

# A Research on Consumer Behavior Towards Interest-free Financing with Special Reference to Planned Behavior Theory: An Empirical Analysis

## Planlı Davranış Kuramına Özel Bir Atıfla Faizsiz Finansmana Yönelik Tüketici Davranışı Üzerine Bir Araştırma: Ampirik Analiz

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### ABSTRACT

This study seeks to empirically analyze the validity of consumer tendency/behavior towards the interest-free financing models with reference to the planned behavior theory (PBT). Additionally, the research further tests the validity of the hypotheses on the consumer tendencies towards interest-free financing via PBT in Turkey and other predominantly Muslim countries. To this end, the main variables of the theory, attitude, subjective norm, and perceived behavioral control, have been redefined through certain factors spelled out in the literature. Subsequently, they have been analyzed through the Cronbach Alpha test in the relevant parts of the survey done with the participation of 235 persons. The study concludes that the attitude variable, redefined through the factors of desire for a fair financial system and cost advantage, determines the consumer behavior towards interest-free financial models. Additionally, it has also been observed that the avoidance from interest, one of the factors that define the subjective norm variable, underscores the consumer behavior towards these financial methods. However, the chi-square test results suggest that the subjective norm and perceived behavioral control variables do not provide consistent outcomes. Also, it can be said that the work is original due to a special reference to PBT in the sample of Turkey, even though it is similar to interest-free finance studies made with PBT.

**Keywords:** Consumer behavior, interest-free financing, planned behavior theory, fair financial system, cost advantage

**Jel Code:** F65, G21, G41



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## ÖZ

Bu çalışma, tüketici eğilimi / davranışının faizsiz finansman modellerine yönelik planlı davranış teorisi (PDK) referans alınarak geçerliliğini ampirik olarak analiz etmeyi amaçlamaktadır. Ayrıca araştırma, Türkiye’de ve diğer ağırlıklı olarak Müslüman ülkelerde PDK yoluyla faizsiz finansmana yönelik tüketici eğilimlerine ilişkin hipotezlerin geçerliliğini test etmektedir. Bunun için teorinin ana değişkenleri olan tutum, öznel norm ve algılanan davranış kontrol değişkenleri literatürde dile getirilen ilgili faktörlerle yeniden tanımlanmıştır. Daha sonra, 235’in katılımıyla yapılan anketin ilgili bölümleri Cronbach Alpha testi ile analiz edilmiştir. Çalışma, adil finansal sistem ve maliyet avantajı arzusu faktörleri aracılığıyla yeniden tanımlanmış tutum değişkeninin, faizsiz finansal modellere yönelik tüketici davranışını belirlediğini saptamıştır. Ek olarak, öznel norm değişkenini tanımlayan faktörlerden biri olan faizden kaçınmanın tüketici davranışını bu finansal modellere yönelik olarak etkilediği de gözlenmiştir. Ancak ki-kare test sonuçları, öznel norm ve algılanan davranışsal kontrol değişkenlerinin tutarlı sonuçlar sağlamadığını göstermiştir. Ayrıca, PDK ile yapılan faizsiz finans çalışmalarına benzese de çalışmanın Türkiye örneğindeki PDK’ye yapılan özel bir referans nedeniyle orijinal olduğu söylenebilir.

**Anahtar kelimeler:** Tüketici davranışı, tüketici eğilimi, faizsiz finans, planlı davranış kuramı, adil finansal sistem, maliyet avantajı

**Jel Code:** F65, G21, G41

## 1. Introduction

Interest-free finance refers to a broad domain, from interest-free banking to financing activities performed and operated by Muslims. The common denominator in these varying definitions is the attempt to base the principles of this approach upon the religious sources, particularly the Qur’an and the Sunnah. Warde (2000) defines interest-free finance as a collection of corporate operations that are based on Islamic teachings and comply with the main Islamic tenets and rules including those relevant to moral issues. More generally, it could be regarded as a set of transactions that seek to maintain morality and fairness in monetary activities while observing the Islamic principles.

Interest-free finance is a huge financial industry operating on a global scale and involving different types of organizations in various markets. Particularly owing to institutions such as AAOIFI (**Accounting and Auditing Organization for Islamic Financial Institutions**), founded in 1991, and IFSB (**The Islamic Financial Services Board**), founded in 2002, interest-free finance has made visible progress in global markets. These institutions mainly perform duties and operations to maintain transparency in favor of interest-free finance and attract the confidence of religious people and customers so that the interest-free financial institutions enjoy greater profitability and recognition. In general, the interest-free financial institutions perform their operations alternatively to the conventional financial institutions. Particularly loan-providing financial institutions rely on different methods, even though the returns are almost identical. In the case of interest-free banking, the institution does not directly offer loans for the customers. Instead, it purchases the property and sells it to the customer, adding its own profit. This financial transaction is called *murabaha*, rather than provision of a loan.

