

## Do Interest-Free Financial Organizations Offer Fair Prices to Their Customers?

### Faizsiz Finansal Kuruluşlar Müşterilerine Adil Fiyatlar Sunuyor mu?

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#### ABSTRACT

This study seeks to observe whether or not the financial instruments offered by the interest-free financial institutions cause a dilemma in generating fair prices for the consumers. Additionally, it also attempts to provide a comparative framework towards cost-free and accessible financial offers in terms of loaning by both conventional and participation banks. As part of the study, a 34-item questionnaire has been drafted to identify the consumer behaviors within the framework of a theory of fair consumer behavior. To test the validity and reliability of the scale, exploratory factor analysis and cronbach alfa tests were utilized. Based on the findings in the test, 28 items were included in the analysis. Subsequently, multiple regression analysis was performed between four factors identified in conjunction with the exploratory factor analysis. The results confirm the hypotheses offered for the theory of fair consumer behavior. In other words, the study concludes that the interest-free financial institutions, serving as alternatives to the interest-based financial system, attract the fair financial system perceptions of the consumers not just because they offer interest-free products and services, but also because of additional factors.

**Keywords:** Consumer behavior, Islamic banking, behavioral finance, exploratory factor analysis, Islamic finance

**Jel Code:** G11, G40, G41

#### ÖZ

Bu çalışmada faizsiz finans kuruluşlarının finansman enstrümanlarının tüketiciler nezdinde adil fiyatlı çözümler sağlamada ikilem oluşturup oluşturmadığının gözlemlenmesi amaçlanmaktadır. Bunun yanı sıra çalışma hem geleneksel hem de faizsiz bankalar tarafından sunulan ve herkes için ulaşılabilir ve maliyetsiz finansman tekliflerine yönelik



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karşılaştırmalı bir çerçeve sunmayı hedeflemektedir. Çalışmada adil tüketici davranışı teorisine bağlı olarak tüketici davranışlarının tespit edilmesine yönelik 34 maddeden oluşan bir anket oluşturulmaktadır. Ölçeğin yapı geçerliliğini ve güvenilirliğini test etmek için keşfedici faktör analizi ve cronbach alfa testleri kullanılmıştır. Bu testler sonucu değerler dikkate alındığında 28 madde analize dahil edilmiştir. Ardından keşfedici faktör analizi sonucu belirlenen dört faktör arasında Çoklu Regresyon Analizi yapıldı. Sonuç itibarıyla adil tüketici davranışı teorisi için oluşturulan hipotezlerin geçerli olduğu saptandı. Dolayısıyla faizli finans sistemine alternatif olarak işlemlerini yürüten faizsiz finans kuruluşlarının salt faizsiz seçeneklere sahip oluşunun tüketicilerin adil finansal sistem algılarını cezbetmede yeterli olmadığı gözlemlendi.

**Anahtar Kelimeler:** Tüketici davranışı, İslami bankacılık, davranışsal finans, keşfedici faktör analizi, İslami finans

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## Introduction

The strongest criticism of Islamic Finance is that the transactions do not have the asset-based basis promised by Islamic teachings but are based solely on commercial and economic purposes (Dusuki, 2008). In addition, it is emphasized that interest-free financial institutions (iffis) should offer more equitable financial options in line with the Islamic discipline (Chapra, 1985). One of the obstacles that the iffis encounter in providing financing by relying on interest-free financing method is the higher costs associated with their methods and products, compared to others. Reasonable cost and interest-free provision play key roles in the attainment of financial fairness for a financing method. Additionally, accessibility by all to a financing method is also determinative in the financial fairness (Hanudin Amin, 2008). For this reason, the transactions by the iffis should be discussed in reference to the notion of financial fairness which refers to the ability of fund-demanding consumers in a national economy to have easy and low-cost access to the financial options (Okumus & Genc, 2013).

This study reviews the notion of financial fairness in reference to its role on the consumer behaviors because it is necessary to determine the perceptions of the individuals on the consumer behaviors (Amin, Abdul-Rahman, & Razak, 2014). Additionally, this paper seeks to clarify the attitudes of the religious people towards their perceptions of financial fairness in their financial preferences. On the other hand, whether or not the interest-free financing instruments are accessible and should be analyzed within the context of financial fairness because accessibility of a financial product may affect the decisions of the religious people (Haque, Osman, & Ismail, 2009). All the three factors may affect the financial fairness perceptions of the consumers, making the relevant financial instruments fairer. In other words, theoretically, it is possible to argue that interest-free financing, cost advantage and accessibility (when combined together) may constructively affect the fair consumer behaviors of the individuals. We will try to test these factors empirically in this study. The

main argument of this study is focused on whether or not the iffis offering accessibly, and low-cost financial alternatives leads the consumers to prefer interest-free options because if a fairer financial system is to be built, all the relevant financing options should be accessible to the wider community.

Several studies have found that the role of religious satisfaction in the eyes of customers of IFFSs has a full moderator effect (Amin et al., 2014; Chaouch, 2017). Amin, Abdul-Rahman and Razak. (2014), tested the effects of religious satisfaction, financial justice, and welfare factors on the consumer tendency to use interest-free financing methods to obtain home financing. It is concluded that the religious satisfaction factor has a full regulatory role on customer tendencies, but financial justice and welfare factors, among other factors, do not have a significant effect on the preference of interest-free methods. Also there are studies conducted in various samples in Turkey on customer/consumer behavior towards interest-free banks (Okumus & Genc, 2013; Gençtürk & Çobankaya, 2015; Özen, Şenyıldız & Akarbulut, 2016; Ustaoglu, 2018). In these studies, in addition to the religious satisfaction factor of customer/consumer behavior, factors such as financing cost, easy access to finance, bank service quality, education level and financial awareness are included in the analysis. However, the financial justice perceptions of customers/consumers who prefer interest-free financing are not analyzed in the studies. As a moral value, the factor of financial justice is not discussed, instead the factor of religious satisfaction is taken into account. In other words, only the interest-free financing method is considered sufficient to fill this gap. Additionally, as another and important moral value, the fact that customers have fair pricing of related financial products and financing methods, is left out of the analysis. In this study, it will be analyzed whether the interest-free nature of such financing methods also validates financial justice in the eyes of the customers of iffis. In this way, the theory will be tested through customers' or consumers' perceptions of justice in accessing finance.

