Method Article

Factors affecting intention to adopt Islamic financing: Evidence from Morocco

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\begin{abstract}
Although microenterprises constitute a significant part of Morocco’s economy, they encounter financing difficulties which represent the biggest obstacles to their growth, therefore, Islamic financial institutions can take a prominent role in fostering financial inclusion in Morocco. Accordingly, this article aims to explore the determinants of intention to adopt Islamic financing in micro-business. For this purpose, this study utilizes data collected from a selected sample of Moroccan micro-business owner-managers using face-to-face interviews during March 2021. The results from the partial least squares analysis indicate that religious obligation and Islamic financing reputation positively affect attitude towards Islamic financing. Findings also reveal the positive and significant influence of subjective norms, attitude towards Islamic financing, and perceived behavioral control on intention to adopt Islamic financing.

- This method article can be used to explore the antecedent of Islamic financing adoption in micro-business.
- Access to this method article may help Islamic bank managers to set up marketing policies in order to strengthen the micro-business owners’ intention to adopt Islamic financing.
\end{abstract}

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Specifications Table

| Subject Area: | Economics and Finance |
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Introduction

Islamic financing (IF) is introduced as an alternative to conventional financing to satisfy Muslims’ particular requirements by offering them a financial service in accordance with the Islamic religious law (Syariah) [2], based on the prohibition of uncertainty (Gharar), interest (Riba), and gambling (Maysir) [3]. Thereby, since it was launched in 2017 by Bank Al-Maghrib and under the control of Morocco’s Supreme Council of Ulemas, Islamic banks (namely, participatory banks) have emerged as a promising alternative that can strengthen the financial and economic inclusion of microbusiness and attract a new category of investors.

Nowadays, there are five Islamic banks (namely, Umnia Bank, Assafa Bank, BTI Bank, Al Akhdar Bank, and Bank Al Yousr), and three conventional banks, including BMCI Najmah, Arreda of Credit du Maroc, and Dar Al-Amame of Société Générale. These banks have experienced significant growth, recording an increase of their branch network from 100 in 2018 to 154 branches in 2020. To sustain this growth, Islamic banks need to attract new customers, especially micro-business owners, therefore, it becomes crucial to identify the factors influencing micro-business managers’ intention to adopt Islamic financing in business.

The existing literature has investigated the determinants of Islamic financing adoption in different countries, i.e.: Malaysia [4,5], Pakistan [6,7], Uganda [8,9], Tunisia [10], and Ghana [11]. However, the identification of factors that enhance IF among Moroccan micro-business has not been addressed. Therefore, this study aims to address the following research question: Which factors may attract microbusiness owners to adopt Islamic financing?

The remainder of this method article is arranged as follows. Section 2 outlines a literature review regarding factors influencing Islamic financing adoption. Then, Section 3 describes the adopted methodology approach. Section 4 reports and discusses the study’s findings. Finally, Section 5 provides conclusions by indicating a number of recommendations.

Literature review

The study of the determinants of Islamic financing adoption has been subject to considerable scientific papers [5–7,9,12–14], which frequently mobilized the theory of reasoned action (TRA) [15], and the theory of planned behavior (TPB) [16]. As an extension of the TRA, the TPB emphasizes that attitude, subjective norms, and perceived behavioral control positively affect individual intention, which turns to enhance the individual’s behavior [17].

Based on the TRA, Amin et al. [4] argued that social influence, attitude, and pricing positively affect intention to use IF. In addition, Aziz and Afaq [6] found that attitude and subjective norms positively affect intention to adopt IB in Pakistan, also, they identified uncertainty, awareness, compatibility, and relative advantage as determinants of attitude. Likewise, Mahdzan et al. [14] argued that the understanding of IB concepts and perceived advantage positively affect the adoption of IB services. Bananuka et al. [8] empirically confirmed that attitude and religiosity influence positively intention to adopt IB among micro-business managers in a non-Islamic country. As well, attitude acts as a mediating variable in the association between religiosity and intent to adopt IB [18]. Furthermore, Kaabachi and Obeid [10] found that relative advantage, bank reputation, perceived risk, compatibility, and perceived complexity contribute to the explication of the behavioral intention to adopt IB.
Services. More recently, Mbawuni and Nimako [11] have empirically verified that attitude, knowledge, perceived innovation, willingness to comply with Islamic law, and perceived benefits are the most significant drivers of intention to adopt IF.