Because they are considered main alternatives to the conventional institutions, the institutions of interest-free financing need to improve their profitability and enhance their public image. Inevitably, scholarly works are also needed to measure their effectiveness by focusing on their banking transactions and operations. This study seeks to offer such a measurement by relying on the planned behavior theory (PBT), developed by Ajzen (1991) within the discipline of psychology, as an extended version of the reasoned action theory (RAT), also by the same author with Fishbein. A perceived behavioral control variable has been added to the RAT, along with the attitude and subjective norm variables in later stages.

Proper measurement of the customer tendencies towards the methods of the interest-free financing will offer insights into the development of this industry. Scholars, aware of the need, have performed studies on the customer behaviors relevant to the activities of the interest-free finance. In general, these studies have relied on the premises of PBT ( Alam, S. S., Janor, H., Zanariah, Wel, C. A. C., & Ahsan, M. N. 2012; Aziz, & Afaq, 2018; Bizri, Jardali, & Bizri, 2018; Bonne, K., Vermeir, I., Bergeaud-Blackler, F., & Verbeke, W. 2007; Echchabi, Abdelghani and Azouzi, 2015; Husin, & Rahman, 2016; Kashif, Zarkada, & Turasamy, 2017; (Alam et al., 2012; Aziz & Afaq, 2018; Bizri et al., 2018; Echchabi, Abdelghani and Azouzi, 2015; Husin, & Rahman, 2016; Kashif et al., 2017; Othman, N., Mohamad, A. M., Ismail, N., & Al Shami, A. M. 2018; Salehudin, & Luthfi, 2013; Zinser, 2015). Additionally, some other studies focusing on halal food also rely on this approach to test the customer behaviors (Bonne et al. 2007; Salehudin, & Luthfi, 2013).

Most of these researches rely on models using the variables of the PBT without any alteration or with slight revisions. These studies, seeking to measure the consumer behaviors towards interest-free finance, have been mostly focused on the financing costs of these institutions, their accessibility, the kindness of their employees and their performance in avoiding interest-based instruments and transactions. As a general observation, it could be argued that these studies have picked their samples from consumers in Malaysia, Indonesia and other Far East countries (Amin, 2013; Amin et al. 2017; Haque et al. 2009; Idris et al. 2011; Khoirunissa, 2003; Nugroho, Hidayat, & Kusuma, 2017; Thambiah, Santhapparaj, & Ismail, 2011; Usman vd. 2017; Wajdi Dusuki & Irwani Abdullah, 2007). There are also works focusing on the consumer behaviors towards interest-free activities in Pakistan, India, Bahrain and the United Arab Emirates (Almossawi, 2001; Asdullah & Yazdifar, 2016; Aziz & Afaq, 2018; Bley & Kuehn, 2004; Butt et al., 2011; Manzoor, Aqeel, & Sattar, 2010; Metawa & Almossawi, 1998). On the other hand, recent years have witnessed a rise in the number of works focusing on the case of Turkey as well (Gençtürk, & Çobankaya, 2015; Okumus, & Genc, 2013; Özen, Şenyıldız, & Akarbulut, 2016; Toroman, Ata, & Buğan, 2015). However, most of these studies have not used the PBT as part of their methodology.

## 2. Literature Review

Most studies on the consumer behaviors towards the activities of the interest-free financing have been performed in the period of 1989 - 2013. These works in general have dealt with customer satisfaction, financial service quality and whether the activities and services are truly interest-free in nature. The customer satisfaction and financial service quality are more relevant to the RAT and the attitude variable in the PBT models. In these cases, the subjects do not make any intention and instead, they act based on the mental experience they have accumulated before. As a result, they develop a certain behavioral belief and pattern which leads to a final decision in terms of consumer behavior.

Behavioral belief is based on predicting the substantial differences in the attitudes of the person. To better predict the possible behaviors of the subject, we are advised to identify the belief component. On a theoretical basis, this is called behavioral belief. For instance, adaptation of a person in need of financing to the payment methods of a financial institution may lead to constant preference for this institution, showing existence of a behavioral belief in that person. Another major component is whether the financial institution truly offers interest-free services as this complements the subjective norm variable.

The theory has gained its reputation with the development of models explaining the consistency between attitude and behavior. One such model is the Chinese Couple analysis done by LaPiere in 1934. In his study on the racist treatment of the Chinese immigrants in the United States, LaPiere (1934) analyzed the behaviors of the hotel and restaurant staff vis-à-vis a Chinese couple. He made phone calls to the hotels and restaurants and asked them whether they would host a Chinese customer at any time. Most respondents stated that they would not take a Chinese customer. However, when he, along with the Chinese couple, made actual visits, these hotels and restaurants actually welcomed these visitors. Some criticisms have been raised against the findings of this study. Fishbein and Ajzen (1975), for instance, criticize the consistency between the attitude and the behavior as this is not in support of the principles of the Equivalence Hypothesis.