In a conventional economy, the interest rates tend to achieve some sort of balance in the market over time. Particularly the interest rates that are determined by profitability between two financial parties (fund-supplier and fund-demander) are correlated to the inflation rates. Wicksell, a lead figure of the neoclassical school, divides interest into two parts, the monetary interest rate and natural interest rate. The monetary interest rate refers to the interest rate that a financial institution procures out of the funds it provides for its clients, whereas the natural interest rate is the interest rate offsetting the saving supply/demand (Skousen, 2014, pp. 351). The positive difference between the monetary interest rate determined by the banks and the natural interest rate leads to a deflationist process, whereas the negative difference between the two leads to inflationist process (Barber, 2007). As argued by the neoclassical school, the real interest rate is formed at the intersection of the fund supply and demand. In other words, quantitatively, the interest rate is a dynamic scale

determined by the fund-supplier and the fund-demander in the market. For this reason, for the sale of a more reasonable empirical observation over the financial market, focus on the consumption decisions or behaviors on the fund-demanding side will make a research inquiry more practical and efficient. This is why this study discusses the effect of the interest upon the notion of financial fairness with reference to the role upon the individual consumer behaviors. Because they are on the fund-demanding side, interest should be considered a cost element for the individuals.

Additionally, researching the extent to which the religious individuals will consider accessibility as a factor (in addition to cost advantage) will contribute to the literature. The study first deals with the literature review, particularly scholarly accounts on the consumer behaviors with special reference to the interest-free financing. Similarly, the framework these studies offer in relation to the fairness in a financial system is studied. In consideration of the flaws and deficits in these studies, a theory of fair consumer behavior is introduced. Subsequently, in discussion of the objectives of the Shariah, the concepts of justice and welfare are addressed. The methodology section presents the hypotheses of the research, the sample and the tests employed to identify the reliability. The tests run for the reliability and validity of the research are estimated by the multiple regression test to create a model. The results and findings are empirically analyzed to draw generalizable conclusions.

## 1. Literature review

The interest-free financial system is a form of financial organization that is free from interest, speculation and manipulation based on financing methods approvable under the tenets of Islamic law. This form of financial organization is reviewed in general in the literature within the context of Islam economics (Warde, 2000). According to Amin et al. (2014), the main goal of Islam economics is to create equal opportunity in the distribution of income to ensure optimum distribution of the resources, leading to ultimate economic welfare. Additionally, the interest-free system generates equal opportunity for the demanding side, thus seeking to ensure that all resources are presented to all interested. Hypothetically, this eradicates waste or misuse of the resources and ensures that the consumers meet their demands at more reasonable costs. In the end, this will serve social justice within the economic domain. Today, this financial system is operated systematically by the *iffis* as most of its transactions are upheld by the interest-free (or participation) banks (Warde, 2000). Most transactions are performed in form of partnership (*mudaraba* and *musharaka*), advance purchase-future sale (*murabaha*) and advance provision of the financing-future delivery of the product (*selem* and *istisna'*) (Schoon, 2016, pp. 54–55). *Musharaka* refers to a trade agreement where two entrepreneurs become partners in profit and loss proportionate to the amount of capital they risk. In *mudaraba* agreement, one party risks its labor whereas the

other its capital. In the end, the supplier of labor becomes entitled to the one-third of the profit whereas it will have no financial liability in case of any loss. In other words, in this option, the capital provider assumes the entire loss (Mirakhor & Zaidi, 2007, p. 51).

A review of the interest-free financial practices and transactions reveals that three main activities or risks are strongly discouraged: a state of extreme uncertainty (gharar), blatant gambling (maysir) and prohibited by religious rules (haram) (Schoon, 2016, pp. 44–45). A state of extreme uncertainty mainly refers to transactions performed in stock exchanges or capital markets whereas blatant gambling refers to risky games such as lotteries. In terms of religious prohibition, interest-based (riba) transactions and products are categorically banned (Algaoud & Lewis, 2007, p. 38). According to Iqbal, Ahmad and Khan (1998), the basic difference between interest-free and interest-based financial systems is in the role attached to the entrepreneur. In the case of interest-free system, entrepreneur may be considered any kind of trader who needs financing. The conventional banks define the entire risk for the relevant part when it provides financing for the entrepreneur (Algaoud & Lewis, 2007, p. 44). In other words, the entrepreneur, in this case, is in a position of bearing the risk of uncertainty when procuring financing for their commercial activities. However, according to interest-free financial system, the participation banks share the risk with the entrepreneur. In other words, the interest-free financial system runs under a principle through which the risk is shared, thereby maintaining financial fairness (Iqbal, Ahmad, & Khan, 1998, p. 16). To identify the kind of factors that affect the financing demands by individual or commercial clients asking for a fund based on interest-free methods will help measure and characterize the notion of financial fairness.