In the Halal industry, Jaffar and Musa [13] proposed awareness, religion obligation, cost benefit, business support, and reputation as determinants of attitude towards IF. They further argued that subjective norms, attitude, and behavioral control positively influence on intention to adopt IF in business. The relationships between these variables are also confirmed later by Jaffar and Musa [5]. Accordingly, we assume the following hypotheses (Fig. 1).

H1 Religious obligation has a positive impact on attitude towards IF in business.
H2 Cost benefit of IF has a positive impact on attitude towards IF in business.
H3 Reputation of IF has a positive impact on attitude towards IF in business.
H4 Subjective norm has a positive impact on intention to adopt IF in business.
H5 Attitude towards IF has a positive impact on intention to adopt IF in business.
H6 Perceived behavioral control has a positive impact on intention to adopt IF in business.

Method details

In order to identify the determinants of the intention to adopt Islamic financing among Moroccan micro-business owner-managers, we have opted for a quantitative approach using structural equation modeling under the PLS approach (Fig. 2).

Research questionnaire

The questionnaire items used in this study were drawn from previous empirical studies [13]. Data of this study include eight latent variables, namely religion obligation (5 items), cost benefits (4 items), the reputation of Islamic financing (3 items), attitude towards Islamic financing (5 items), subjective norms (4 items), perceived behavioral control (3 items), and intention to adopt Islamic financing (3 items). To measure each variable, we adopted the seven-point Likert-type scale. The agreement options are from one (1 = Strongly Disagree) to seven (7 = Strongly Agree).

Data collection and sampling

The questionnaire was conducted in two stages. In the first stage, a pre-testing phase of the questionnaire items via face-to-face interviews among Moroccan micro-business owner-managers was conducted to ensure the questionnaire content validity. The adjusted questionnaire was translated into Arabic to facilitate participants’ understanding of the questions, and thus, it is structured in two sections, the first one focuses on collecting data regarding the socio-demographic profile (age, gender, marital status, educational level), and business characteristics (nature of business, age of the...
In the second stage, four students trained participated in data collection using face-to-face interviews among micro-business owner-managers throughout March 2021. During this period, a total of 149 usable responses were collected from 96 men (64.43%) and 53 women (35.57%), belonging to the age group of 27–35 years (36.2%), followed by the age group of 18–26 years (26.2%), and the age group of 36–44 years (24.2%). 56.4% of surveyed are married, 33.6% are single, and 10.1% are divorced. 40.3% of them have a secondary education level, 20.8% hold a vocational training diploma, and 14.8% studied in university (Fig. 3). As shown in Fig. 4, the majority of respondents were owner-managers of commercial microbusiness (71.81%), with fewer than three employees (73.15%), where 42.28% have been in activity for fewer than three years.

For data analysis, we have used the partial least squares structural equation modeling approach [19,20], because this technique provides high levels of statistical power with small sample sizes [21]. Practically the implementation of PLS-SEM through SmartPLS software implies evaluating the measurement model and the structural model (Fig. 5). First, the measurement model evaluation is carried out by assessing convergent validity and discriminant validity. Then, the inner model evaluation requires checking a number of criteria including the coefficient of determination, the effect size, the predictive relevance, the goodness of fit of the model, and the hypothesis testing [20].

**Results and discussions**

The measurement model assessment shows a solid convergent validity, according to several criteria: loading, Cronbach’s alpha, composite reliability (CR), and average variance extracted (AVE).
Thereby, the Cronbach’s alpha and composite reliability values are above 0.7. The values of AVE are all above 0.5 (Table 1). Likewise, the values of indicators’ outer loading are above 0.792 (Fig. 6), which confirms their significant contribution to model constructs.

The PLS outputs illustrated in the Table 2 allow us to assess discriminant validity based on Fornell and Larcker criteria. As shown in Table 3, the loadings of the indicators are greater than all its cross-loadings, supporting the discriminant validity of the outer models.

The structural model assessment requires the verification of the coefficient of determination, the effect size, the predictive relevance, and the Goodness-of-Fit index. The R-square values for the

**Fig. 3.** Demographic profile of the survey respondents.
Fig. 4. Business characteristics.
two endogenous latent variables, attitude towards Islamic financing, and intention to adopt Islamic financing are above 0.67, which are 0.735 and 0.744, respectively. This shows a substantial level of determination of these variables (Table 4).

