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## Perspectives of Small and Medium Enterprises (SMEs) on Islamic Banking Practices: A Study on the Assessment of Investment Financing and Business Savings\*

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### ÖZET

*Bu çalışma, Türkiye'de hızla büyüme eğiliminde olan İslami bankacılıkta KOBİ'lerin fonlarını ve tasarruflarını artırmak için tercihlerini etkileyen faktörleri araştırmaktadır. Muhafazakâr sermayenin pazara girmesi ve aktif değerlendirilmesi açısından, bu çalışma İslami bankacılık sektörü için KOBİ'lerle ilgili gerekli bilgileri sunmayı amaçlamaktadır. Bu amaçla Çorum ilinde faaliyet gösteren 482 KOBİ niteliğindeki işletmeye anket uygulaması gerçekleştirilmiştir. Analiz sonuçlarına göre, İslami bankacılığı KOBİ'ler için kullanma niyetini etkileyen en önemli faktör, hizmet kalitesinin algılanmasıdır. Tanınma, şeffaflık ve güvenilirlik, İslami bankacılığı kullanma niyetini etkileyen diğer faktörlerdir. Dini hassasiyetlerin, ortak görüşün aksine, İslami bankacılığı kullanma niyeti üzerinde herhangi bir etkisi yoktur.*

#### Anahtar Kelimeler:

İslami Bankacılık; İslami Finansman, KOBİ'ler

#### JEL Classification Codes :

O16, G2, E2.

### ABSTRACT

*This study investigates the factors affecting the preferences of SMEs in terms of investing their funds and savings in Islamic banking, which has a tendency to grow rapidly in Turkey. From the point of conservative capital has entered the market and being actively evaluated, this study aims to offer information needed about SMEs for the Islamic banking industry. A questionnaire was applied to 482 SMEs operating in Çorum/Turkey province. According to the findings of the analysis, the most important factor affecting the intention to use Islamic banking for SMEs is the perception of service quality. Recognition, transparency and reliability are other factors that influence the intention to use Islamic banking. Religious sensitivities, contrary to the common opinion, have no influence on the intention to use Islamic banking.*

#### Keywords:

Islamic Banking; Islamic Funding, SMEs.

#### JEL Classification Codes :

O16, G2, E2.

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## Introduction

Islamic banking, which began its activities to offer access to interest-free banking for interest-sensitive individuals and to incorporate them into the finance sector, provides the chance to use savings in the economy instead of investing them into stocks and bonds offering high-interest yield. Islamic banks evaluate the funds they collect by transactions based on profit / loss partnership principles or based on real economic activities such as fixed income trading, sukuk, salute and exception. Also, Islamic banks make it possible for the credit to be used directly by the supplier, becoming a party to the funding of the economic needs, instead of offering interest-bearing bank loans to their customers. Also referred to as interest-free banking in the international literature, Islamic banking is referred to as Islamic banking in Turkey.

Islamic banking has been growing consistently since the mid-70s. Islamic banks have become important actors in the global finance market, over time (Mallin et al., 2014). The working principle behind Islamic banks is based on the profit and loss sharing (Bellalah and Ellouz, 2004). The most important reason behind this is that these parts of the world are home to countries with a majority of Muslim population.

Islamic banking was introduced in Turkey in 1985 and has a history of 30 years now while having an adventure of 40 years in the world. In 2017, the amount of funds available in the Islamic banks in Turkey has reached to TL160 billion. In the first ten months of 2018, the amount of funds provided to the economy reached TL135 billion. In terms of asset size, the total amount has reached up to TL202 billion as of 2018 (Turkish Participation Banks Association (TKBB), "<http://www.tkbb.org.tr/veri-seti>"). The rapid growth of Islamic banking has offered both corporate and individual customers different financial products in the Turkish Banking Industry. In the light of this data, Islamic banking is an important aspect in terms of the competition between Islamic banking and interest banking in Turkey and that it makes resources available for the real sector with the increased awareness around Islamic banking practices.

There are five Islamic banks operating in Turkey, two of which are public funded corporations, which were established in recent years. It is believed that public access to Islamic banking sector will lead to an increased rate of growth in the sector (Güney, 2018: 1544-1545). Islamic banks are planning to further increase their share in the banking sector in the close future. Increasing the share of participating banks in the banking sector means that these banks will acquire more assets. And this is possible through attracting more financial customers to Islamic banking. It is stated that in Turkey, the state has supported and is supporting Islamic banking which is based on the shared risk and a sense of partnership instead of a seller and buyer relationship and that it will provide the incentive and leadership as it offers "automatic insurance of the economy" with its protective properties especially during economic fluctuations. Founded in 2015, Ziraat Islamic Bank and Vakıf Islamic Bank, which began operations in 2016, support this policy.

