

TANZANYA GİBİ KONVANSİYONEL BANKACILIĞIN HAKİM OLDUĞU BİR ORTAMDAKİ KURUMSAL VE BİREYSEL MÜŞTERİLERİN İSLAMİ BANKACILIK TERCİHLERİNİN ANA BELİRLEYİCİLERİNİN ANALİZ EDİLMESİ VE ÖNCELİKLENDİRİLMESİ

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ÖZ

Ticari bankalar herhangi bir ekonominin bankacılık sisteminde benzer işlevleri yerine getirdiğinden, bir müşteri tarafından banka seçimi kriterleri birçok bankacı için en zorlu konulardan biridir. Bu nedenle, bu çalışma İslami Bankalar için tüketici tercihlerinin ana belirleyicilerini analiz etmeye ve önceliklendirmeye çalışmaktadır. Kartopu örnekleme yoluyla 250 örneklem büyüklüğündeki anket sorularını Analitik Hiyerarşi Süreci (AHP) metodunu kullanarak benimsenir.

Bulgular, kurumsal müşterilerin tercihlerinde ana belirleyici faktör olarak dini saiklere öncelik verdiklerini ve bunu düşük hizmet ücretlerinin izlediğini, müşteri hizmetleri ve kâr paylaşımının da sırasıyla üçüncü ve dördüncü sıralarda yer aldığını ortaya koymaktadır. Bulgular ayrıca bireysel müşterilerin dini faktörlere öncelik verdiğini ve bunu müşteri hizmetlerinin izlediğini göstermektedir. Bu bulgular, müşterilerin dini motiflerin önemli etkisi olan İslami bankaları tercih ettiğini göstermektedir.

Ayrıca, çalışma Amana bankasının Şeriat uyumu açısından öncelikli olduğunu, NBC ve KCB bankalarının ise müşteri hizmetleri açısından oldukça öncelikli olduğunu, buna karşılık PBZ bankasının daha düşük hizmet ücretleri açısından yüksek puan aldığını da ortaya koymaktadır. Ayrıca, pencere hizmetine kıyasla tam teşekküllü İslami bankalar olarak faaliyet gösteren bankaların müşterilerin İslami bankalara olan güveni açısından daha yüksek bir potansiyele sahip olduğunu gösterir.

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ANALYZING AND PRIORITIZING THE MAIN DETERMINANTS OF CORPORATE AND RETAIL CONSUMER CHOICES FOR ISLAMIC BANKING IN A PREDOMINANTLY CONVENTIONAL BANKING ENVIRONMENT LIKE TANZANIAYussuf CHARLES YUSSUF^a*Istanbul Sabahattin Zaim University, Turkey*

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ABSTRACT

The criteria for bank selection by a customer is one of the most challenging issues for many bankers, as commercial banks perform similar functions in the banking system of any economy. Therefore, the present study attempts to analyze and prioritize the main determinants of consumer choices for Islamic Banks. It adopts survey questionnaires with 250 sample size through convenient and snow bowling sampling analyzed using the Analytic Hierarchy Process.

The findings reveal that corporate customers prioritize religious motives followed by low service charges as the main determining factor for their choices, while customer service and profit-sharing came in the third and fourth places, respectively. The findings further show that the retail customers prioritize religious factors, followed by customer services. These findings are indicative that the customers opted for Islamic banks with significant influence of religious motives.

Moreover, the study also reveals that Amana bank was prioritized in terms of Shari'ah compliance, while NBC and KCB banks both highly prioritized in terms of customer services, whereas PBZ bank was highly rated in terms of lower service charges. Further implying that customers would place the highest trust in Islamic banks when operating as full-fledged Islamic banks compared to window services.

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INTRODUCTION

The criteria for bank selection by a customer is a very complex issue, which is privately determined by the respective customer. The criteria also differ from time to time and from one country or territory to another. The criteria that entice customers to choose a bank today might not be the same for several years afterward.

In Malaysia, for instance, consumers' awareness of the banking products and consumer satisfaction were the major criteria for selecting Islamic banking during 2017 (Mariadas and Murthy, 2017). While in the past, the study by Hamzah *et al.* (2015) revealed that service quality was the main influencing factor for customers to choose Islamic banking.

Though the choices of any bank can be influenced by the respective bank's marketing strategy, nevertheless this requires full awareness on the part of the customer to know what the bank has to offer. Which also depends on marketing coverage and whether the individual customer has clearly understood what is contained in the marketing strategy of the bank.

In East Africa, particularly Tanzania, where it has been a decade since the inception of *Shariah*-based banking services, there is an indication of an optimistic trend in terms of customer demand for Islamic banking. This is evident from the recent boom accrued by Islamic banking in terms of increasing market shares, assets, financing, and deposits growth, based on the Bank of Tanzania as quoted from Zacharia (2019), between 2018 and 2019, the deposits in Islamic banks grew by 12 percent, while financing grew by 5 percent. After years of slow development, there is a profound sense that Islamic banking is heading for its breakthrough in the country by increasing the market share, year after year, as many people continue to exploit this new system of banking.

The strong growth is likely to continue in the upcoming years, which can be attributed to a thriving demand for banking services from a large segment of the populace that remain unbanked (Mhina, 2017). Thus, this enormous growth should not be taken as a threat to its counterpart the conventional banking. It is rather a challenge to expand and improve banking services to serve and include a more un-banked population. This is so, because any banking institution, whether Islamic or conventional, is an imperative cornerstone of financial intermediation in the economy of any country, including Tanzania. In addition to that, the financing system adopted by Islamic banking is considered developmental by its nature due to its connection with the real economy (Kahf, 2015).