As shown in Table 5, the effect size value of reputation on attitude towards Islamic financing is 0.197, which is considered as a medium effect size. The religious obligation has a small effect size on attitude towards Islamic financing (0.02 ≤ \(f^2\) < 0.15). The same for the effect size of the attitude
Fig. 6. Results of outer model assessment - output SmartPLS.
Fig. 7. Evaluated model.
Table 2
Fornell and Larcker criterion.

| Construct | AIF   | CBIF  | IAIF  | PBC   | RO    | RIF   | SN    |
|-----------|-------|-------|-------|-------|-------|-------|-------|
| AIF       | 0.910 |       |       |       |       |       |       |
| CBIF      | 0.751 | 0.850 |       |       |       |       |       |
| IAIF      | 0.829 | 0.757 | 0.927 |       |       |       |       |
| PBC       | 0.796 | 0.706 | 0.770 | 0.903 |       |       |       |
| RO        | 0.801 | 0.777 | 0.731 | 0.720 | 0.832 |       |       |
| RIF       | 0.820 | 0.804 | 0.799 | 0.702 | 0.800 | 0.888 |       |
| SN        | 0.868 | 0.769 | 0.813 | 0.752 | 0.717 | 0.770 | 0.919 |

Table 3
Results of discriminant validity - loading and cross-loading criteria.

| AIF   | CBIF  | IAIF  | PBC   | RO    | RIF   | SN    |
|-------|-------|-------|-------|-------|-------|-------|
| AIF1  | 0.938 | 0.716 | 0.781 | 0.725 | 0.739 | 0.764 | 0.808 |
| AIF2  | 0.901 | 0.650 | 0.729 | 0.713 | 0.773 | 0.756 | 0.735 |
| AIF3  | 0.920 | 0.732 | 0.726 | 0.718 | 0.759 | 0.773 | 0.816 |
| AIF4  | 0.900 | 0.638 | 0.767 | 0.708 | 0.683 | 0.705 | 0.805 |
| AIF5  | 0.888 | 0.678 | 0.766 | 0.755 | 0.687 | 0.730 | 0.783 |
| CBIF1 | 0.620 | 0.843 | 0.588 | 0.558 | 0.649 | 0.676 | 0.615 |
| CBIF2 | 0.722 | 0.886 | 0.726 | 0.656 | 0.729 | 0.749 | 0.725 |
| CBIF3 | 0.575 | 0.868 | 0.606 | 0.571 | 0.628 | 0.649 | 0.634 |
| CBIF4 | 0.620 | 0.800 | 0.639 | 0.605 | 0.622 | 0.647 | 0.629 |
| IAIF1 | 0.716 | 0.689 | 0.879 | 0.672 | 0.681 | 0.688 | 0.686 |
| IAIF2 | 0.775 | 0.700 | 0.956 | 0.713 | 0.659 | 0.761 | 0.790 |
| IAIF3 | 0.810 | 0.718 | 0.944 | 0.754 | 0.694 | 0.767 | 0.790 |
| PBC1  | 0.792 | 0.656 | 0.761 | 0.930 | 0.686 | 0.677 | 0.729 |
| PBC2  | 0.746 | 0.674 | 0.748 | 0.957 | 0.697 | 0.690 | 0.698 |
| PBC3  | 0.598 | 0.579 | 0.552 | 0.816 | 0.552 | 0.515 | 0.602 |
| RO1   | 0.602 | 0.592 | 0.579 | 0.574 | 0.817 | 0.595 | 0.525 |
| RO2   | 0.584 | 0.589 | 0.537 | 0.594 | 0.792 | 0.577 | 0.520 |
| RO3   | 0.711 | 0.671 | 0.634 | 0.659 | 0.850 | 0.751 | 0.643 |
| RO4   | 0.631 | 0.675 | 0.583 | 0.481 | 0.835 | 0.699 | 0.596 |
| RO5   | 0.774 | 0.695 | 0.688 | 0.670 | 0.865 | 0.693 | 0.675 |
| RIF1  | 0.754 | 0.745 | 0.726 | 0.629 | 0.710 | 0.890 | 0.752 |
| RIF2  | 0.681 | 0.686 | 0.702 | 0.632 | 0.689 | 0.867 | 0.660 |
| RIF3  | 0.747 | 0.711 | 0.701 | 0.613 | 0.733 | 0.908 | 0.639 |
| SN1   | 0.711 | 0.670 | 0.715 | 0.677 | 0.632 | 0.661 | 0.884 |
| SN2   | 0.785 | 0.669 | 0.731 | 0.700 | 0.623 | 0.693 | 0.931 |
| SN3   | 0.813 | 0.729 | 0.752 | 0.678 | 0.662 | 0.713 | 0.938 |
| SN4   | 0.872 | 0.754 | 0.786 | 0.707 | 0.714 | 0.758 | 0.921 |

Table 4
Coefficient of determination of the endogenous constructs.