SMEs have an important role in the production and employment aspects of a country's economy. The purpose of this work is to raise awareness about the prospective contribution of the rapid growth of Islamic banking in Turkey, which operates with a sense of partnership and shared risk, to the development of SMEs in terms of using the funds and savings which are necessary for the development of SMEs if they are to compete in the global scene. In addition, this study also aims to identify the effect of widespread availability of Islamic banking and the state support on interest-sensitive SMEs, while attempting to find the reasons behind the preferences of SMEs with respect to Islamic banking and to offer statistical information which the SMEs and the finance sector needs.

This study will investigate the factors affecting the preferences of SMEs in terms of investing their funds and savings in Islamic banking, which has a tendency to grow rapidly in Turkey. From the point of conservative capital has entered the market and being actively used in the sector, this study aims to offer information the financial sector needs about SMEs.

## 1. Literature Review

In the literature, it is possible to classify the studies on Islamic banks according to their main research structures. These are studies investigating the awareness levels on Islamic banks, studies investigating reasons behind the preference of Islamic banks, and studies conducted to determine customer satisfaction in Islamic banks.

Among the studies carried out to investigate the level of awareness of the consumer on Islamic banks are Gençtürk and Çobankaya (2015), Toroman et al. (2015), Cobankaya (2014), Naser et al. (2013), Khattak and Rehman (2010), Metawa and Almosawi (1998), studies investigating the reasons for preference of Islamic banks; Özsoy et al. (2013), Ramada (2013), Lee and Ullah (2011), Marimuthu et al. (2010); and among the studies designed to identify the customer satisfaction in Islamic banks are Kaytancı et al. (2013), Bilir (2010), and Yılmaz (2010).

The study conducted by Gençtürk and Çobankaya (2015) also measures the perception of those who have never worked with an Islamic bank and those who are customers of Islamic banking system about Islamic banking. This study reports that Islamic bank customers prefer this system as they can perform transactions in a short time, as these banks are reliable, as they offer high quality and affordable services, as their employees are respectful and courteous, as they are innovative and due to religious reasons. Toroman et al. (2015) have concluded that the participants of the survey did not have enough information about interest-free banking and that the majority of the participants believe that they are religiously obligated to work with the Islamic banks.

Çobankaya (2014) explored the perception of Islamic banking in terms of its place in the banking sector. According to the results of the study, it was found that general opinion is that Islamic banking differs from interest banking but the level of knowledge about what the differences remain low, yet it was concluded that the awareness about Islamic banking is increasing gradually.

Naser et al. (2013) investigated the level of awareness and customer satisfaction for institutions offering interest-free financing products. They administered a questionnaire to 429 Islamic banks customers in Kuwait. In the study researchers concluded that customers do not have the knowledge of many products and services offered.

Khattak and Rehman (2010) analyzed the level of satisfaction from and awareness of Islamic banking customers in Pakistan according to their demographic characteristics such as age and income level. In Pakistan, it has been determined that the customer portfolio of Islamic banking is highly educated and in the middle-income group with their ages ranges between 21-40 years, and that rate these people also work with other interest-yielding banks is 67%. Metawa and Almosawi (1998) emphasized that Islamic banking has gained world-wide recognition and that many international banks are also beginning to produce Islamic banking products, and a survey has been conducted in Jordan to determine the level of satisfaction and awareness of Islamic banking customers. According to the survey results, Islamic banking customers are satisfied with Islamic bank products and services, however, they are not aware of specific Islamic banking products such as murabaha, musharaka and mudaraba.

Özsoy et al. (2013), in their study, asked customers of three Islamic banks operating in the city of Bolu/Turkey the reasons for their preference of Islamic banking using the questionnaire technique. According to the results of the study, the Islamic bank was preferred due to the product quality, company image, reliability, and religious and environmental factors. Ramadan (2013) investigated the selection criteria of Jordanian Islamic bank customers. Bank customers, when asked to rank the selection criteria according to the degree of importance, listed good-humored service, the price of the products, and the Islamic image as the top three reasons behind their selection which signified that religious reasons alone were not the motivation behind their selection. Lee and Ullah (2011) concluded that banks being operated in accordance with the Sharia law was influential in bank customers' preference for Islamic banking in Pakistan. Marimuthu et al. (2010) investigated the reasons behind the preference for Islamic banks. As a result of the study, it was found that factors such as service, convenience, cost advantages, and friend circle play an influential role in the preference for Islamic banking.