According to Kahf (2015), the financing model by Islamic banking, especially the sale-based contracts, creates direct value addition to the economy, as opposed to the lending model. This is so because the process of lending involves a mere transfer of wealth (money) from the lender to the borrower, in which the process, per se, cannot create direct value addition to the economy, and there is no net change in the quantum of the wealth of either party.

Hence, Islamic banking is defined as a depository financial mediation that is specialized in providing finance through sale, lease, and sharing contracts while adhering to the tenets of Shari'ah's principle of financial transactions. It is supposed to observe the axiomatic principles of realism, morality, and justice by avoidance of interest/*riba* (Kahf, 2015). The financial transactions of Islamic banks need to abide by the ethics of the Qur'an and the Sunnah, which are the fundamental bases for *Shari'ah*. These ethics are incorporated into financial transactions (Ahmad and Ahmad, 2015). Thus, the smooth operation of Islamic banking is more complex than the traditional banking system as it has to abide by both the law of the country where it operates and at the same time the Islamic law of *mu'amalat* (transactions).

Generally, the history of Islamic banks can be traced back to Malaysia when a primitive bank in the form of a saving scheme for pilgrims called Tabung Haji or the Haji Fund was established in 1963 (Muhammed, 2013), where these savings were invested in the Shari'ah-compliant schemes. This was followed by the establishment of a community-saving bank, the Mit Ghamr bank in Egypt in 1963, which has been considered the first bank to operate on interest-free banking mechanisms (Alharbi, 2015).

Furthermore, the establishment of the Islamic Development Bank (IsDB) during the 1970s played a remarkable role in paving the way for opening more Islamic banks and Islamic financial institutions. Dubai commercial Islamic Bank (DIB), based in Dubai, is the first of its kind as a modern, full-fledged Islamic commercial bank established in 1975. According to IFSB Report (2020), Islamic banking grew by 12.7% year on year between the third quarter of 2019 and 2020, while the share of the Islamic financial service industry was 72.4%. The GCC accounted for the highest share of the global Islamic banks' assets by 45.5%, while the Middle East, South Asia, and Sub-Saharan African regions accounted for 25.9%, 23.5%, and 1.6%, respectively.

In Tanzania, the history of Islamic banking can be traced back to 2008, when the first Islamic bank was launched by Kenya Commercial Bank (KCB Bank Tanzania ltd) operated a window service known as the KCB Sahl bank. Two years later, in 2010, two other commercial banks, namely the National Bank

of Commerce (NBC) and Stanbic Bank, launched Islamic banking windows (Omar and Yusoff, 2019).

In the beginning, the demand for Islamic banking in the country continued to gain popularity, based on the fact that Muslims make almost 35.2% of Tanzania's total population (World Population Review, 2020). This further inspired other commercial banks to launch Islamic banking services, wherein the year 2011, two other commercial banks acquired licenses to operate Islamic banking. These included; Amana Bank, the only full-fledged Islamic bank, and the PBZ Bank Ltd operating Islamic division dubbed as Ikhlas Bank (Kulshrestha and Ali, 2018). Hence, until the year 2011, five commercial banks were offering Islamic banking services in Tanzania. However, the recent report by the Central Bank of Tanzania reveals that only four commercial banks actively operate Islamic banking. This resulted after the closure of the Islamic window operated by the Stanbic bank. Thus, Islamic banking represents 7.5 percent of the banking industry in the country, out of a total of 53 Full-fledged commercial banks, community banks, development banks, and microfinance banks licensed by the Bank of Tanzania (Bank of Tanzania, 2018).

The study by Mhina (2017) reveals that only 2.3% of the total banked population is relishing Islamic banking services in Tanzania. This can act as a big adrenaline shot in expanding the Islamic banking products to tap the market share of the unbanked populace, giving a promising future for Islamic banking in the country. Tanzania is one of the developing countries where Islamic banking and finance is still in an infancy phase of development. However, the statistics indicate conducive prospects, and it is one of the fastest-growing banking systems, which offer financial solutions necessary for economic growth. Despite the lack of official legal and institutional frameworks for Islamic banking in the country, the industry growth is impressive. Thanks to the smooth backing of the Central Bank of Tanzania, in which to support the basic operations of Islamic banking, Islamic banks are given waivers by the Bank of Tanzania to meet some of the basic requirements necessary for their operations.

It is reported that the current market share for Islamic banking deposits in Tanzania as of September 2019 stayed at 1.73 percent, whereas the balance sheet financing-share reported at 1.44 percent, with a total of 208,363 depositors (Zacharia, 2019). This represents an estimated annual growth of 12% from 184,108 depositors reported during September 2018. Further reports by the Central Bank of Tanzania concede that during the year, up to September 2019, in terms of asset growth, the Islamic banking financing was up by 5% to TZS 256.18 billion from 244.2 billion during September 2018.

Likewise, the individual banks' growth in terms of customer base indicates an impressive upward trend, for instance, taking two Islamic banks which started operations in 2011, based on the available data, PBZ Bank when it began operation in 2011 there were 7,742 customers, this number increased to 12,229 in 2012 and then rose again to 16,929 in 2013 representing over 100% customer growth within only three years. On the other hand, Amana Bank, during the year 2011, had 333 depositors. Then rose to 4,266 in 2012, which increased further to 10,685 depositors in 2013 and then ballooned to 85,000 depositors in 2018 (Muhsin, 2018). This upward trend is likely to continue in the upcoming years, given the impressive deposits and customer base growth. However, certain factors have illuminated in winning the customers' faith in Islamic banking leading to the persistent growth in terms of market shares, customers base, and financing. This raises a few pertinent research questions for the researchers and practitioners as to what the determinants for customers are to select Islamic banking.