The explanatory models on the consistency between attitude and behavior are often covered under the headings of multiple quality attitude models and expectation-value models. The first genre offers explanatory models for the belief-based attitudes and the decision making processes on consumption. The latter, on the other hand, suggests that the consumers do not pay much attention to objectivity in their decisions for consumption. In the first, the individuals are prone to make rational and logical decisions whereas the latter stresses that the consumers are not motivated by objective factors (Sığındı, 2010, p. 28).

Fishbein Model (FM), developed by Fishbein and Ajzen (1975), is a major example of

the first category. This model analyzes the views and opinions on products and services by the consumers. Additionally, the FM also includes different options into the analysis to better understand the consumer, to grasp the market strategies and measure the impacts of the products (Peter & Olson, 2009: 140). This model has been revised and further enhanced into the PBT. Subsequently, the PBT has also been expanded and replaced by additional advanced models which have been used in different disciplines including economics and statistics.

There are also theoretical studies measuring the consumer behaviors towards interest-free financing. These studies rely on empirical test and analyses via variables of the RAT and PBT (Alam et al., 2012; Aziz & Afaq, 2018; Bizri et al., 2018; Echchabi, Abdelghani and Azouzi, 2015; Husin & Rahman, 2016; Kashif et al., 2017; Othman et al., 2018; Zinser, 2015). In recent years, studies have also been done for the case of Turkey as well (Gençtürk & Çobankaya, 2015; Okumus & Genc, 2013; Özen et al., 2016; Toroman et al., 2015; Ustaoglu, 2018). A review of these studies suggests that the premises offered in these empirical analyses can be divided into four categories: financing costs, service quality, access to the financing, influence by relatives or acquaintance, religious sensitivity and the level of public awareness in terms of education level and financial preference. However, PBT has not been favored in the theoretical design of these studies.

For instance, Ustaoglu (2018) aims to measure public awareness to interest-free financing institutions that have Islamic principles. In doing so, he aims to empirically measure the level of community awareness determined by the level of education and financial preferences. Then, the study collects data by questionnaire considering the educational level, income level and religiosity of the Turkey sample. According to the study analyzed using Pearson's chi-square test; (i) it is determined that public awareness is based on religiosity, (ii) people with religious sensitivities do not find interest-free financial institutions religiously and (iii) also transactions of interest-free financial institutions are integrated with conventional financial institutions. However, in a religiosity-specific study focused on consumer behavior and aimed to measure public awareness; it is essential to be focused on concepts such as attitude, behavior, belief, intention. Therefore, the lack of these and similar studies that try to measure the religiosity variable can be theoretically re-conceptualized under the subjective norm independent variable - with a special reference to PBT. Such studies done for predominantly Muslim countries including Turkey also suggest that there are mainly three factors for the customers' choice of the institutions of interest-free finance: fast and effective services of mediation, practical alternative methods of payment and the image and brand value of the relevant institutions (Haron, Ahmad, & Planisek, 1994). In general, these studies also suggest that religion has not been a motivating factor for the customers (Åström, 2013). On the other hand, the accessibility of the bank branches has been a major contributing factor to the selection of the interest-free finance institutions by

clients (Amin, 2008; Okumus & Genc, 2013). Hossain and Leo (2009) have also reached similar conclusions with special reference to service quality and customer satisfaction.

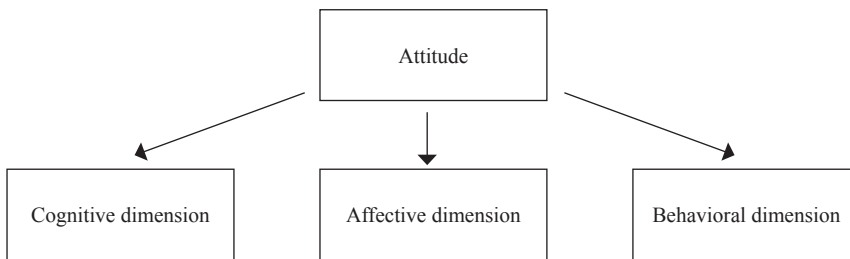
On the other hand, Al-Tamimi et al. (2009), in their study focusing on the United Arab Emirates, underline that religion has played a significant role in the preference of the customers towards the interest-free banking institutions. According to their findings, the most important factors are efficiency of the financial products, the quality of financial service and religion respectively. Haque et al. (2009) also offer findings that concur with the findings of the previously mentioned study, noting that the most important factors are quality of financial services, the accessibility of the services and the reliability of these institutions in terms of compliance with religious precepts.