Kaytancı et al. (2013) offered a ranking for the reasons behind the preference of Islamic banking with a survey conducted with 500 Islamic bank customers in the city of Eskisehir and found that the recommendation of relatives and friends, fast and flexible solutions, consultancy on investment were in

the top three reasons while religious reasons ranked fourth in the list. Bilir (2010) used a survey in order to measure the satisfaction level of participating bank customers in the city of Hatay. The results of this study showed that the services offered by Islamic banks cannot fully satisfy customers. Yılmaz (2010) used a survey in order to measure the satisfaction level of participating bank customers in 12 cities. The study concluded that demographic and socio-economic factors affect the satisfaction level of Islamic banking customers.

In the literature, studies on Islamic banks were based on individual customers and data were collected using questionnaires. However, studies in the literature on corporate clients (SMEs, Enterprises, etc.) of Islamic banks are a few if not non-existent. Aysan et al. (2016) In their study, the banking sector in some countries stated that they finance SMEs. It tested the validity of this information in Turkey. Do not point the SMEs financed in Turkey has reached the conclusion that Islamic banks are prone than conventional banks. Savaşan et al. (2013) In their study, 1045 businessmen applied surveys to measure the perception of Islamic banking and products. He stated that Islamic banking is not sufficiently understood and developed. According to the results of the study, it was determined that the problems of the legal infrastructure were not fully understood and the competition problems could not be solved yet. It has emphasized that Islamic banking can develop faster as a result of the necessary awareness activities, training of the human resources needed by the sector and provision of legal infrastructure. In this project, SMEs were taken as the basis for determining the reasons behind the preference of Islamic banking, the awareness level, and customer satisfaction. In this respect, it is believed that this study will make a significant contribution to the literature.

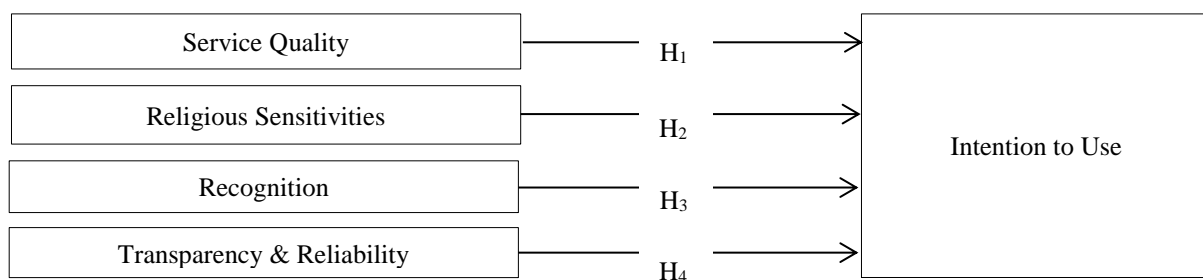
## 2. Data and Method

### 2.1. Conceptual Framework and Research Hypotheses

One of the methods of fund distribution in participating banks is the method of trading and partnership. In other words, these are Murabaha (Production Support-Profitable Sales), Icara (Financial Leasing), Mudaraba (Service Capital and Partnership), Mushareke (Joint Venture and Partnership). The most important characteristic that differentiates Islamic banks from other banks is that they are based on trade and production when collecting funds and using funds.

In this study, it is aimed to determine the perception of SMEs on Islamic banks and the reasons behind using Islamic banking. It is aimed to develop a model, namely, "Interest-Free Financial Acceptance Model", as a result of the analyses. Interest-Free Financial Acceptance Model was used in the estimation of factors affecting the preference of Islamic banking. In this model to be developed, it will be investigated if the factors such as perceived service quality, perceived religious sensitivities, perceived recognition, perceived transparency and reliability affect corporate customers' preference for Islamic banking. The models and hypotheses to be tested for their validity are shown in Figure1.

**Figure 1: Interest-Free Financial Acceptance Model**



Research hypotheses developed based on the research model are as follows:

H<sub>1</sub>: A customer's perception of service quality has a positive effect on the intention to use Islamic banking.