- i. Is the religious motive the major influence/determinant for the corporate and retail consumers to choose Islamic banking in Tanzania?
- ii. Is the availability of profit-sharing options in Islamic banks the major influence for the corporate and retail consumers' choices?
- iii. Are the low service charges the major determinants of corporate and retail consumers' choices for Islamic banking?
- iv. Does customer care level determine the retail and corporate consumers' choices for Islamic banking?

Nevertheless, in the context of Tanzania, when customers choose Islamic banks, what exactly are the major priorities influencing their choices that act as drivers for Islamic banking growth is a question that the present study is attempting to address. This is so because this area is not well researched in the context of Tanzania's Islamic banking industry. There is a dearth of studies relating to Islamic banks in Tanzania especially to determine the influence of corporate and retail consumer choices for Islamic banking. Most of the available studies are mainly limited to the current state of affairs of Islamic banking, the impacts of practicing Mudarabah, the perception of Islamic banking in Tanzania, and so on. Kulshrestha and Ali (2018), Omar and Yusoff (2019), and Soud (2017), respectively.

Therefore, to bridge the gap, the present study performs thorough surveys of literature to analyze the general determinants of Islamic banks' consumer choices. Then it adopts survey questionnaires to determine the main determining factor and analyze how corporate and retail consumers prioritize

them when choosing Islamic banks in Tanzania. In other words, the literature survey assisted in understanding the overall determinants of consumer choice for Islamic banks in general, then we have contextualized those determinants in the context of Tanzania Islamic banking customers' using the survey questionnaires by analyzing the main determinants and their priorities.

In addition, the study employs the Analytic Hierarchy Process (AHP), a multi-criteria decision-making model of which, to the best of the researcher's knowledge, is the earliest to be adopted in the region. The study will set a new research direction towards prioritizing consumer choices for Islamic banking in general. The finding is also essential for Islamic banking in Tanzania, as being aware of the customer's priority will help lower sales and marketing costs. This is crucial to gauge the measures needed to improve Islamic banking services. Furthermore, it is anticipated that the results are valuable to shareholders in providing a long-lasting and sustainable solution towards prioritizing consumer choice of Islamic banking.

This study is structured into five sections, including the introduction. The second section reviews the extent of the related literature to identify the research gaps. The third section discusses the research methodology and its merits for prioritizing the determinant of consumers' choices for Islamic banks and discusses the qualitative method in the form of interviews. The fourth section presents and analyses the results of the qualitative data. The final section concludes the study and provides recommendations and suggestions for future studies.

LITERATURE REVIEW

There has been a claim that the mode of financing by Islamic banking, which is based on debt creations such as sales, and others, including lease-based, and profit-sharing can be a viable alternative to an interest-based system and curb the trending issue of financialization, as Islamic financing is a development by its nature because it sticks to the real economy financing (Kahf, 2015). According to Kahf (2015), in the debt creation principle, financing cannot go beyond the size of the real economy, where the real economy puts the cap on financing, such that the size of debt cannot exceed the real production of goods and services. Islamic financing, such as sale, is one-to-one financing; that is, goods for goods, services for services as opposed to debt-based financing. This contributes towards a more equitable circulation of wealth and increased equity participation in the economy. Because debt-creation, through a sale, for instance, generates a signal to the producers to replace the amount of commodity/service available in the economy. Therefore, as adopted by Islamic banking, this fascinating financing model can be one of the factors influencing the customer to choose Islamic banking.

However, Hassan (2018) argues that the growth in Islamic finance results from many factors, such as the need for socio-political and economic arrangements based on Islamic principles with a stronger Islamic identity. Thus, when the Muslim customers select Islamic banks tend to show a desire towards religion as a strong attribute in choosing the service of an Islamic bank. But, Erol and El-Bdour (1989) did not find any sufficient evidence to conclude that religious motives are the exclusive reason for choosing Islamic banking products. They rather concluded that the influence of peer groups, profit-loss-sharing modes of financing, and the general awareness of customers on the social-economic development role of the Islamic banks plays an important role in selecting Islamic banking.

The study by Al-Ajmi and Al-Saleh (2009) revealed strong evidence that the Islamic religious principle and social accountability are the two most essential factors that determine the consumer choice for Islamic banking, whereas cost-benefit revealed to be the third most important factor considered in Islamic bank choice. In addition to that, it is also asserted that customers of Islamic banks are more conversant with the products that fit the *Shari'ah* principles. Similar to the findings by Amin *et al.* (2011), where the religious commitment perse found to be insignificant factors in influencing Islamic banks' customers in Malaysia, rather found other three determinants that are significant in influencing customers to choose Islamic private financing, such factors include attitude, social influence, and pricing of banking products and financing.

These findings are contrary to Taib *et al.* (2008), which found religious and social influence to be jointly important in influencing the customer to participate in diminishing partnership as one of the Islamic banking products.

The finding by Subhani *et al.* (2012) reveals that low service charges and high profits sharing are the most determining factors, while religious motives and quality of service followed as essential factors in selecting Islamic banking in Pakistan. The study investigated a bunch of 10 factors, including convenience, services quality, religious motives, accessibility to ATM, privacy, and confidentiality, diversity in financing options, high profit, and low service charges, the influence of friends and family, and welcoming attitude of banking staff.

A similar study by Tahir *et al.* (2011) in Pakistan revealed that most customers valued product features and service quality as major factors for choosing Islamic banks while giving less priority to the religious motive as an instrumental factor.