Studies on the qualities of the interest-free financing have mostly focused on the religious issues and disputes, and on the potential solutions and settlements. A particularly important study is one by Chaouch (2017), which reviews the importance of the religious sensitivity towards preferring the interest-free financing models, of the image of these institutions and on the criteria the clients consider when making a choice between interest-free financing and conventional banking. The study finds that religious sensitivity plays the greatest role in the decisions of the clients to pick the interest-free banking options and instruments. Lee and Ullah (2011), on the other hand, perform research on the risk of investment withdrawal from interest-free financing options in case of violation of religious principles and precepts. The findings of the study suggest that religious principles matter very much in the eyes of the customers and that in case these principles are violated, customers would withdraw their assets from these institutions. Research by Marimuthu et al. (2010) which relied on a sample of 450 participants in Malaysia attracts attention. The findings of the study suggest that the clients have picked interest-free financing options and methods mostly because they consider relatively cheaper financial products and services, they pay attention to the promotion of the financial services offered by the interest-free financing institutions and they take advice from their relatives and close friends when making a decision to pick interest-free financing. A study by Al Ajmi, Abo Hussain and Al Saleh (2009) underlines that 75 pct of the interest-free financing customers were previously customers of a bank. The study particularly stresses that the customers have picked interest-free banking mostly because of their religious beliefs and their piety. Research by Metawa and Almossawi (1998), relying on a sample of 300 participants in the case of Bahrain, underlines that religion is the number one factor in the customers' decision to work with the interest-free financing institutions. The findings of this study are in concurrence with the findings of other similar studies, mainly Khan et al. (2007), Marimuthu et al. (2010) and Naser et al. (1999). Marimuthu et al. (2010), on the other hand, also tested the validity of the hypotheses in terms of a theoretical approach as well.

It is also useful to discuss the indicators that govern the argument raised in this study. A review of the literature presents some insightful works, including those by Gençtürk and Çobankaya (2015) and Okumuş (2005). The findings of these studies suggest that religious beliefs and religious obligations play a huge role in the decisions of the clients to work with the interest-free financing institutions, adding that the quality and the reasonableness of the financial services are also important factors.

### 3. Planned Behavior Theory

This is a theory based on the expanded version of the reasoned action theory which contains variables of attitude and subjective norm. The PBT additionally includes the variable of perceived behavioral control. The theory which offers a narrative over attitude, intent, belief and behaviors has been first developed within the discipline of social psychology (Ajzen, 1991). Attitude is the first and the main variable within the theory. The term holds a number of definitions with respect to its original discipline (Allport, 1935; Bogardus, 1931; Eagly, & Chaiken, 1993; Fishbein, & Ajzen, 1975; LaPiere, 1934; Petty, Briñol, & DeMarree, 2007). The definition offered by Petty et al. (2007) holds the ability of identifying the attitudes of consumers towards interest-free financing methods. The definition suggests that attitude is a collection of inherent reviews and considerations on a variety of subjects and elements including the object, subject or the players as well as the self of the persons. Additionally, the attitude is also shaped by the memories and traces left from the experiences the persons had before (Eagly & Chaiken, 1993). Attitude is defined within the discipline in three dimensions (See Figure 1).



**Figure 1. Components and dimensions of attitude**

**Cognitive component** can be defined as a component referring to the thoughts and beliefs previously acquired in respect to a certain phenomenon. It is not possible to argue the accuracy or fallacy of the cognitive opinions. For this reason, for a person, drug abuse may refer to a proper behavior even if it is proven otherwise in scientific terms. Ajzen (1989) holds that this component identifies the perceptions and knowledge on the attitude object. The affective component, on the other hand, refers to the phenomena including interest-

disinterest, loving-unloving vis-à-vis a certain object. For instance, it is possible to identify the emotions and affection of a person towards a certain object of attitude through their gestures. In addition to some physical indicators, the cardiography schemes have also been used to identify this component (Sakallı-Uğurlu, 2018). The behavioral component refers to efforts of a person in trying to keep persons around them away from certain incidents out of reactive response due to negative opinions and feelings towards a certain object.

The PBT suggests that expression of intent is necessary for an act to be performed by an individual. The theory argues that there are two variables applicable to the intention component which is the direct component of the behavior itself: the attitude and the subjective norm variables. A positive and constructive opinion or view towards an object identifies the desired and projected behavior because a positive view is transformed into intent, which is in the end called behavioral intent. On the other hand, attitude is not the only variable that affects the behavior of the individual. Additionally, the subjective norm variable is a notion relevant to the society where the individual leads a life. According to the theory, people around the individual including family members or relatives have influence on the realization and definition of the behavior. In other words, the behavioral intent variable is shaped by the positive attitude of the individuals they develop through an internal reflection and is reflected in their inner worlds, their memories or behavioral patterns.