H<sub>2</sub>: A customer's perception of religious sensitivities has a positive effect on the intention to use Islamic banking.

H<sub>3</sub>: A customer's perception of recognition has a positive effect on the intention to use Islamic banking.

H<sub>4</sub>: A customer's perception of transparency and reliability has a positive effect on the intention to use Islamic banking.

This study, conducted in order to identify the factors behind SMEs' preference of Islamic banking, builds on the research by Özsoy et al. (2013), Ramada (2013), Lee and Ullah (2011), Marimuthu et al. (2010) for Service Quality scale; builds on Gençtürk and Çobankaya (2015), Toroman et al. (2015), Çobankaya (2014), Naser et al. (2013), Khattak and Rehman, (2010) for Religious Sensitivities scale; builds on Gençtürk and Çobankaya (2015), Toroman et al. (2015) for Recognition scale; and builds on Lee and Ullah (2011), Marimuthu et al. (2010) for Transparency and Reliability scale.

## 2.2. Research Method

### 2.2.1. Measurement

A two-part questionnaire was developed in order to determine the factors that affect SMEs' preference for Islamic banking. In the first part of the questionnaire, there are questions about the profile of the respondents, the characteristics of SMEs and the usage and awareness of Islamic banking. The second part of the questionnaire consists of questions about the perceived service quality, perceived religious sensitivity, perceived recognition, perceived transparency and reliability factors.

At this phase, "Confirmatory Factor Analysis" was used in order to define the variables available in the scale to be developed. All the scales available in this study involved questions in 5-point Likert style. Cronbach's alpha test was used to test the reliability of the variables included in the scale. Whether the data used for factor analysis was appropriate for analysis was tested using Barlett Globalization and Kaiser-Geiger-Olkin (KMO) methods.

### 2.2.2. Data Collection

According to the data from Çorum Chamber of Commerce and Industry for 2015, there are a total number of 3,240 SMEs in the city of Çorum and its central districts. The sample size was calculated with a confidence level of 98% and a margin of error of  $\pm 5$  and gave 465 SME results. Convenience sampling was used as the method for the sampling. With the survey, 492 SMEs were reached out to and 482 of the questionnaires submitted were used for analysis.

Table 1 shows the profile distribution of the participants.

**Table 1: Profiles of the participants**

Characteristics	Category	Frequency	Percentage (%)
Title/Position in the Business	Owner/Partner	352	73,03
	Director /Department Supervisor	130	26,97
	TOTAL	482	100,00
Do you have a say in the management and financial decisions of the company?	Yes	412	85,48
	No	10	2,07
	Partially	60	12,45
	TOTAL	482	100,00
Age	between 19 and 30	52	10,79
	between 31 and 40	145	30,08
	between 41 and 50	201	41,70
	50+	84	17,43
	TOTAL	482	100,00

Level of Education,	Literate	12	2,49
	Elementary Education	54	11,20
	High School	182	37,76
	University	234	48,55
	TOTAL	482	100,00

When the profiles of the participants available in Table 1 are examined, 73% of the participants are business owners/partners, and 26% are employed as managers'/department supervisors in the business. In terms of participants having a say on the management and financial decisions of the business, 85% stated that they have a say in management and financial decisions, 2% stated that they do not have a say in management and financial decisions, and 12% said they have a say partially. The fact that the ratio of those who have a say in management and financial decisions in the business is high is very important in terms of determining the perception towards Islamic banking.

With regards to the age range of respondents, 41% of the respondents are 41-50 years of age, while 97% are male and 48% are university graduates.

Table 2 shows the characteristics of the SMEs included in the study.

**Table 2: Characteristics of the SMEs included in the study**

Characteristics	Category	Frequency	Percentage (%)
Business Field	Production	371	76,97
	Agriculture	59	12,24
	Construction	18	3,73
	Tourism	0	0,00
	Healthcare	0	0,00
	Sales/Marketing/Retail	0	0,00
	IT/Technology	12	2,49
	Education	0	0,00
	Energy	16	3,32
	Mining	6	1,24
	TOTAL	482	100,00
# of Employees	between 0 and 9	145	30,08
	between 10 and 49	260	53,94
	between 50 and 249	77	15,98
	250+	0	0,00
	TOTAL	482	100,00

Table 2 shows that 76% of the SMEs included in the study operate in the production field. In particular, Islamic banks fund production businesses as a production support. Such a production support includes the supply in the form of raw material, semi-finished goods, real estate, machinery and equipment. 12% of the SMEs included in the study operate in the agriculture field.