The study by Guyo and Adan (2013) in Kenya investigated four variables, including religious motives, profit and service charges, financial options, and

Human Resource characteristics. The findings reveal that the four factors jointly influence customers' investment choices with Islamic banks. However, it was concluded that the religious factor played a great role, even though the variety of financing options offered by the Islamic bank had a stronger influence. The findings by Yap *et al.* (2012) reveals that the quality of service has a significant positive influence on customer satisfaction and hence banking service selection.

Therefore, the literature collections have provided suggestive characteristics of the Islamic banking customers' choices in general, thus forming a critical point for the foundation of the research questions in the context of Tanzania's Islamic banking system. On top of that, the studies related to prioritizing the main determinants for corporate and retail consumers' choices for Islamic banking in the context of Tanzania are very limited. Therefore, to bridge the study gap, the present study analyzes this concept with respect to Islamic banking in Tanzania. Besides, the study will apply the model developed by Saaty during the 1970s, commonly known as the Analytic Hierarchy Process-AHP method is employed to rank the determinants of customer choices in Islamic banking, hence filling the research gap and paving the way for further studies.

RESEARCH METHODOLOGY

In Tanzania, knowledge about what determines the corporate and retail customers to choose for Islamic banking is limited. Therefore, the present study analyzes and prioritizes the major factors that entice customers to opt for Islamic banks. The study adopts a mixture of literature surveys and questionnaires. Though there might be several studies related to the determinants of retail consumer choice for Islamic banking in other countries, such studies are limited in Tanzania. On top of that, to analyze the data, we have adopted Thomas L. Saaty's decision-making tool known as Analytic Hierarchy Process (AHP). This will attain two main objectives, first bridging the gap from the Tanzanian Islamic banking literature and secondly opening a new research direction on prioritizing the determinant for corporate and retail consumer choices for Islamic banking.

Previously a sample size of 350 people was arranged; however, due to time limitations, it was reduced to a sample size of 300 respondents after the pilot survey, which discovered non-responses from some of the Islamic bank's customers. However, the final result received a positive response from 250 respondents in both questionnaires and interviews. The sample included the Islamic banks' customers, scholars, practitioners, stakeholders, and staff. The Islamic banks' staff were selected using the snow bowling technique, and this

is so because, during working hours, it was not convenient for them to be approached using random sampling.

And then, the convenient sampling technique was applied to select the Islamic banks' customers, where our agents approached the customers in the banking premises during working hours. In some instances, to select reliable respondents, we have applied purposive sampling to capture the views and opinions of ten banking experts and scholars whom we have interviewed. Also, it was adopted to supplement the auxiliary information to seek clarification from the respondents. The respondents were invited to indicate, on a Likert scale ranging from 1 to 9, representing equally important to extremely important based on factors they believe are crucial when selecting Islamic banks.

Most of the factors under investigation have been adapted from the literature by Kaakeh *et al.* (2019), Kontot *et al.* (2016), and Ashraf *et al.* (2015) on Islamic banking patronage with some modifications to represent issues like profit sharing.

Based on the respondents' feedbacks during the pilot survey, the factors were reduced to 4 from 12. This step was achieved after the pilot study, where we asked the respondents to select the main determinants out of twelve that they consider the most important to influence their choices. Therefore, we included the determinants in the top four, which were further discussed with the experts. This step was also important to dodge the complexity in analyzing too many variables using the AHP Method.

Conceptual Framework

The study has identified four major factors that influence the customers' choices for Islamic banking, as summarized in figure 1, which shows the relationships between Islamic banking and its major determining factors in the form of the independent and dependent variables.

The independent variables may influence Islamic banking as the dependent variable in terms of its growth in customer base, deposits, and market shares. The idea behind putting Islamic banking as a dependent variable is because any changes in the determinants may positively or negatively influence Islamic banking individually or in general.

relative rankings are established in the hierarchical construction from the top-level, middle-level, and bottom-level (Zamani and Yousefi, 2013).

With the help of the AHP model, the respondents can make subtle trade-offs in non-quantifiable, non-market attributes of variables under investigation.

Table 1: *Evaluation Scales of Pairwise Comparison By Saaty and Vargas, 2012*

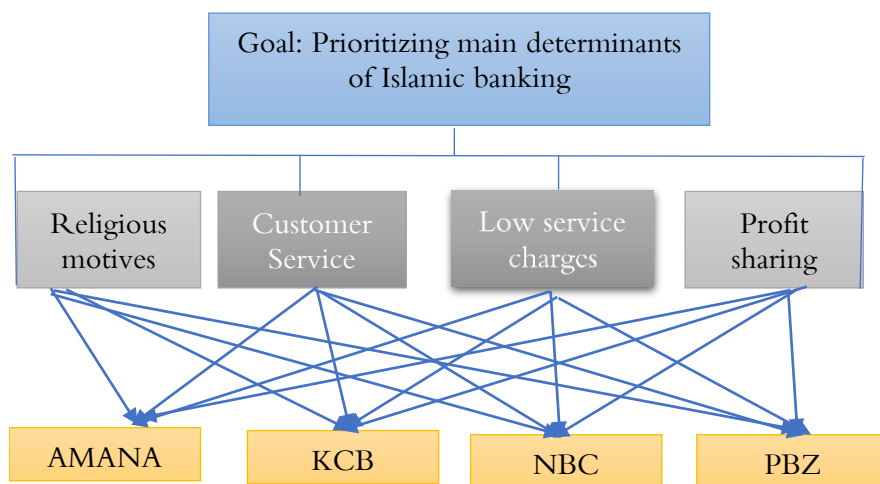
Value	Definition	Elaboration
1.	Equal important	Both choices contribute equally to the objective
2.	Weak	The judgment marginally favors one choice over the other
3.	Moderate important	
4.	Moderate plus	One choice is strongly important than the other
5.	Strong important	
6.	Strong plus	One choice is very strong important in comparison to another
7.	Very strong important	
8.	Very, very strong	One choice is of extreme importance compared to other
9.	Extreme important	
Reciprocal of the above	1/3,1/5,1/7,1/9	The assumption for choices i & j, if i=3, then j is 1/3.