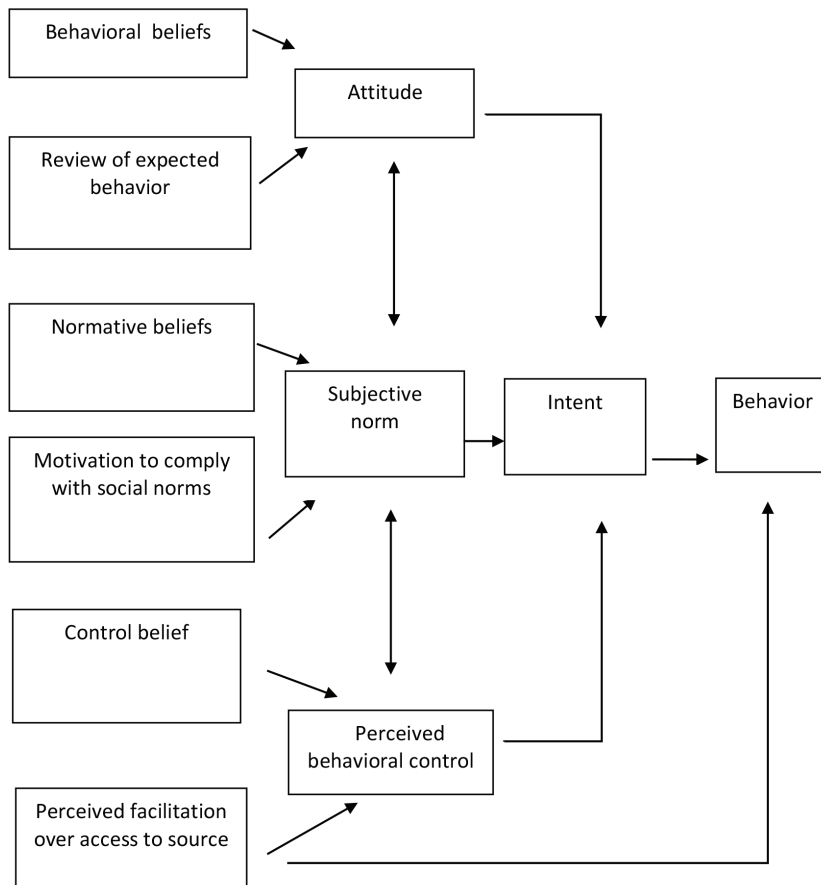
There are also works and studies on the consumer tendencies towards interest-free financing focused on the use of the reasoned action theory, the predecessor of the PBT (Amin, Rahim Abdul Rahman, Laison Sondoh, & Magdalene Chooi Hwa, 2011; Taib, Ramayah, & Razak, 2008). The objective of study by Amin et al. (2011), is to identify the impact of factors such as attitude, social impact, religious belief, public incentives and financial cost on the intent of providing individual financing through the interest-free financing models. The sample of the study involves 136 clients of interest-free financing institutions in Malaysia. The findings acquired based on the reasoned action theory suggest that attitude, social impact and financial cost have influence over the behavioral intent towards provision of individual financing via interest-free financing models. In addition, in the provision of financing via interest-free financing models, religious belief and public incentives hold insignificant influence. Taib et al. (2008), on the other hand, stress that the religious beliefs of the individuals and positive experiences over social impact have positive influence over the selection of the interest-free financing models. The study further suggests that the certification of these institutions by shariah boards is not sufficient to ensure reliability within the society in terms of compliance with religious precepts.

The final variable that identifies the PBT is the perceived behavioral control variable. In general, there are three variables that affect PBT: attitude, subjective norm and behavioral



control variable (see Figure 2). The perceived behavioral control variable refers to the control belief over the facilitating factors when performing a certain act. Facilitating factors mean facilitations on access to the act to be performed. Easy access to the objects that are subject to the projected behavior affects the control belief in later stages. In this way, the person develops behavioral intent without being affected by the social norm (in other words, the subjective norm variable).

The study by Ali, Raza, Puah and Karim (2017) relies on PBT as a theoretical model and suggests that the attitude variable holds a significant impact in the determination of the tendencies towards interest-free financing models. The study further notes that the provision of cost advantage by these institutions has a positive impact upon the behavioral intents of the consumers and that religion plays an important role in the decision of the customers to pick this type of financing model.



**Figure 2. Planned behavior theory**

#### **4. Method**

The research has more than one goal in terms of subject and content. Basically, the study seeks an answer to the question as to whether the planned behavior theory would be useful in identifying the consumer behavior towards interest-free financing in Turkey. To answer the question, the attitude, subjective norm and perceived behavioral control variables have been redefined to fit the inquiry in the study. Additionally, hypotheses in previous academic works in the same subject matter have also been included in the analysis. On the other hand, the study notes that most works done in this particular field lack solid theoretical basis. Therefore, this research ambitiously seeks to integrate the empirically tested hypotheses into relevant models.

#### **5. Theoretical framework and hypotheses of the study**

The PBT is basically built upon four major criteria: attitude, intent, belief and behavior. In identifying the variables of the PBT, these four criteria are used for modeling initiatives. For instance, behavioral belief is the corresponding element of the attitude variable whereas the normative belief refers to the subjective norm variable and control belief to the perceived behavioral control variable. On the other hand, it should be noted that the theoretical framework of the approach which has been remodeled through the hypotheses employed in previous academic works has been laid down.

