted $R^2 = 0.438$ and an R^2 change of 0.007, $F(20,321) = 0.891$, $p = 0.019$ which is statistically significant. Therefore, the moderating effect of region seemed to explain approximately 0.07% of variance with, compatibility ($p = 0.024$) and complexity ($p = 0.005$) and awareness of IRB attributes ($p = 0.012$) having significant coefficients values as shown in Table 2.

The present finding therefore, substantiated the following hypotheses, given that the p-value equal or less than 0.05 (significant level): Hence, based on the findings religion did not moderate ($p > 0.05$), the relationship between (a) awareness of attributes of IRB; (b) observability; (c) uncertainty and the intention to use IRB. Thus, the null hypotheses for these constructs are accepted and alternate hypotheses rejected. Hence, the following alternate hypotheses were accepted for religion:

Table 1: Model summary of the moderating effect of religion and region on intention to use IRB

Model	R	R^2	Adjusted R^2	SE of the estimate	R^2 Change	F change	Sig.
1	0.647 ^a	0.419	0.412	0.1749	0.419	88.158	0.000
2	0.659 ^b	0.435	0.429	0.1736	0.016	2.111	0.002
3	0.665 ^b	0.442	0.438	0.1702	0.007	0.891	0.019

^aPredictors: (Coustant), RegionDummy, Religion Dummy, RelativeAdv, Complexity, AwareAtt, Compatibility, ^bPredictors: (Constant), RegionDummy, Religion Dummy, RelativeAdv, Complexity, AwareAtt, Compatibility, Complexity_Religion, Compatibility_Religion, AwareAtt_Religion, RelAdv_Religion

Table 2: Coefficients results for the moderating effect of religion and region in relation to the eight predictors and intention to use IRB

Model	Unstandardized coefficients		Standardized coefficients		
	B	SE	Beta	t	Sig.
Constant	2.607	0.349	-	7.461	0.000
AwareAtt_Religion	0.221	0.091	0.522	0.478	0.112
RelAdv_Religion	0.085	0.112	0.740	1.753	0.002
Compatibility_Religion	0.206	0.083	1.538	2.498	0.013
Complexity_Religion	-0.119	0.080	-0.917	-1.474	0.041
Observability_Religion	0.129	0.091	0.920	1.416	0.328
Uncertainty_Religion	0.086	0.082	0.321	0.225	0.521
AwareAtt_Region	0.118	0.097	0.746	0.416	0.012
RelAdv_Region	0.122	0.111	1.055	1.099	0.273
Compatibility_Region	0.186	0.080	1.351	2.327	0.024
Complexity_Region	-0.056	0.078	-0.453	-1.727	0.005
Observability_Region	0.077	0.089	0.545	0.869	0.385
Uncertainty_Region	0.132	0.065	0.926	0.416	0.221

- **2a:** Religion moderates the relationship between relative advantage and the intention to use IRB
- **3a:** Religion moderates the relationship between compatibility and the intention to use IRB
- **4a:** Religion moderates the relationship between complexity and the intention to use IRB

Subsequently, region does not moderate ($p > 0.05$), the relationship between (a) relative advantage; (b) observability; (c) uncertainty and the intention to use IRB. Thus, the null hypotheses for these constructs are accepted and the alternate hypotheses rejected. Hence, region substantiated the following alternate hypotheses:

- **1b:** Region moderates the relationship between awareness of IRB attributes and the intention to use IRB
- **3b:** Region moderates the relationship between compatibility and the intention to use IRB
- **4b:** Region moderates the relationship between complexity and the intention to use IRB

The present findings clearly imply that religious reasons are still instrumental in influencing the intention to use IRB products and services to certain extent. Based on the findings, although, religion does not significantly moderates all the factors, obviously there seemed be a certain degree of interaction with customers' perceived relative advantages, compatibility, complexity and the willingness to use IRB products and services. Therefore, religious reason could be the contributing factor for the Muslim banking customers in particular to perceive IRB products and services as fair and economically advantages, a banking system instilled with religious principles. Contradictingly, for the non-Muslims since IRB products and services are new, it is perceived as complex. Therefore, it affects their intention to use IRB products and services.

In addition, the findings also revealed that regional differences seemed to interact with customer awareness of IRB attributes, compatibility and complexity. Thus, it is obvious geographical differences in terms of urban and rural segregation does influence customer awareness of IRB attributes which in turn affects the adoption behavior. Likewise, urban customers may find IRB as more compatible in comparison to the rural ones, due to their banking exposure

since the banks are mostly centered in urban areas. On the other hand, for the rural customers IRB products and services may appear as complex due to limited banking exposure (Gerrard and Cunningham, 2003).

CONCLUSION

In conclusion, it is obvious that religious reasons to a certain extent still remains as a pertinent factor that influences customers' willingness to use IRB products and services. On the other hand, regional differences too seemed to play a crucial role in affecting the intention to use IRB products and services, concerning their awareness, compatibility and complexity in particular. These findings therefore can serve as useful guidance to the Islamic financial institutions to formulate appropriate product development and marketing strategies.

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