Thus, the present study followed an evaluation scale by Saaty and Vargas (2012), and Pawel (2010) with five important ranking values where the respondents were required to make the judgments-based decision as shown in Table-I; these values were transformed into a matrix with the help of computer software specifically the Expert Choice software.

Presenting the AHP Model as a Research Tool

The goal of the study is identified as to analyze and prioritize the major determinants of corporate and retail consumer choices for Islamic banking in Tanzania. To this extent, three stages to demonstrate the AHP data hierarchy based on goal/objective, criteria, and alternatives are applied from Alam *et al.* (2012), as shown in Figure 2. The criteria are the determinants that may induce the customer to go for Islamic banking like the religious motives, potential profit-sharing, customer service, and low service charges, while the alternatives included the four commercial banks offering Islamic banking such as Amana Bank, KCB Bank Tanzania Ltd, NBC, and PBZ Bank, this is because once the customer is enticed by the aforementioned criteria will have to choose among the four candidates banks to join. This is based on Saaty and Vargas (2012) when adopting the AHP model, the first and foremost step is to decompose or structure the problem into a hierarchy (see Figure 2).

Figure 2: AHP Selection Criterion for the Major Determinants of Consumer Choices for Islamic Banking



Source: The Researcher.

On the top level is the overall objectives or goal for determining factors for choosing the Islamic banks. On the next level are the four criteria that contribute to goal satisfaction, and on the bottom level are the four candidate Islamic banks that are to be assessed based on the criteria on the second level.

As suggested by Ansah *et al.* (2015), a total of four mathematical computations needed to be followed in the Analytic Hierarchy. The first is hierarchy ranking from objective on the top followed by criteria then alternatives at the bottom. The next step is constructing pairwise comparison matrices for the criteria and alternatives as illustrated in matrix 1 and equation 1.

$$A = \begin{pmatrix} a_{11} & a_{12} & a_{1n} \\ a_{21} & a_{22} & a_{2n} \\ a_{n1} & a_{n2} \dots & a_{nn} \end{pmatrix} \dots\dots\dots 1$$

Such that,

$$[A_{ij}], \text{ where, } i, j = 1, 2, \dots, n \text{ } A_{ij} = 1 \text{ for } i = j$$

$$A_{ij} = \frac{1}{A_{ji}} \text{ for } i \neq j \dots\dots\dots 1$$

Where A is the matrix of pairwise comparisons, n is the total number of factors/criteria in the matrix of dimensional vectors (n x n), i and j are two alternatives under comparison. The element value in the diagonal of the matrix is equal to 1 such that $A_{ij} = 1$ or $a^{11} = 1$, $a^{22} = 1$, and $a^{nn} = 1$.

Moreover, the weights from the questionnaire survey were synthesized to obtain a set of findings, which will be discussed in the subsequent section. Below is a summarized stage involved in constructing the AHP instrument.

Stage 1: Identification of objective, criteria, and alternatives

Stage 2: Construction of the pairwise comparison matrices (PCM) with four criteria and four alternatives.

Stage 3: Administration of survey with customers, staff, and professionals to determine the weights of the criteria and alternatives.

Stage 4: Synthesis of the weights using the Expert Choice software.

Stage 5: Ranking of the criteria based on their importance.

DATA PRESENTATION, ANALYSIS AND DISCUSSION

This section presents the findings of the data collected from the field. It is divided into two sub-sections. The first section describes the demographic characteristics of the respondents, and the second sub-section presents and analyzes the research findings.

Demographic Characteristics of the Respondents

The respondents' demographic characteristics are structured into age structure, gender, religion, educational background, corporate banking customer, and retail banking customer Table 2 and Table 3.

From Table 2, most of the respondents comprised the age group from 18 to 45 years old, which made up almost 92% of the total respondents' age group. On the other hand, 134 of the respondents were males and 116 females, equivalent to 56 percent and 44 percent, respectively. Thus, from this observation, we may notice two things; that either there are more male customers of Islamic banks than female customers or male customers were extra active in responding to the survey compared to females.

Table 2: *The Age, Gender, and Religious Characteristic of the Respondents*

Structure	Frequency	Percentage
Age		
18-25	27	11
26-35	80	31
36-45	125	50
46-55	9	4
56-65	9	4
Total	250	100
Gender		
Male	134	54
Female	116	46
Total	250	100
Religion		
Muslim	179	72
Christian	71	28
Total	250	100

Source: Field data.

This difference is also attributed to the fact that most males are more active in doing business which necessitates them having bank accounts either to keep their savings or to facilitate their business transactions.

Moreover, it was observed that the males are having more family financial obligations compared to females, as evidenced by interviews with some of the males' respondents who were asked if their partners had an account with one of the Islamic banks, the answers revealed that their wives had no bank account because they do not have family financial obligations.

On top of that, 72 percent of the respondents were Muslim, while 28 were non-Muslim customers. This implies Muslim customers are more actively utilizing Islamic banking services. Though the number of non-Muslim customers is small compared to Muslim customers, it is important to note that Islamic banks accommodate both customers irrespective of their faith.