#### **6. Attitude**

In a theoretical sense, the main argument of this study is focused on the exploration of the different factors that identify the consumer tendencies towards the interest-free financing models. The desire for a fair financial system might be a factor in the intents of the customers. Another factor that identifies the consumer behavior in the consideration of the attitude variable is the cost advantage factor which has been reevaluated within the scope of the attitude variable. A review of the relevant studies suggests that the argument on this factor takes note of the low cost of the services provided by the interest-free financing institutions (Almossawi, 2001; Haron et al., 1994; Wajdi Dusuki & Irwani Abdullah, 2007). For this reason, the hypothesis on the attitude variable has been offered as follows:

*H1: The attitude variable may have influence over the behavioral intent of the consumers towards the interest-free financing models.*

#### **7. Subjective norm**

The main argument of this study in respect to subjective norm variable is focused on whether or not this variable generates different factors over the consumer tendency and

behaviors. The factors that affect the subject norm variable are motivation to comply and normative belief. The theory notes that the individual will consider the realities of the community he lives in when seeking options to ensure provision of the finance he or she needs. This factor, referred to as compliance motivation, has been redefined as motivation to comply with religious principles.

On the other hand, the normative belief factor defining the subjective norm variable states that the individual behavior does not take place independently of the values associated with the society he or she lives in. Additionally, there might be other social factors contributing to the identification of the individual behavior. This study investigates whether or not there are other independent variables influential over the consumer tendencies towards the interest-free financing models. A review of the studies done on this subject reveals that avoidance from interest is the prime factor (Naqvi, 2016; Wajdi Dusuki & Irwani Abdullah, 2007). For this reason, the subjective norm variable has been redefined as avoidance from interest and motivation to comply with religious principles. As a result, the second hypothesis of the study has been offered as follows:

*H2: The subjective norm variable might have influence over the behavioral intent of the consumer towards the interest-free financing models.*

## **8. Perceived behavioral control**

The perceived behavioral control variable distinguishes the PBT from RAT. When performing a certain act, an individual has access to the relevant source and position and in this way, he or she feels inadequate to perform that act. This generates certain control power independently of the dynamic variables including attitude and subjective norm. Additionally, it is possible to speak of two types of control power: instant and planned. The PBT upholds that there are certain incidents towards the behavior independently of instant control power. As such, planned control power is generated over the behavioral intents because the person feels inherently adequate.

The relationship between perceived behavioral control and consumer behavior towards the interest-free financing models is covered in the literature with reference to the easy access to these institutions and the service quality (Almossawi, 2001; Haron et al., 1994). The argument in this study pays attention to this point because the theory states that control power is one of the two factors which identify the perceived behavioral control, and this control power has been associated with the planned control power rather than the instant control power over the clients. The quality of financial services of the interest-free financing institutions will generate greater planned control power over its customers. The factor of easy access to the source has been associated with the hardships or facilitations the customers

experience in having access to these services. Similar studies in the literature consider the convenience of the branches and the efficiency of counseling services (Devlin, 2002; Haron et al., 1994; Wajdi Dusuki & Irwani Abdullah, 2007). The hypothesis this study offers:

*H3: Subjective norm variable might have impact upon the behavioral intent of the consumer towards the interest-free financing models.*

## **9. Research sample and findings**

The snowball sampling method has been utilized when selecting the sample in this study. The cost associated with the research has been reduced by this method which also allowed the researchers to reach out to the sample mass. The quantitative data has been collected via survey. In collecting this data, the study largely relied on the survey questions by Ustaoglu (2018), which empirically evaluates the social awareness of the participation banks in Turkey. The study is based on the responses by real persons who hold religious sensitivities and are aware of the place of the interest-free banking or foundations working on this field.

The sample includes 265 persons and participants, most residing in Istanbul, Turkey. However, responses by 30 participants have been excluded because of missing answers or inconsistency. A review of the responses to the questions on demography reveals that 70 pct of the participants are male and that 50 pct of the participants are at the age interval of 26-40. 65.5 pct of the participants are married and 45.1 pct have a higher education degree. In sum, most of the participants are aged between 26 and 40, married, male and college graduates.

On the other hand, the respondents were asked questions about their sensitivities towards interest, what they mean by a fair financial system and their welfare level. The goal is to observe the impact of desire for a fair system upon the attitude variable. It seems that almost 90 pct of the participants hold some sensitivity towards interest and that 65 pct of the participants will not choose conventional methods even if they prove to be less expensive and costlier than the services offered by interest-free models. Additionally, 40 pct of the respondents uphold that a national economy should have a fair financial system through transparent and accountable private and public institutions and corporations. To this end, 35 pct of the participants also note that the presence of an advanced interest-free financial system plays a determinative role in achieving this goal. It is observed, based on the responses by the participants on the nature of an ideal financial system, that the desire for a fair financial system factor has been determinative.

The data collected via survey has been analyzed under chi-square test and reviewed empirically. IBM SPSS Statistic 22 software has been utilized for this purpose. The survey questions have been presented as closed open ended. Subsequently, questions have been

divided into six categories: demographic questions, questions on awareness of interest-free financing, attitude towards interest-free financing (evaluation of attitude independent variable), the social values vis-à-vis interest-free financing (evaluation of independent variable of subjective norm), hardships/facilitations in access to interest-free financing (evaluation of the independent variable of perceived behavioral control) and intention towards using services by interest-free financing (evaluation of dependent variable of behavioral intent). 34 questions have been presented in sum.