The strongest criticism suggests that the *iffi* operations have no genuine interest-free basis (Chapra, 1985; Siddiqui, 2001; Haron & Hisham, 2003). In other words, critics argue that it is not possible to speak of a mechanism in the *iffis* that accomplishes financial fairness because there is no asset-based financial ground for these activities (Wajdi Dusuki, 2008). Dusuki (2008) holds that this is because large part of the literature on Islamic banking is focused on the commercial and economic aspects only. Others suggest that the banking activities relevant to social problems are often neglected in the academic debates (Hassan & Bashir, 2005; Sarker & Hassan, 2005; Brown, Hassan, & Skully, 2007; Choudhury, 2007, p. 34). Additionally, this view further recalls that the *iffis* have not modernized themselves in compliance with Islamic law. The state organs have to play the lead role in the creation of the necessary legal background. In other words, the state has to play a dominant role so that financial fairness on the social level is maintained. Because this is not accomplished, some Muslim countries fail to achieve financial fairness (Lewis & Algaud, 2001; Satkunasegaran, 2003). Some even argue that the *iffis* may greatly contribute to the achievement of financial fairness by avoiding interest-based transactions alone (Haron & Hisham, 2003; Siddiqui,

2001). Furthermore, it is argued that the iffis, after ensuring lasting cost minimization in favor of the consumers, may lead to financial improvement for the entire society (Al-Omar & Abdel-Haq, 1996; Haron, 1995).

While profitability is certainly a priority, this should not be the only criterion to measure the performance of the iffis. Only when this is done the iffis may combine the material and social goals that would serve the objectives of Shariah and create an environment of mutual trust and financial fairness. The literature also stresses that the interest-free financial system should commit itself to universal justice and should work with the view that universal welfare is to be established. This is referred to in the Islamic literature as *maslahah* (public utility) which could be reviewed in conjunction with the objectives of shariah. To this end, it could be concluded that profit maximization should not be the ultimate goal of the iffis (Siddiqui, 2001; Rosly & Abu Bakar, 2003; Haron & Hisham 2003; Naqvi 2016). Instead, they should encourage universal Islamic norms and values. In other words, the interest-free financial system should strive to maintain financial fairness in all human interactions (Al-Omar & Abdel-Haq, 1996).

On the other hand, the literature also stresses that the iffis should feel responsible to comply with the tenets of Islamic law. However, some argue that because they are commercial institutions, the iffis may prioritize profit maximization in their operations and activities (Satkunasegaran, 2003). This line of argument suggests that a financial institution is responsible *vis-à-vis* the shareholders and the clients and that public institutions should be cited as liable for the provision of services relevant to social justice. More specifically, those who subscribe to this view further note that the iffis, when optimizing their operations in compliance with the Islamic law, should also perform such charity works as alms payments. However, this should be done in proportion to the legal requirements and obligations. This is because certain measures should be taken to ensure that the monies of the funds deposited by the shareholders, or the clients are not spent in social affairs that are not required by the law. When this is done, possible risks on the applicability of an interest-free financial system may be minimized (W. Dusuki 2008). Ismail (2002) who agrees with the model offered by Chapra (1985) holds that minimization of the potential risks that would affect the iffis may be alleviated by attainment of the profit maximization goals. However, in addition to this paradigm, Ismail (2002) argues that this idea is more sustainable in countries like Malaysia where non-Muslims constitute a majority. The model by Chapra (1985) argues, however, stressing that iffis should always prioritize financial fairness in their operations and recalling that they should consider profit maximization as a priority. It is possible to argue that this model is better implemented in a predominantly Muslim country (Satkunasegaran, 2003).

Findings by Dusuki (2008) also concur with the findings of works resonating with Chapra's views (Siddiqui, 2001; Haron 1995; Rosly & Bakar 2003; Haron & Hisham, 2003; Naqvi, 2016). These studies note that the iffis should not only care about profits but instead they should promote the idea of interest-free banking. It is also stressed that despite close attention by the iffis to the conventional banking practices, they may still offer alternatives to the interest-based transactions. Further research confirms that arguments raised against the activities of the iffis are without merit, suggesting that such criticisms are extremely exaggerated and that the iffis are unjustly condemned (Yousef, 2004). Ahmad (2000) suggests that the iffis are no longer imitate the conventional banks and instead, they lead to radical changes in the conventional financial and economic understanding.

Academic studies on consumer behavior with reference to interest-free financing have been continuing since 1989 (Haron et al., 1994; Amin, 2008; Lee & Ullah, 2011; Åström, 2013; Chaouch, 2017). When we look at the studies done in Muslim countries around the world, it is seen that there are basically three factors in choosing an interest-free institution as a financing tool in some of the studies. These are (i) fast and efficient brokerage services, (ii) practical alternative payment methods, and (iii) brand/image value factors of the relevant financial intermediary. Fast and efficient brokerage services and practical alternative payment methods can be thought of as easy access to finance. In other words, the motivation for easy access to finance is a determining factor in consumer trends in accessing institutions. The fact that the bank branches are located in busy places is also determined to be a determining factor in easy access to finance (Hanudin Amin, 2008; Okumus, 2005). Also, such studies did not find religious satisfaction as a motivating factor in consumer tendencies towards interest-free financing (Åström, 2013). Namely, it is emphasized that it is meaningless for iffis to have advertisements only for religious customers, since their financial instruments are operated in accordance with interest-free methods (Hossain & Leo, 2009).

A study by Lee and Ullah (2011) on consumers' tendencies towards Islamic banks in Pakistan is noteworthy. The study provides descriptive statistics and cross-tabulation analysis based on data collected from 357 clients. The aim of the study is to examine the different motivational factors leading to the Islamic bank selection decision of customers in Pakistan. In particular, it aims to examine the importance of Shariah compliance for the clients of Islamic banks and hence the potential for the risk of withdrawal from bank deposits if Sharia principles are violated. The findings reveal that the customers of Islamic banks highly value Sharia compliance in their banks and that non-compliance with the principles of Islamic law leads to disgruntled customers. In addition, the findings revealed that compliance with Islamic law is not the only measure of satisfaction for customers of Islamic banks.