It is also important for policy implication for Islamic banks that they need expand marketing strategy to penetrate in serving more non-Muslim population irrespective of the faith. This is essential to clear the misconception from the public that Islamic banking is specific to Muslims alone.

Given the result from Table 3, the survey comprised 111 Islamic banks' corporate customers and 139 retail customers, equivalent to 44% and 56%, respectively. On top of that, 206 out of 250 respondents comprised the highest educational structure from undergraduate to master's degree. This level of education is sufficient for the respondents to make consistent and rational judgments in respect of the determining factors for Islamic banking based on the main four criteria under investigation.

Table 3: *Customer Type and Educational Structure of the Respondents*

Structure	Frequency	Percentage
Customer type		
Corporate	111	44
Retail	139	56
Total	250	100
Educational level		
Primary school	0	0
Secondary school	4	2
Diploma	18	7
Undergraduate	103	41
Master's degree	103	41
Ph.D.	22	9
Total	250	100

Source: Field Data

Analysis and Discussion of the Finding

As stated earlier, the AHP model was employed as a suitable approach to be adopted in this study for prioritizing the determinants of corporate and retail consumer choices for Islamic banking in Tanzania. The data were synthesized and analyzed with the help of Expert Choice software, a software program that

enabled to ranks and ratings of the determinants based on responses from the respondents.

The survey questionnaires were developed based on the criteria decision-making hierarchy as shown in Figure 2. The questionnaires were distributed into three groups, the first was envisioned to capture the information needed in prioritizing the determinants for the Islamic banks’ retail customers, the second group for corporate customers, and the third asked the respondents to rate the four existing Islamic banks of their choices based the four criteria/determinants. Therefore, to get the required number of questionnaires, we have generated six pairwise comparison matrices from each group given the four criteria using equation 2. This allowed the respondents to prioritize the four determinants in the light of the four existing Islamic banks as alternatives.

$$C = \frac{n(n-1)}{2} \dots\dots\dots 2$$

Where C is the comparison matrix, n is the number of criteria which is equal to 4 (i.e. n =4). Thus, it enabled a generation of six questions from each category of respondents.

In addition to that, the ratings were given the priorities as chosen by the respondents based on the fundamental Scale by Saaty and Vargas (Vargas, 2017), as shown in Table I. The data from the survey was compiled and synthesized using geometric means. Also, the Consistency Index (CI) and Consistency Ratio (CR) were produced.

Consistency Index (CI); according to Saaty and Vargas, the AHP model comprises a consistency index for a whole hierarchy. The adjustments must be smaller compared with actual values of eigenvector entries with an inconsistency of 10% or less. This implies that the number of elements should be smaller to maintain consistency (Vargas, 2017). From the survey data, the index (CI) is calculated by equation 3 and ranges from 0.03 and 0.06 for the responses in respect of corporate and retail customers, respectively. Having known these values in mind, we can calculate the Consistency Ratio.

$$CI = \frac{\lambda_{max}-n}{n-1} \dots\dots\dots 3$$

Where CI is the consistency index, n is the number of elements/criteria, and λ_{max} is the random max.

Consistency Ratio (CR); the consistency ratio is obtained by dividing the consistency index (CI) by the random index (RI) (RI is generated from the RI table not provided here). Therefore, CR ranged from 0.035 to 0.070 for the responses of corporate and retail customers for Islamic banks, respectively. Notice that these ratios are below the required standard of 0.10. Therefore, it is appropriate to conclude that the respondents were consistent in making their judgments and that the pairwise matrix was correctly developed. If the CR was greater than 0.10 would indicate the opposite, which would necessitate re-study the problem and revising the entire judgment.

Based on these scales, it convinces that the pairwise matrix was properly developed. Thus, we can proceed in rating and ranking the four determinants of corporate and retail consumer choices for Islamic banking in Tanzania. The generated results are shown in Table 4.

The results in Table 4 show that the respondents placed the highest priority on religious motives as the most determining factor for their choices to Islamic banking with a rating of 0.6035. This further implies that religious motive is the most enticing factor for corporate customers to choose Islamic banking.

Following this finding where the religious motive is revealed to be the most influencing factor for corporate customers to choose Islamic banking. Also, given the fact that religion for Islamic banking is observed through *Shari'ah* compliance in the banking activities. Therefore, this finding serves as a wake-up call for the Islamic banks in Tanzania to comply with *Shari'ah* requirements in all of their operations. This action will gauge as a guiding principle for attracting more customers to join Islamic banks at the same time enabling Islamic banks to implement ethical financing along the *Maqasid Al-Shari'ah*.

The prioritization of religious motives could be due to the respondents' awareness of the importance of *Shari'ah* compliance for Islamic banks, as this is the main distinguishing characteristic of Islamic banking from the traditional commercial banks. Moreover, *Shari'ah* compliance will enable Islamic banking to implement axiomatic principles of justice, fairness and morality, and ethical financing in all financial matters. Practicing these values by Islamic banks, in turn, attract more customers irrespective of their religion. This is because ethical financing, justice, and fairness in financial transactions are important not only to Islamic financing but also to the real world.

The second priority was placed on low service charges rating at 0.1957. The respondents have placed customer service and profit-sharing in third and fourth place, respectively.

Notice from Table 4 such that religion motive is ranked number one, this implies that despite the goodness of Islamic banks in terms of customer services,

coupled with low service charges, and lucrative profit sharing. Nonetheless, customers would be willing to forego all these criteria in favor of religion as the main determinant for choosing Islamic banking. Please note religion in this context also implies compliance with *Shari'ah*- banking system. Thus, it is imperative for Islamic banks to comply with the *Shari'ah* banking practices because without complying with this unique feature, there would be no difference for customers if they were to choose banking with conventional banks.