The participants were asked to pick on a Likert type 5-point scale one of the responses, “certainly do not agree,” “do not agree,” “not sure,” “agree,” “certainly agree.” The results have been subjected to an analysis of consistency through the Cronbach Alpha test. The Cronbach values for the questions on the independent variables of attitude, subjective norm and the perceived behavioral control are (0.8), (0.7) and (0.8) suggesting that these responses are consistent (See Table 1). It is also observed that 50 pct of the respondents express intention of acquiring funds through the interest-free financing institutions and that these customers hold that these institutions play an effective role in responding to the economic issues such as inflation and economic stagnation. This means that the cost advantage factor affects the independent variable of attitude and that the customer tendency towards the interest-free financing models on the basis of independent variable of attitude is positive.

**Table 1. Cronbach (reliability) values**

Cronbach's Alpha	Cronbach's Alpha value based on standardized components	Number of components
0,810	0,810	8
0,728	0,723	4
0,803	0,801	8

On the Chi-square test towards the cost advantage factor, “ $H(0,1)$ : significant for chi-square test” and “ $H(1,1)$ : not significant for chi-square test” have been developed. The coefficient of the relevant factor under the chi-square test is below 0.05 meaning that the  $H(0,1)$  hypothesis is accepted (See. Table 2.).

**Table 2. Cost advantage factor and behavioral intent chi-square values**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	51,863 <sup>a</sup>	36	,042
N of Valid Cases	235		

In addition, the 45.5 pct of the participants agree with the premise that the advanced interest-free financing models will create a positive impact upon the emergence of a fair financial system. To this end, it is also observed that the participants will tend to pick the interest-free financing models to meet the need for funds. A review of the cross-tabulation

values reveals that the fair financial system factor has a positive impact upon the consumer tendencies towards interest-free financing models.

In order to determine the level of significance of the fair financial system factor under the chi-square test, subhypotheses of (H0,1): significant under chi-square test and H(1,1): not significant under the chi-square test have been offered. The level of significance remains below 0.05, suggesting that it is significant under the chi-square test which leads to acceptance of the H(0,1) hypothesis. In this way, the H1 hypothesis has been accepted, stressing that the attitude variable has a positive impact upon the consumer behavior towards the interest-free financing models (See Table 3).

**Table 3. Desire for a fair financial system factor and behavioral intent chi-square values**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	54,857 <sup>a</sup>	36	,023
N of Valid Cases	235		

On the other hand, in the identification of the hypothesis on the subjective norm variable, it has been noted that the desire for avoiding interest might influence the consumers. It is observed that nearly 50 pct of the participants agree with the premise that they would be convinced when it is proved that the financial methods employed by interest-free financing methods are compatible with the Islamic premises. 74 pct of these participants, however, have no visible intent of acquiring finance or funds through the interest-free financing institutions within a couple of months ahead. Based on these findings, it is possible to argue that the participating banks in Turkey have a negative image in the minds of the potential customers in terms of serving as providers of finance.

To identify the level of significance of the avoiding interest factor under chi-square test, (H0,2): significant under the chi-square test and H(1,2): not significant under the chi-square test have been offered as sub-hypotheses. The findings show that the coefficient of significant remains below 0.05 showing that the H(0,2) hypothesis is significant under chi-square test. Therefore, the avoiding interest factor has a positive impact upon the behaviors towards the interest-free financing models (See Table 4).

**Table 4. Avoiding interest factor and behavioral intent chi-square values.**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	97,659 <sup>a</sup>	36	,000
N of Valid Cases	234		

Another point that deserves attention on the avoiding interest factor is that 50 pct of the participants responded to the question on the compatibility of the interest-free financing

institutions with Islamic methods. It is interesting because they are not convinced that these institutions are in line with the principles of Islam. It is also observed that they will not pick these institutions to meet their need for financing over the couple of months ahead. Table 8 shows that those who are reluctant to choose interest-free financing institutions and are not convinced that these institutions comply with Islamic principles are distributed significantly. 34 pct of the participants agree with this premise whereas 38 pct do not.

To identify the level of significance of the compliance motivation and factor under the chi-square test, (H0,2): significant under chi-square test and H(1,2): not significant under chi-square test have been offered as sub-hypotheses. Because the coefficient of significance is above 0.05, the H(0,2) is not significant under chi-square test and is rejected whereas H(1,2) is accepted. This means that the compliance motivation factor is insignificant in the decisions of the customers to pick interest-free financing institutions as method of financing (See Table 5).

**Table 5. Compliance motivation factor and behavioral intent chi-square values.**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	46,992 <sup>a</sup>	36	,104
N of Valid Cases	234		

Finally, the avoiding interest factor that affects the subjective norm variable has partial influence over the consumer behavior. However, the compliance motivation factor has no impact upon the subjective norm variable. Only one of the sub-hypotheses offered under the chi-square test has been accepted; H2 hypothesis has been rejected. Therefore, the subjective norm independent variable has insignificant impact upon the interest-free financing models.