Al-Ajmi, Hussain and Al-Saleh (2009) conducted a survey on 650 people in Bahrain to measure the tendency of people to banks operating with Islamic principles. According to this study, it has been determined that 75% of Islamic bank customers have been customers of a bank before. “Islamic religious belief” and “social responsibility” were the two most important reasons. Afterwards, it is stated that the cost advantage comes in the third place. Basically, it was emphasized that customers of Islamic banks are more familiar with products/services that comply with Islamic law.

Academic studies focusing on consumer trends towards interest-free financing models in Turkey try to measure customer satisfaction, financial service quality, and financial dynamics, including whether the financial institution offers interest-free services (Okumus 2005; Toraman, Ata & Buğan, 2015; Özen et al., 2016). However, in the theoretical framework of these studies, it is seen that the issue of fair behavior in consumer tendencies is not addressed. In the study of Ahmetoğulları (2021) it is stated that bank customers who do business with religious motives do not carry out their transactions with purely religious motives. While the religious motive determines the customer behaviors, it is also determined to be effective on the customer intentions together with the utilitarian norm. Gençtürk and Çobankaya (2015) drew attention to the content of the parameters they measured in their study. In the related study, it was revealed that 70.2 percent of the participants were not customers of participation banks and about 60 percent of these participants did not want to work with participation banks in the future. Among the answers given by consumers to the question posed as the reasons for not asking for financing, the answer “because it is not different from other banks” leads with 34.7 percent.

Okumuş (2005), in a study he carried out among 161 customers of Private Finance Institutions (PFI), determined a research problem aimed at identifying basically four problems. These are “What are the reasons for consumers to prefer conventional (interest-bearing) banks over PFIs?”, “What are the underlying reasons for PFI customers’ attitudes/attitudes towards conventional (interest-bearing) banks?”, “PFI customers -to what extent- interest-free financial product? and services?”, “How satisfied are the customers from the point of view of the PFIs?” such as research questions. The study was carried out by randomly handing out questionnaires among five PFIs located in a region where the religious population is concentrated in Istanbul. In the study, one of the remarkable points; 80% of the participants were men. In addition, it was observed that 75% of the participants partially fulfilled their religious duties and responsibilities. In addition, more than 81% of customers either own a business of their own or work for a private company. It was determined that more than half of the respondents were both interest-bearing banks and PFI customers. It is stated that the reason for this is that the privileges provided in the PFI are not attractive in favor of the customer. In the study, it was observed that the majority of the participants consisted of low and middle income people. It was stated that the main reason for choosing the PFI was due to religious concerns and efforts. In another study,



Özen et al. (2016), conducted on 510 people in the province of Uşak, they aimed to measure the tendencies of households on interest-free banks. The sample of the study consists of randomly selected people over the age of 18. The obtained findings were tested using the ANOVA test. In the findings, it was determined that the tendency of consumers to interest-free banks is low.

## **2. The theory of fair consumer behavior**

The theoretical framework of this research was laid down by Amin et al. (2014) who studied the consumer behaviors on the house-financing via Islamic methods that are based on the theory of Islamic consumer behavior. The study relies on two scales, “Maqasid al-Shariah index (MSI)” and religious satisfaction. The hypotheses raised in connection with the theory are determined by such variables as religious satisfaction, education, justice, and welfare. The findings of the study reveal that the religious satisfaction and education variables are key to the house financing whereas the two others, justice and welfare variables that determine the nature of the theory, are insignificant. The notion referred to in the study as religious satisfaction may be viewed as evasion from the interest-based financing methods. What is striking is that in Malaysia, the case study in the research, the justice variable was not determinative in the interest-free housing financing. In other words, the study finds that the notion of justice has not been influential in the preferences of the participants who were eager to acquire interest-free housing loan.

Additionally, Amin et al. (2014) note that the role of the religious satisfaction variable serves as a source of mediator and not of moderator in the preferences of the clients for financing. Some researchers even conclude that between the justice perception and preferring such financing methods, the religious satisfaction factor plays a role of absolute regulation (Al-Omar & Abdel-Haq, 1996; Wajdi Dusuki, 2008; Amin et al., 2014; Amin, 2019; Sayuti & Amin, 2019). However, of the other factors tested, it is also concluded that the financial fairness and welfare factors have no significant impact upon the preferences for the interest-free housing financing. The religious satisfaction index factor in their study may be considered as interest-free financing preference independent variable because a person who is satisfied in religious terms with the financing is also the person who prefers interest-free financing. The relevant independent variable is included in the theory of fair consumer behavior. In this way, the impact of the notion of financial fairness upon the behaviors of the individual consumers is tested.

Additionally, the theory also tests the scope of the impact by the interest-free financing preference independent variable upon the dependent variable of the fair financial system perception (See Figure 1). This is done because whether or not the interest-free financing

preference and the cost advantage preference pose a dilemma for the consumers is an important issue. Amin et al. (2014) find that the financial fairness factor has been assured by the religious satisfaction role. However, in the Islamic consumer behavior theory, the relationship between the financial fairness and such notions as interest-free financing preference and the cost advantage preference. Amin et al. (2014) also note that the religious satisfaction factor has no impact upon the education and welfare factors. It is also evident that they model the variables by use of the theory of reasoned action (TRA) and test these variables.

This theory recalls that there are some variables that generate a certain behavior: attitude, subjective norm, and behavioral intent. Amin et al. (2014) redesigned the TRA in their study where they recreated the variables and reshaped the theoretical outlook. This is the basis of the Theory of Islamic Consumer Behavior (TICB); the theory is tested under hypotheses offered in previous accounts of the Islamic finance. Particularly the study by Amin et al. (2014) on the compatibility of the TICB to the *qarz al hasan* (lending on good deeds) is significant to cite in this context. The study tests the positive or negative attitude of the client vis-à-vis a financial product by reference to the attitude as the independent variable of the TICB. If the customer holds a positive experience on the procurement of a financial product, they will have a predetermined positive image. The other variable of the theory is the subjective norm variable which suggests that the customer may be influenced by his own religious and normative beliefs as well as recommendations by his relatives, peers and acquaintances.