Table 4: Rating and Ranking the Four Main Determinants of Islamic Banks Corporate Consumer Choices in Tanzania

Determinants	Rating	Ranking
Religious Motives	0.6035	1
Customer services	0.1364	3
Low service Charges	0.1957	2
Profit-Sharing	0.0643	4

Source: The Researcher

On the other hand, P&L received the lowest ranking to understand why respondents did not prioritize P&L sharing in the first place or second place. The interview with some customers revealed that customers as investors in Islamic banks are risk-averse they are not willing to take high investment risk unless they are assured of full *Shari'ah* compliance, transparency, and full accounting disclosure from the Islamic banks.

Following the fact that the profit-sharing mechanism in Islamic finance does not require to guarantee capital and profit, therefore, the deficiency of full accounting disclosure related to Islamic banks' transactions has influenced customers to prioritize the lowest. As per the customers' perspectives, the lack of transparency and full disclosure makes them feel less confident to indulge in the profits and loss sharing contracts.

Unfortunately, except for one full-fledged Islamic bank, the earlier studies show that accounting disclosure and reporting of the transactions related to the sources and uses of funds that are *shariah* compliance are deficient on part of Islamic banks in Tanzania (Soud, 2017). This implies that if Islamic banks were to practice full transparency, accounting reporting, and disclose all the transactions related to Islamic banking activities would enhance more customers' trust in these banks in Tanzania. Moreover, this finding is consistent with Taib *et al.* (2008), Amin *et al.* (2011), and Guyo and Adan

(2013) in Kenya, which revealed among other things, customers placed religious factors as their main determinants for selecting Islamic banks.

On the part of retail consumer choices for the Islamic banks in Tanzania, the computed results show that the respondents placed the highest priority on religious factors, followed by customer services, while low service charges and profit-sharing came in the third and fourth ranking as the main determining factors influencing their choices for Islamic banks Table 5.

The ratings generated were 0.6002, 0.2393, 0.1186 and 0.0419, for religious factors, customer service, lower service charges, and profit-sharing, respectively.

Moreover, to understand why profit-sharing available with Islamic banks was given the lowest ranking among the four determinants, this study interviewed several retail customers and found that many respondents were unaware about whether they had ever received a share of profits in their accounts from Islamic banks. This was attributed to the fact that many of the customer categories were not aware whether they had received such profits in the form of *Hibah* or gift or through investment products such as account holders' investment account such (AHIA) like *Mudarabah* available with Islamic banks. However, further interviews with some of the respondents realized most of these customers did not keep an enormous amount of saving throughout the year in their banks' accounts that would allow them to earn noticeable amounts as profit shared. Nevertheless, they still considered this option (profit-sharing) as an important factor.

Thus, the finding indicates that retail consumers are more cognizant of religious factors followed by good customer services. This further implies that retail customers do not mind foregoing the benefits of service charges in place of *Shari'ah* compliance and customer services when selecting Islamic banks. This finding further indicates that the customers joined the Islamic banks with significant influence of religious motives. Moreover, in terms of customer services, the findings showed that customers generally were happy with customer care, and that is one of the reasons they have been influenced when deciding on investing in Islamic banking. However, the respondents cited some issues like long queues of customers, long hours spent for transactions, slow or little assistance for inquiries, and frequent breakdown of ATM in some of these Islamic banks are among the things that they recommended for more improvement on the part of Islamic banks' authority.

Generally, these findings, however, did not match those of Taylor and Baker (1994); Levesque and Mcdougall (1996); and Jamal and Naser (2002), who

found out that customer care satisfaction influenced most of the customers in opting for their banks.

Table 5: Rating and Ranking the Four Main Determinants of Islamic banks Retail Consumer Choices in Tanzania

Determinants	Rating	Ranking
Religious Motives	0.6002	1
Customer services	0.2393	2
Low service Charge	0.1186	3
Profit-Sharing	0.0419	4

Source: The Researcher

Therefore, based on these findings, it is imperative for Islamic banks' policy implications when designing their marketing strategy and product price discrimination to reflect customer needs by differentiating between corporate and retail customers' segments based on their priorities.

Based on the respondents' judgment, the researcher then rated and ranked the four Islamic banks, i.e. Amana Bank, KCB Tanzania Ltd, NBC Bank, and PBZ Bank, based on the four factors using the Expert Choice software program. The ratings and rankings of the four Islamic banks in relation to the four determinants are shown in Table 6. In this category, the respondents were asked to rate the individual banks based on the four-mentioned factors; the results are mixed. Amana Bank was given a high rating in terms of *Shari'ah* compliance; however, the researcher realized that this was partly attributed because Amana Bank is the only Islamic bank that operates full-fledged Islamic banking. Hence this was sufficient to entice customers to believe that the bank has full compliance with *Shari'ah*. NBC Bank and KCB Tanzania Ltd were given high ratings in terms of customer services, whereas PBZ Bank was given a high rating in terms of lower and affordable banking charges.

Furthermore, notice from Table 6 where in terms of religious motives the highest ranking of 0.464, was given to Amana bank. This implies that customers would place the highest trust in Islamic banking when it is operating as a full-fledged Islamic bank as compared to window service.

In other words, it implies that when a bank operates, a full-fledged Islamic bank will win customers' trust than when it operates as a window service.