It should be recalled that control belief and easy access to sources affect the perceived behavioral control variable. The cross-tabulation and chi-square analyses fail to reach significant findings on the control belief factor. Additionally, to identify the level of significance under the chi-square test, H(0,3): significant under chi-square test and H(1,3): not significant under chi-square test have been offered as sub-hypotheses. The findings reveal that the coefficient is above 0.05 suggesting that the H(0,3) is not significant under chi-square test and thus this hypothesis has been rejected and H(1,3) has been accepted. Therefore, the control belief factor has insignificant impact upon the tendency of the consumers towards the interest-free financing institutions (See Table 6).

**Table 6. Control belief factor and behavioral intent chi-square values.**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	37,833 <sup>a</sup>	36	,386
N of Valid Cases	235		

The cross-tabulation values and the chi-square analyses on the easy access to sources factor provide no significant findings. To identify the level of significance of the easy access to sources under the chi-square test,  $H(0,3)$ : significant under chi-square test and  $H(1,3)$ : not significant under chi-square test have been offered as sub hypotheses. The findings reveal that the coefficient of significance is over 0.05 suggesting that  $H(0,3)$  is not significant and has been rejected whereas  $H(1,3)$  has been accepted. It is therefore observed that the factor of easy access to sources has insignificant impact upon the tendencies of the customers to pick interest-free financing institutions (Table 7). In conclusion, the  $H3$  hypothesis identifying the perceived behavioral control has been rejected.

**Table 7. Chi-square values on the factor of accessing resources and behavioral intent**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	42,751 <sup>a</sup>	36	,204
N of Valid Cases	235		

## 10. Conclusion

This research, done to uncover the attitudes towards services of interest-free finance in Turkey, presents outcomes that confirm the attitude variable of the PBT. However, it also becomes apparent that the two other independent variables, subjective norm and perceived behavioral control (PBC), fail to predict the consumer tendency or behavior towards the interest-free financing. To reach this conclusion, cross tabulation has been performed between factors identifying the independent variables of the PBT and the factor representing the dependent variable, the behavioral intent. The resulting values have been analyzed by the ki-square test. The results show that the desire for a fair financial system referring to the attitude variable and the cost advantage factor foresee the behavioral intent of the clients. The ki-square values of the factors identifying the independent PBT variables remain above 0.5, suggesting the validity of the null hypothesis. Therefore, only  $H1$  hypothesis has been accepted whereas  $H2$  and  $H3$  hypotheses have been rejected. On the other hand, it has also been observed that the internal consistency tests of the surveys referring to the variables of the PBT are positive. According to the Cronbach Alfa test results, the numeric values of the survey parts are above 0.70.

A review of the results that define the sample of the research reveals that participants are educated, in the ages between 26 and 40 and married males. It is also observed that 64.5 pct of the participants have no account with an institution of interest-free finance, and that those who have, perform their individual and commercial activities through these institutions. 90 pct of the participants state that they are sensitive towards the interest-based transactions; 65 pct of these respondents further note that they will prefer the interest-free options even if they are costly compared to the conventional financing methods.



The study also evaluates whether people who care about the interest issue find the methods of the interest-free financing as compatible with Islam. It becomes evident that acquaintances or relatives have no significant impact or role for those who would prefer the interest-free financing methods. On the other hand, the desire for avoiding interest, a determinative factor over the independent variable of subjective norm, is partly influential over the customer behavior towards interest-free financing.

However, it is observed that the adaptation and compliance tendency, the second factor contributing to the subjective norm variable, has no impact upon the consumer behavior towards interest-free financing. All the results suggest that it is possible to provide useful information on the effective operation of the institutions of interest-free financing. Particularly certain findings and deductions that would enhance their competitiveness in the financial markets will offer great advantages for these institutions. This includes whether the institutions of interest-free financing present themselves as players of confidence in terms of fulfilling in the Islamic requirements in the eyes of the clients and consumers. The empirical findings of this research show that people who rely on the activities and transactions of the institutions of interest-free financing in their daily lives and commercial engagements hold religious sensitivities to the extent that they would still prefer the interest-free options even if they prove to be costly when compared to the conventional counterparts. However, the study results further show that they do not have confidence in these institutions despite that they employ partial interest-free financing models. In conclusion, it is possible to argue that these institutions should review their models and activities in a way to make them compatible with the Islamic precepts and to observe the religious sensitivities of the clients.

Another important point to underline in respect to the consumer tendencies and behaviors towards interest-free financing models is the consideration of the personal attitudes. The empirical findings of the study suggest that desire for a fair financial system and the cost advantage are contributing factors to the behaviors. Therefore, it is possible to argue that in case the institutions of interest-free financing would like to improve their corporate image and prestige in the eyes of the consumers and clients, they need to convince them that they would provide a fairer financial system and offer financial services at more reasonable terms.

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