All these factors combined are considered as a subjective norm that influences the customer's preferences. If the client holds positive image of the relevant financial product, he will have a strong normative assumption. The theory suggests that the normative stance and assumption refers to some religious concerns held by the customer. If he is a religious person, he will not commit something that is prohibited in his religion. For this reason, he will not consult with the conventional banks and instead prefer the products offered by an *iffi*. In addition, the study takes the lending on good deed with reference to the Islamic consumption preferences in a Muslim society. The study finds that the independent variables of attitude and subjective norm have a 68.9 pct of impact upon the lending on good deeds as dependent variable. However, the question as to what impact and effect the fair financial system perceptions of the customers have upon the consumer behaviors remain unanswered. The intention of the religious people to lend on good deeds may play a determinative role in this perception (Hanudin Amin, 2019; Choudhury, 1986). Owing to this factor, the consumer may develop a positive attitude towards interest-free financing methods. Within the context of TRA, it is also possible to cite other studies on interest-free products (Taib et al., 2008; Amin, Abdul Rahman, Laison, & Magdalene, 2011).

Study by Razak and Abduh (2012) suggests that the participants refer to the practices of the *iffis* to make sales by calculating the profit beforehand and increase the original price because of this calculation as unfair. Similarly, the same study shows that the *iffi* customers are not satisfied with financing methods of *bay' bithaman ajil* (postponed sale on installments) or *Murabaha* (cost plus profit)<sup>1</sup>. For the customers, these transactions create risk for the clients than minimizing it. The financing method known as diminishing *musharakah*, according to this study, is welcomed by the customers. The reason it is called diminishing *musharakah* is that the amount of debt diminishes every month. Under this financing scheme, the customer takes the possession of a property they purchased jointly with the bank as if he pays rent on a monthly basis. In other words, the property legally remains with the bank and once all installments have been paid, the customer will become the new owner (Wilson, 2007, pp. 423). The research shows that this kind of transaction is found fair among customers. *Bay' bithaman ajil* or *murabaha* contracts and *ijarah* (rental) that are operated in reference to a borrowing agreement through diminishing *musharaka* are transformed into a sale-and-purchase commercial agreement (Mydin Meera & Abdul Razak, 2005). Razak and Abduh (2012) holds that this type of financing method is in conformity with the objectives of the Shariah and that the participants are of the view that financial fairness is to be achieved in this way. The participants confirm that fairness, proportionality and equality is maintained under this financing method. The research further concludes that the notion of justice can be defined in reference to some other factors including social welfare and fair distribution of income.

There are other studies on the provision of sustainable financing by reliance on interest-free financing methods. A research by Wahab, Hamzah and Yusof (2016), for instance, places emphasis upon the notion of objectives of the shariah towards maintenance of financial fairness. The study tests whether or not the per capita income, the prices of houses and the loan rates were influential over meeting the demands for housing in the period of 2007-2014. Based on an empirical model, the study finds that the *iffis* play a role in the long term in the ability of the individuals to purchase houses by reliance on interest-free financing method. Additionally, underlining the notion of financial fairness, the study argues that a fairer financial system may be created by offering cost-advantaged options for the individuals in Malaysia. The study further suggests that if the *iffis* are to offer fairer and sustainable financing options, policies triggering individual demand should be prioritized. When all these are taken into consideration, it becomes evident that a new alternative theory to the TICB which fails to adequately measures the Islamic consumer behavior should be offered.

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<sup>1</sup> Rosly (2003) argues that *El-bai-bitaman ecil* and *el-murabahah* have the same meaning. Generally, it refers to loan financing and it is referred to as *bay' muajjal* in Pakistan, *al-bai-bithaman ajil* in Malaysia and *murabaha* in Iran, Sudan and Turkey. In sum, they are all loan financing transactions.

Particularly from a social perspective, it is possible to argue that the consumers with a fair financial awareness pay attention to the Islamic values and principles. For this reason, it is necessary to develop a model that measures the perceptions of the individuals for a fair financial system. Owing to this model, it will become possible to determine what sub-factor affects the awareness and perception of the consumer for a fair financial system. When this is done, the financial behaviors of the consumer who observes the Islamic values is estimated. According to this theory, referred to as the theory of fair consumer behavior, a consumer with an understanding of fair financial system would like to acquire financing by having a preference of interest-free financing, preference of accessibility and preference of cost advantage so that the system will ensure ultimate financial fairness on the individual and collective basis. To do this, new venues may be offered in respect to the objectives of the shariah to encourage easy access to financing in housing.

### **3. Objectives of Shariah (Maqasid-ul Shariah)**

One major concept to underline in the relevant literature is the concept of the objectives of shariah (OS) (Amin et al., 2014; Amin, 2017; 2020). OS is considered in line with the objectives that require the protection of property and religion regarding Islamic banking activities. Thanks to OS, the Islamic finance system pursues the goals of ensuring financial justice in social sense, both specifically for iffis and for the customers of these institutions (Chapra, 2007, p. 325). In the field of Islamic banking, targets are divided into social targets for bank customers and profit targets for banks (Hanudin Amin, 2020). In general, OS may be considered as a collection of standards and goals that seek to protect the minds, the lives, the futures and wealth of the people and the society by setting some rules and recommendations that would actually serve as enablers in the lives of the Muslims (U. Chapra, 2007, p. 352). The primary goal is to ensure that these standards and precepts are not manipulated and misinterpreted. To do this, certain boundaries are drawn to properly identify the ultimate goals these rules and standards seek to achieve in the end. It appears that the interest-free financing methods are preferred owing to the impact of the OS, more specifically its attention to the preservation of the religious beliefs, to achievement of a welfare standard and the provision and recognition of financial rights (Dusuki & Abdullah, 2007). This is more accentuated in the works focused on genetics and Islamic bioethics (Amin et al., 2011) who note that in order for an act to be considered legitimate and justifiable under Islam with special reference to the OS, it should fulfil these four goals: preservation of religion and health, preservation of human species, preservation of mind and preservation of wealth. The emphasis upon preservation of wealth is particularly interesting because a fair Islamic financial system can be created only if wealth is preserved in reference to the OS (Wajdi Dusuki, 2008). Amin et al. (2014) recall that the OS should offer arguments addressing the needs of the consumers rather than their demands and wishes. Therefore, it