Table 6: Ratings and Rankings of the Four Islamic Banks in Relation to the Four Determinants

No	Determinants	Islamic banks			
		Amana	KCB (T) ltd	NBC	PBZ
1	Religious motives	0.464	0.248	0.217	0.244
		[1]	[2]	[3]	[2]
2	Customer service	0.231	0.330	0.363	0.212
		[2]	[1]	[1]	[3]
3	Low service charges	0.212	0.216	0.249	0.438
		[3]	[3]	[2]	[1]
4	Profit-sharing	0.174	0.172	172	0.092
		[4]	[4]	[4]	[4]

Source: The Researcher

In terms of customer services, the KCB (T) Ltd and NBC ranked highest with a rating of 0.330 and 0.363, respectively, which implies that apart from religious motives, the good services provided by these two banks enticed customers to join them. PBZ Bank ranked highest with a rating of 0.438 in terms of lower service charges, which also implies that apart from the religious motives, the PBZ Bank also attracted its customer following the lower service charges.

CONCLUSION AND RECOMMENDATION

Conclusions

The study analyzes and prioritizes the main determinants of Islamic banking's corporate and retail consumer choices in Tanzania. The study looked specifically at four main determinants: religious factors, customer service, low service charges, and profit-sharing. Though many factors may influence customers' choices, such as the influence by family members or peer influence, reputation, and accessibility of the banks, sometimes customers have their priority in their minds which mostly influence their choices. Therefore, the study focused only on four main determinants. This followed the pilot study, which requested the respondents to select the main factors out of twelve that most influence their choices. Therefore, the study focused mainly on four factors that came in the top four of the list.

The survey covered several parts of the country such as the North Zone, Southern Highland, Central Parts, Coastal Zone, and Lake Zone. The sample size of 250 respondents from all four Islamic banks covered using random sampling, snow bowling, and purposive sampling.

The findings revealed that, as for corporate customers, the respondents placed the highest priority on religious motives as the most determining factor for their choices for Islamic banking with a rating of 0.604 followed by lower service charges with a rating of 0.196 standing in the second place. The respondents in this category have placed customer service and profit-sharing in third and fourth place, respectively.

This also implies that despite how good the Islamic banks might be at delivering good customer service, coupled with low service charges, and how attractive is the sharing profits nevertheless, customers are willing to forego all other criteria just for the religious factor that entails the *Shari'ah* compliance.

On the part of the retail consumer choices for the Islamic banks in Tanzania, the findings show that the respondents placed the highest priority on religious factors, followed by customer services, while low service charges and profit-sharing came in the third and fourth places, respectively.

Moreover, the respondents were asked to rate the individual banks based on the aforementioned factors; the results are mixed, while Amana bank was given a high rating in terms of *Shari'ah* compliance. At the same time, NBC Bank and KCB Tanzania ltd received high ratings in terms of customer services, while PBZ Bank was given a high rating in terms of lower and affordable banking charges. On the other hand, the respondents were undecided regarding the profit-sharing from Islamic banks to customers mostly because many respondents were unaware whether they received a share of profits from Islamic banks.

Recommendations and Policy Implication

Following the findings of this study, it is imperative to summarize the recommendations, which are crucial for policy implications for Islamic banking in Tanzania.

The findings revealed that the respondents placed the highest priority on religious motives as major determinants, influencing their choices. Therefore, the Islamic banks in Tanzania need to comply with *Shari'ah* requirements since this motive entices customers to join Islamic banks.

The findings also revealed that there are more Muslim customers than non-Muslim customers in Islamic banks. Again, Islamic banks must expand their marketing strategies to reach even more people, irrespective of their faith. This

also necessitates a great need for Islamic banks to prepare programs on different media to provide knowledge to the society on the role of Islamic banking. This is vital to clear the misconception in society that Islamic banking is dedicated to serving the Muslim populace alone.

The Areas that Need Further Research

Based on the findings of this research, it is essential to note that there is a pressing need for further research on investigating *Shari'ah* compliance for Islamic banking in Tanzania. This is because the responses from the survey have indicated that customers are enticed by this factor, so it is important to reaffirm whether these banks are complying with the *Shari'ah* requirements, even though Islamic banks in Tanzania are operating in an environment where there are no proper mechanisms for an institutional and legal framework for Islamic banking, still it is important to abide with the fundamental basis of Islamic banking services.

There is also a need to investigate whether Islamic banks provide profit-sharing in the form of *Hiba* (gift) due to the seigniorage right that these banks are privileged for using customers' deposits for creating more money. As many respondents were not aware of profit-sharing, there is also a need to understand why the customers did not keep their saving in bank account throughout the year, as it is believed that banking institutions are safe places for money keeping. Perhaps this could be why many customers missed the profit-sharing from Islamic banks as it is done annually at the end year.

Moreover, based on the scope of this study, there is a need to broaden the factors and including large sample sizes that may play a role in influencing the customer's choice of a bank. It is also important for further research on whether Islamic banking considers the concept of *Maqasid al-Shari'ah* (objectives of the *-Shari'ah*) properly during their financial undertakings.

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AUTHORS' PERCENTAGE-BASED CONTRIBUTION

The contributions of each author to the study by percentages are as follows:

The percentage-based contribution of the author is 100%.

The Author: Literature review, data analysis, writing, research design, model construction.

DECLARATION OF CONFLICTING INTERESTS

There is no financial or individual relationship with a person or an institution in the context of the study. Also, conflicting interests do not exist.

ETHICAL APPROVAL OF THE STUDY

All rules within the scope of "Instruction on Research and Publication Ethics for the Higher Education Institutions" were observed through-out the study. No actions mentioned in the Instruction's second chapter titled "Actions Against to Scientific Research and Publication Ethics" were taken in the study.