| Endogenous constructs | R Square | R Square adjusted |
|-----------------------|----------|-------------------|
| Attitude towards IF  | 0.735    | 0.730             |
| Intention to adopt IF | 0.744    | 0.739             |

Table 5
Effect size.

| Constructs                  | f² values | Signification          |
|-----------------------------|-----------|------------------------|
| Religious obligation        | →         | Attitude towards IF    | 0.147                   | Small effect size       |
| Cost benefits of IF         | →         | Attitude towards IF    | 0.018                   | No effect size          |
| Reputation of IF            | →         | Attitude towards IF    | 0.197                   | Medium effect size      |
| Attitude towards IF         | →         | Intention to adopt IF   | 0.098                   | Small effect size       |
| Perceived Behavioral Control| →         | Intention to adopt IF   | 0.086                   | Small effect size       |
| Subjective Norms            | →         | Intention to adopt IF   | 0.094                   | Small effect size       |
towards IF, the perceived behavioral control, the perceived usefulness of IF and subjective norms on intention to adopt IF. Further, Table 6 shows that the predictive relevance values (Q Square) are greater than zero, which support the predictive relevance of the model. Likewise, the goodness-of-fit value (GoF = 0.76) is large enough to support the overall validity of the PLS model (Table 7).

Fig. 7 summarizes the results of hypotheses testing, which reveal that attitude towards Islamic financing depends upon two variables, i.e., religious obligation and reputation of Islamic financing. Additionally, these findings suggest that attitude towards IF, perceived behavioral control, and subjective norms contribute positively and significantly to the explanation of the intention to adopt Islamic financing among micro-business owners.

From the findings (Fig. 8), it turned out that religious obligation (H1. $\beta = 0.335$, $t = 3.870$, $p < 0.00$), and reputation of IF (H3. $\beta = 0.435$, $t = 4.371$, $p < 0.00$) has a positive and significant
Fig. 9. Path coefficients histogram- Intention to adopt IF determinants.

Table 6
Predictive relevance - Q square.

| Constructs                  | SSO  | SSE  | Q² (=1 - SSE/SSO) |
|-----------------------------|------|------|-------------------|
| Attitude towards IF        | 745.000 | 296.423 | 0.602          |
| Cost benefits of IF        | 596.000 | 596.000 |              |
| Intention to adopt IF      | 447.000 | 165.052 | 0.631          |
| Perceived Behavioral Control | 447.000 | 447.000 |              |
| Religious Obligation       | 745.000 | 745.000 |              |
| Reputation of IF           | 447.000 | 447.000 |              |
| Subjective Norms           | 596.000 | 596.000 |              |
effect on attitude towards IF. In contrary, cost benefits of IF (H2. $\beta = 0.126, t = 1.661, p = 0.097$) has no significant effect on attitude towards IF.

Based on the results of the PLS-SEM analyzes (Fig. 9), all hypotheses relationships that assume a positive relationship between subjective norms (H4. $\beta = 0.318, t = 3.329, p = 0.001$), attitude towards IF (H5. $\beta = 0.354, t = 3.337, p = 0.001$), perceived behavioral control (H6. $\beta = 0.250, t = 2.847, p = 0.005$), and intention to adopt IF were supported.

The study findings reveal that religious obligation and reputation of Islamic financing positively affect attitude towards Islamic financing. These results are consistent with the previous studies [5,13], which suggest that Islamic financing reputation and religious obligation are determinants of intention to adopt IB among entrepreneurs of halal micro and SMEs. The PLS-SEM analysis also confirms the direct and positive association between attitude towards IF, perceived behavioral control, subjective norms, and intention to adopt IF in business. These findings are in line with prior studies [5,6,13], which conclude that attitude, behavioral control, and subjective norms significantly and directly influence on intention to adopt IF.

Conclusion

The current study aimed to identify factors that contribute to enhancement of intention to adopt Islamic financing in business. Relying on the partial least square path modeling, the findings emphasize that both religious obligation and Islamic financing reputation provide a foundation to enhance attitude towards Islamic financing. Further, attitude towards IF, subjective norms, and perceived behavioral control have been identified as significant determinants of intention to adopt IF in micro-business. Thus, our findings provide insights into how Islamic bank managers could establish marketing policies in order to attract micro-business owners', by enhancing their level of intention to adopt IF. At this level, Islamic banks marketing managers need to build up a favourable attitude regarding IF by informing potential customers about Islamic banking products/services, and undertaking more efforts to spread Islamic financial knowledge through raising awareness about the advantages of IF among Moroccan micro-business owners.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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