will not be an exaggeration to argue that the nature of the OS points out to the notion of financial fairness because it directly corresponds to the notion by definition. It is, based on this premise and recognition, possible to see that Amin et al. (2014) offer a conceptualization of objectives consumer index in their study in reference to the Islamic response to the demands of Muslim consumers. However, the index has a dynamic that corresponds to the notion of financial fairness. For this reason, we believe that it is not necessary to consider the objective consumer index as a variable in connection with the notion of financial fairness.

#### **4. Method**

First, the conceptual framework and the hypotheses are introduced in the study<sup>2</sup>, followed by the analysis of the research sample that leads to the evaluation of the findings. According to the results of skewness and kurtosis, which emerged as a result of descriptive analyzes and normality assumption tests, the variables of the model (between -1.5 and +1.5) were found to be suitable for normal distribution (Tabachnick & Fidell, 2013). For the test of the sample, a non-parametric sampling test, one way ANOVA test is employed (see Table 1). Utilizing the necessary significance tests, the null hypothesis is rejected and for the remaining hypotheses of the research, correlation tests and chi-square tests are performed (see Tables 2, 3 and 4). To ensure validity of the variables employed in the analysis, exploratory factor analysis is utilized. For validation of the research, Cronbach Alfa test is applied. The hypotheses are tested by identification of the statistically valid and significant variables. To test the hypotheses, multiple regression analysis is performed between variables. Finally, the findings in the research are evaluated in the conclusion section.

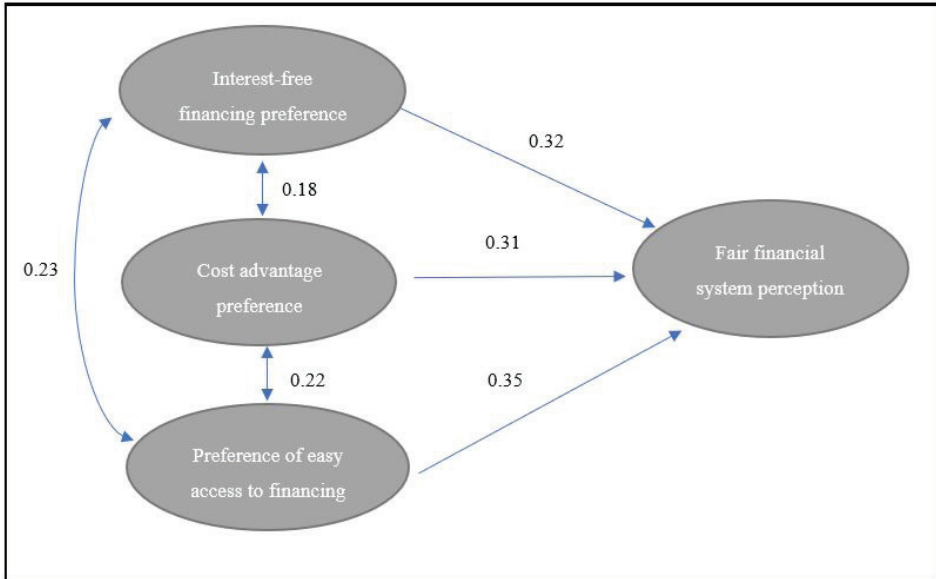
#### **Conceptual framework and the research hypotheses**

The religious satisfaction of the TICB is reconceptualized in this study as interest-free financing preference to better interpret the consumer behavior. Subsequently, in place of the higher-objectives (of shariah) consumer index used in Amin et al. (2014) fair financial system perception is defined. Thus, the interest-free financing preference has been remodeled as a sub-variable that affects the fair financial system perception. This represents a step further towards the reconceptualization of the financial fairness. The cost advantage factor in the literature has been remodeled as a sub-variable, cost advantage preference. Subsequently, the easy access to the financing preference factor has been included in the model to test its impact upon the fair financial system perception. Finally, a conceptual framework has been drafted to create a theory of fair consumer behavior (see Figure 1).

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<sup>2</sup> The survey data of the study is based on the data of the master's thesis published in 2019 in Istanbul University Institute of Social Sciences, Department of Islamic Economics and Finance. Necessary approvals have been obtained.

**Figure 1. Theory of Fair Consumer Behavior**



In essence, the study seeks to observe whether or not the interest-free financing instruments of the iffis pose a dilemma in terms of providing fair-priced solutions for the consumers. For this reason, it is essential to identify the consumer behavior in connection with the theory of fair consumer behavior. To this end, the study is focused on observing the consumer behaviors towards the iffis in provision of individual loans for the purpose of buying a house or a car. Additionally, the study seeks to present a comparative framework towards high quality and effective financing offers that are accessible by all. In line with these goals, the paper measures the effectiveness of the solutions that banks have developed to address the problems the customers encounter in acquiring financing.

To this end, the author further offers a comparative perspective in connection with the notion of financial fairness in a way to make a major contribution to the literature. The findings shed light on the question as to whether the financing options provided by the iffis as alternatives would attract attention of customers even if they bear greater costs. In other words, the paper inquiries into the question as to whether the consumers will find the financing options offered by the iffis as fair in case they bear equal costs to the options provided by the conventional banks. Finally, the paper seeks an answer to the question as to whether the interest-free and low-cost financing options offered by the iffis are accessible. In this way, the author tries to identify the nature of contribution of the interest-free, low-cost and accessible financial products offered by the iffis to the perception of financial fairness.