In terms of the number of employees of SMEs participated in the survey, 30% are micro-scale SMEs with respect to their number of employees. The majority (53%) of the SMEs participated in the survey is small-scale SMEs while 15% are medium-scale SMEs.

Table 3 shows the results for the level of recognition and use of Islamic banks.

**Table 3: Usage and recognition of Islamic banks**

	Category	Frequency	Percentage (%)
On the practices of Islamic banks	I have sufficient information.	254	52,70%
	I have heard of it but I am not informed.	109	22,61%
	I am informed as far as I have been exposed to advertisements.	119	24,69%

	Never heard of it.	0	0
	TOTAL	482	100,00
Which financial support(s) Islamic banks offer that you are informed about?	Corporate Financial Support	214	47,77%
	Profit/Loss Partnership	242	54,02%
	Financial Leasing	345	77,01%
	Financing Commodity Against Document	189	42,19%
	Exchange Based Financial Supports	286	63,84%
	None	32	7,14%
Did your business use the services of Islamic Banking at least once?	No, never.	210	43,93%
	Yes, we did.	268	56,07%
	TOTAL	478	100,00
What is your level of satisfaction in terms of Islamic banking services that you have used?	Very satisfied.	85	36,96%
	Satisfied.	54	23,48%
	Not satisfied.	41	17,83%
	Not going to use it again.	12	5,22%
	Neither satisfied nor dissatisfied.	38	16,52%
	TOTAL	230	100,00

When Table 3 is examined, the number of respondents who have sufficient knowledge about Islamic banking practices adds up to a majority of 52%. The rate of those who said they have never heard of it is 0%. 77% of the respondents replied 'financial leasing' to the question of 'which financial support(s) Islamic banks offer that you are informed about?' The financial leasing practices that Islamic banks use are not very different from the others. The only difference is that the material subject to financial leasing is suitable to the principle of interest-free approach and is in conformity with Islamic law. The proportion of SMEs using Islamic banking services is 56%. Here, Islamic banking services refers to opening an account in Islamic banks, the use of financial support, and the use of banking services they offer. According to the statistical reports of the banking association in Çorum, there were a total number of 65 bank branches in 2015. Only four of these branches were Islamic banks. It can be interpreted that SMEs operating in Çorum use the services of Islamic banks at a rather higher rate.

With respect to the question of the satisfaction levels of the SMEs using Islamic banking services, the level of satisfaction is 60% as a combination of the answers 'Very satisfied' and 'Satisfied'. The ratio of those with the answer of 'Not satisfied' was 17% while those with the answer of 'Not going to use it again' were 5%. In general, SMEs using Islamic banking services are 60% satisfied and 40% dissatisfied. The level of dissatisfaction is high enough to be considered. Insufficient number of bank branches may account for this result.

### 3. Findings & Discussion

#### 3.1. Scale Validation

Consistency values are calculated for each scale considered in the factor analysis models used. Nevertheless, the reliability and validity calculations used in factor analysis models are also included in the analysis. Several analyses have been conducted for the scale used. Table 4 shows values related to the scale used in this study.

**Table 4: Values of the scale model**

Factor	Cronbach's $\alpha$	Reliability of the Structure	Average
Service Quality	.895	.911	4.55
Religious Sensitivity	.937	.881	2.38
Recognition	.865	.904	3.61
Transparency & Reliability	.790	.826	4.01

Factor analysis may not offer the same suitability for all data sets included in the analysis. Therefore, whether the data used for factor analysis was appropriate for analysis was tested using Barlett Globalization and Kaiser--Olkin (KMO) methods. The Kaiser-Meyer-Olkin value gives information about the suitability of the variable matrix used for the analysis to the factor analysis and whether the

data structure is suitable for determining the factors. The KMO value found must be above .50 for factorability (Field, 2000). The Bartlett test examines whether there is a relationship between the variables used, based on the partial correlations. Factor analysis is not conducted when the KMO value is below .50.

**Table 5: Results of KMO and Bartlett's Test**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,789
Bartlett's Test of Sphericity	Approx. Chi-Square	1725,122
	df	158
	Sig.	,000

Table 5 shows the results of KMO and Bartlett's test. KMO was found to be 0.789 in this study. This result indicates that the data set is suitable for factor analysis. The significance of Bartlett's test, when below 0.05, indicates that the data used is obtained from a multivariate and normal distribution and factor analysis follows.