To measure the notion of financial fairness, three independent variables have been identified via hypotheses: interest-free principle, low-cost financing and accessibility. The study first seeks an answer to the null hypothesis before testing the hypotheses. The null hypothesis ( $H_0$ ) states: “*The consumers do not endorse the statement that a review of the financial system in Turkey reveals that compared to the conventional banks, the interest-free banking institutions maintain financial fairness.*” In case this assumption does not yield a result that supports the iffis, the results will be inconsistent with the variables referred to above. In other words, in case the null hypothesis is not rejected, the notion of financial fairness may not be measured or conceptualized.

Subsequent to the rejection of the null hypothesis, the following hypotheses are tested in reference to the relevant variables:

- $H_1$ : *The interest-free nature of the financing options of the iffis may have an impact of maintaining financial fairness,*
- $H_2$ : *The low-cost nature of the financing options of the iffis may have an impact of maintaining financial fairness,*
- $H_3$ : *The accessible nature of the financing options of the iffis may have an impact of maintaining financial fairness.*

## 5. Research sample and findings

For the purpose of measuring the financial system awareness and fair financial system perceptions of the consumers towards the interest-free financing, the survey questions of Ustaoglu’s (2018) study in which the public awareness of participation banks in Turkey were used. Totally 34-item scale has been developed based on the scales in the literature and the interviews with the researchers who have a firsthand experience in the field (Wajdi Dusuki, 2008; Amin et al., 2014). However, 28 components (7 components from the demographic questions, 2 from the interest-free financing awareness questions and 19 components from other sections) have been included in the analysis. The validity and reliability tests of the scale were examined and approved by three academicians who are experts in their field. Subsequently, this data has been analyzed via IBM-SPSS software. One-way ANOVA test, correlation test and chi-square tests have been statistically performed on the sample for the variables of interest-free financing awareness, fair financial system awareness (See Tables 1, 2, 3 and 4).

The population of the research consists of people associated with religious foundations in Istanbul. According to the year of 2020 data, the total number of foundations dealing with Islamic religious activities in Istanbul is 23. The total number of people in these foundations

is approximately 4876 people on average (Vakıflar Genel Müdürlüğü, 2020). The significance level  $\alpha$  (alpha) was accepted for sample selection by 0.05 level in the study. Therefore, the required sample size for the study was calculated as 235 at a 95% confidence interval. In the case of a sampling error of 0.05 (d) and the probability of occurrence of the event (p) 0.8, a sample of 234 people should be selected versus 5000 people in the population (Yazıcıoğlu & Erdoğan, 2004). Snowball sampling method has been utilized as a sampling method to make sure that the cost of the research has been reduced and that the participants in the sample have been reached more conveniently. According to Akalın (2018) although this sampling method is mostly used in qualitative studies, it can also be used in quantitative studies. This method, which is one of the non-probability sampling methods; It was chosen to ensure that the sample size (N) was easily accessible, to make the cost of the research relatively low, and to quickly reach the large number of people required for a quantitative study. For this, it was requested to send the questionnaire to people who are especially associated with various religious foundations. By reaching out to people who are aware of interest-free finance and distributing the survey to people associated with various religious institutions or foundations, they were asked to deliver the survey to people who are aware of interest-free financing models and have used these financing methods before. In addition, guiding questions were added to the survey in order to reach specific people who have used financing through iffis in the past. The questionnaire used in the research was delivered to 265 people in total. However, 30 have been extracted due to their conflicting and missing answers to the questions, thus leaving 235 behind for empirical analysis. This figure is more than the number required for a reliable sample.

A demographic review of the sample reveals that the majority of the participants are educated, in ages between 26 and 40 and married males. In addition, it was observed that 64.5% of the participants did not have an account with any iffı, and 45% of the people who had an account in these institutions made their individual/commercial transactions through iffis. The data compiled via a parametric scale is subjected to a quantitative analysis. The size of the sample has been confirmed to be structurally valid and reliable by use of factor analysis and Cronbach alfa test (Gürbüz & Şahin, 2017, p. 319). To test the hypotheses, the null hypothesis ( $H_0$ ) should be first rejected. The following model has been offered to test the  $H_0$  hypothesis:

$H_{0,0}$ : There is no significant and positive relationship between a desire for a fair financial system and the iffis

$H_{0,1}$ : There is a significant and positive relationship between desire for a fair financial system and the iffis.



**Table 1: One way ANOVA Test results**

What should a country have to maintain a fair financial system? (awareness 2)		N	Sum of Squares	df	P	
<b>Do you consider opening an account in one of these institutions in the future, if you already do not have one? (awareness 1)</b>	Yes, I do.	53	15,766	3	,000	
	No, I do not	43				
	I already have one	105				
	No idea	34				
	Total	235				
<b>Dependent Variable: What should a country have to maintain a fair financial system? (Awareness 2)</b>						
<b>Do you consider opening an account in one of these institutions in the future, if you already do not have one? (Awareness 1)</b>		Mean Difference	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Yes, I do (1)	2	<b>-,658*</b>	,177	,001	-1,12	-,20
	3	,004	,145	1,000	-,37	,38
	4	-,325	,190	,320	-,82	,17
No I don't (2)	1	<b>,658*</b>	,177	,001	,20	1,12
	3	<b>,662*</b>	,156	<,001	,26	1,07
	4	,333	,198	,336	-,18	,85
I already have one (3)	1	-,004	,145	1,000	-,38	,37
	2	<b>-,662*</b>	,156	<,001	-1,07	-,26
	4	-,329	,170	,218	-,77	,11
No idea (4)	1	,325	,190	,320	-,17	,82
	2	-,333	,198	,336	-,85	,18
	3	,329	,170	,218	-,11	,77

\*. The mean difference is significant at the 0.05 level.