Table 6 shows the results of the explanatory factor analysis.

**Table 6: Results of the explanatory factor analysis**

Factor	Factor1	Factor2	Factor3	Factor4
<b>A. Service Quality</b>				
A.1 Service quality of the Islamic banks affects our preference to use Islamic banking.	.712			
A.2 Variety of banking products offered by Islamic banks affects our preference to use Islamic banking.	.818			
A.3 The number of bank branches and accessibility makes it easier for use to prefer Islamic banks.	.713			
A.4 Availability of a bank branch in the proximity of the business positively affects our preference to use Islamic banking.	.771			
A.5 We may prefer working with Islamic banks if they offer attractive credit and payment options.	.791			
<b>B. Religious Sensitivities</b>				
B.1 Their operations being governed by Islamic principles affects our preference to use Islamic banking.		.861		
B.2 It is important for our business that a bank operates with or without interest yield.		.812		
B.3 Our business investment decisions are affected by the fact that Islamic banks are operating with respect to Islamic principles.		.839		
B.4 It is important for our business to invest our fund in a bank operating with respect to Islamic principles.		.819		
<b>C. Recognition</b>				
C.1 Advertisements in mass media positively affect our preference of Islamic banking.			.881	
C.2 Image and popularity of the Islamic banks make it easier for us to use Islamic banking.			.819	
C.3 I may prefer Islamic banking if I am informed about products and services they offer.			.847	
C.4 I may use financial support (credit) from Islamic banks if I am informed about the methods they use when offering bank loans.			.832	
<b>D. Transparency &amp; Reliability</b>				
D.1 Reliability of Islamic banks affects our preference to use Islamic banking.				.742
D.2 Islamic banks are always transparent in their banking transactions.				.765
D.3 I believe that Islamic banks operate without interest yield.				.691
D.4 Islamic banks are the most reliable of all banks.				.741
Cumulative Explanatory Variance	48.32	54.65	62.31	<b>74.58</b>

Varimax Vertical Rotation technique was used to obtain factor scores and the factors were reduced. Factors with 0.5 or above factor loading were included in the table (Lee, 2009). 4 factors and 17 variables were identified which account for 74.58% of the total variance. The rate of the variance explained indicates the strength of the factor structure of the scale. A cumulative explanatory variance in the range between 40% and 60% is sufficient.



### 3.2. Model Test

The results of the factor analysis model test show that there is a positive relationship between perceived service quality and intention to use Islamic banking; perceived religious sensitivities and intention to use Islamic banking; perceived recognition and intention to use Islamic banking; perceived transparency and reliability and intention to use Islamic banking.

Hypothesis 1 ( $r= 0.9546$ ) - ( $t = 10.054$ ). Thus, Hypothesis 1 is accepted.

Hypothesis 2 ( $r= 0.1322$ ) - ( $t = 1.1258$ ). Thus, Hypothesis 2 is rejected.

Hypothesis 3 ( $r= 0.5191$ ) - ( $t = 7.164$ ). Thus, Hypothesis 3 is accepted.

Hypothesis 4 ( $r= 0.7091$ ) - ( $t = 8.467$ ). Thus, Hypothesis 4 is accepted.

### Conclusion

The purpose of this study was to investigate the factors that affect SMEs' use of Islamic banking. The questionnaire developed to determine the factors behind the Islamic banking preference was applied to 482 SMEs operating in Çorum and data were obtained. Attention has been paid to submit the questionnaire to managers who have a say in management and financial decisions in the business. The results of this study are valid only for the scope of the research and cannot be generalized.

Factors affecting the SMEs' use of Islamic banking have been tested under the name of interest-free financial acceptance model. Four hypotheses have been developed as part of the model. Accordingly, the impact of perceived service quality, perceived religious sensitivity, perceived recognition, perceived transparency and reliability were explored for their impact on the intention to use Islamic banking.

Separate statistical analyses were applied to the hypotheses developed for Islamic banking usage model. As a result of the statistical analysis, it was determined that the perceived service quality is the most important variable in SMEs' adoption of Islamic banking practices. There is a positive relationship between the religious sensitivities of SME managers and intention to use Islamic banking, however, this relationship is not significant. Contrary to widespread belief, religious sensitivity is not a significant factor that influences the use of Islamic banking. SMEs base their choice of bank to work with on factors such as service quality, transparency and reliability, and recognition.

The reason for the existence of Islamic banks is the maintenance of economic life and financial life according to Islamic teachings. However, as a result of the research, it is a contradiction that SMEs have a low impact on Islamic banking use. According to this, Islamic banks cannot explain themselves sufficiently about their working principles and products. Factors causing this situation to arise; The lack of adequate legal infrastructure for Islamic banking, the absence of a central advisory board, the absence of Islamic rating agencies and supervisory authorities, and the inadequacy of human resources to serve in the sector.

Islamic banks are aiming to increase their share in the banking sector up to 15% according to the 2015-2025 strategy documents. Achieving this goal means receiving more assets. More assets, on the other hand, mean more financial consumers preferring Islamic banks. Islamic banks should be able to convince more financial consumers to work with them; increase the diversity of banking products, increase the number of branches and ATMs, and organize campaigns such as attractive credit and payment possibilities. SMEs attach importance to banks being transparent and reliable.

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## SURVEY

## Part 1

<b>A.</b>	<b>Your Title/Position in the Business</b> (Business Owner/Partner - Director /Department Supervisor)
<b>B.</b>	<b>Do you have a say in the management and financial decisions of the company?</b> Yes/No/Partially
<b>C.</b>	<b>Age</b> (19 to 30 / 31 to 40 / 41 to 50 / 50+)
<b>D.</b>	<b>Gender</b> (Female / Male)
<b>E.</b>	<b>Level of Education</b> Literate (Literate but not graduated from any education institution) Elementary Education High School University
<b>F.</b>	<b>The Field of Business?</b> Production / Agriculture / Construction / Tourism / Healthcare / Sales-Marketing / Retail / Energy / Mining
<b>G.</b>	<b>How many people are employed in the company including yourself? (Please note the total number of employees if there are more than one branches/headquarters)</b> 0-9/10-49/50-249/250+
<b>H.</b>	<b>About the Islamic Banking Practices;</b> I have sufficient information I have heard of it but I am not informed I am informed as far as I have been exposed to advertisements Never heard of it
<b>I.</b>	<b>Which financial support(s) Islamic banks offer that you are informed about?</b> Corporate Financial Support / Profit-Loss Partnership / Financial Leasing / Financing Commodity Against Document Exchange Based Financial Supports / None
<b>K.</b>	<b>Did your business use the services of Islamic Banking at least once? (Current account, Islamic account, Financial support, Credit card, Debit card, Bank transfer, EFT, Safety Deposit Box, ATM, etc.)</b> No, never / Yes, we did
<b>L.</b>	<b>What is your level of satisfaction in terms of Islamic banking services that you have used?</b> Very satisfied / Satisfied / Not satisfied at all / Not going to use it again / Neither satisfied nor dissatisfied

<b>A.</b>	<b>Service Quality</b>
	A.1 Service quality of the Islamic banks affects our preference to use Islamic banking.
	A.2 Variety of banking products offered by Islamic banks affects our preference to use Islamic banking.
	A.3 The number of bank branches and accessibility makes it easier for use to prefer Islamic banks.
	A.4 Availability of a bank branch in the proximity of the business positively affects our preference to use Islamic banking.
	A.5 We may prefer working with Islamic banks if they offer attractive credit and payment options.
<b>B.</b>	<b>Religious Sensitivities</b>
	B.1 Their operations being governed by Islamic principles affects our preference to use Islamic banking.
	B.2 It is important for our business that a bank operates with or without interest yield.
	B.3 Our business investment decisions are affected by the fact that Islamic banks are operating with respect to Islamic principles.
	B.4 It is important for our business to invest our fund in a bank operating with respect to Islamic principles.
<b>C.</b>	<b>Recognition</b>
	C.1 Advertisements in mass media positively affect our preference of Islamic banking.
	C.2 Image and popularity of the Islamic banks make it easier for us to use Islamic banking.
	C.3 I may prefer Islamic banking if I am informed about products and services they offer.
	C.4 I may use financial support (credit) from Islamic banks if I am informed about the methods they use when offering bank loans.
<b>D.</b>	<b>Transparency &amp; Reliability</b>
	D.1 Reliability of Islamic banks affects our preference to use Islamic banking.
	D.2 Islamic banks are always transparent in their banking transactions.
	D.3 I believe that Islamic banks operate without interest yield.
	D.4 Islamic banks are the most reliable of all banks.