To test this hypothesis, a One-way ANOVA Test is applied to the awareness 1 and awareness 2 variables and chi-square test to awareness 2 to observe the financial system awareness of the individuals who would or would not consider opening an account with an iffı (see Table 1. and Table 3). Findings presented in Table 1 show that the impact of a fair financial system awareness of the participants upon their decision to prefer the iffıs is significant ( $p < 0.01$ ). Subsequently, a correlation test was performed between the awareness 2 variable and the fair financial system perception 1 variable. In Table 2, the differences in preference distribution of people's perceptions of the fair financial system on whether they are customers of any interest-free bank or not, and their significance was tested. Considering the significance of the determined data, it has been observed that there are significant differences between those who do not plan to open an account at iffı in the future and those who already have or are considering opening an account.

**Table 2: Correlation between awareness for interest-free financing and desire for a fair financial system**

Research variables		What should a country have to maintain a fair financial system (awareness 2)	Lack of advanced interest-free financing methods is a barrier for a country to having a fair financial system (fair_fin_sys_perc 1)
awareness 2	Pearson correlation	1	,369**
	Value of significance		,000
	N	235	235
fair_fin_sys_perc 1	Pearson correlation	,369**	1
	Value of significance	,000	
	N	235	235
Research variables		Lack of advanced interest-free financing methods is a barrier for a country to having a fair financial system (fair_fin_sys_perc 1)	Interest-free financing methods play an effective role in a country to maintain a fair financial system (fair_fin_sys_perc 2)
fair_fin_sys_perc 1	Pearson correlation	1	,429**
	Value of significance		,000
	N	235	235
fair_fin_sys_perc 2	Pearson correlation	,429**	1
	Value of significance	,000	
	N	235	235

\*\* . Correlation is significant at p<0.01 level (two directional t test).\*\*

As shown in Table 2, there is a significant and positive relationship between awareness 2 variable and the fair financial system perception 1 variable (0.37, p<0.01). Based on these findings, null hypothesis ( $H_0$ ) is rejected. A review of the table further demonstrates that there is a significant and positive relationship between a fair financial system perception 1 and a fair financial system perception 2 variables (0.429, p<0.01). It is possible to argue that the 0.429 correlation between these variables is mildly strong (if not very strong) (Gürbüz & Şahin, 2017, p.260 ). This shows that the scale utilized in the study is consistent.

**Table 3: What should a country have to maintain a fair financial system? Chi-square test value**

What should a country have to maintain a fair financial system? (Awareness 2)		Lack of advanced interest-free financing methods is a barrier in a country to having a fair financial system (fair_fin_sys_perc_1)					Total
		Totally agree	Agree	Not agree	Totally not agree	No idea	
An advanced interest-free financing system	Observed frequency	36	79	17	2	7	141
	Expected frequency	30,6	64,2	22,2	7,8	16,2	141,0
An advanced interest-based (conventional) financing system	Observed frequency	5	9	6	1	4	25
	Expected frequency	5,4	11,4	3,9	1,4	2,9	25,0
No idea	Observed frequency	10	19	14	10	16	69
	Expected frequency	15,0	31,4	10,9	3,8	7,9	69,0
Total	Observed frequency	51	107	37	13	27	235
	Expected frequency	51,0	107,0	37,0	13,0	27,0	235,0
<b>Pearson chi-square value</b>		87,557		Value of significance		,000	
<b>Degree of freedom</b>		2					

The large difference between the expected frequency and the observed frequency in Table 3 is desirable. A review of the model shows that the structure is reliable ( $p < 0.05$ ). Therefore, it is possible to argue that the sample has been significantly distributed within the scale for the other hypothesis tests (H1, H2 ve H3). As shown in Table 3, the awareness 2 variable and the fair financial system perception 1 variable have been subjected to cross-tabular chi-square test. The model has been proven to be significant, thus rejecting the  $H_{0,0}$  hypothesis ( $p < 0.05$ ). This means that those who have an awareness of an interest-free financing system also, in a statistical significance, prefer these institutions for a fair financial system.

**Table 4: EFA results of the scale for a fair financial system and interest-free financing**

Item	Fair financial system perception	Easy access to financing	Preference of interest-free financing	Cost advantage preference
Fair financial system perception 3	,799			
Fair financial system perception 4	,768			
Fair financial system perception 1	,708			
Fair financial system perception 2	,685			
Easy_access to financing 4		,880		
Easy access to financing 3		,803		
Easy access to financing 2		,708		
Preference interest-free financing 4			,903	

Preference interest-free financing 2				<b>,892</b>
Cost advantage preference 4				<b>,843</b>
Cost advantage preference 3				<b>,720</b>
eigenvalues	3,904	1,559	1,212	1,002
Disclosed variance pct %	21,969	19,014	16,191	12,616
Total disclosed variance pct %	<b>69,791</b>			

On the other hand, to determine the structural validity of the scale, an exploratory factor analysis (EFA) has been performed by use of the principal component analysis and varimax rotation method. The analysis shows that the size of the Kaiser-Meyer-Olkin (KMO) sample is sufficient for a factor analysis. The fact that the Barlett globality test is significant [ $X^2(55) = 849,068, p < 0.001$ ] demonstrates that the correlation between the items is suitable for a factor analysis. In case the eigenvalues are greater than 1 at EFA, the establishment of the factors have been achieved. As a result of the EFA analysis, a four-factor result has been produced. Based on the scree plot graph and the variances that the factors explain, this four-factor structure is more suitable for the analysis.

To this end, based on the observation that the three factors constitute a new factor that is different from what was expected before and that its contribution to the disclosed variance is insignificant, that the three factors show a tendency of cross-loading and that two factors have a factor load smaller than 0.5, 8 factors have been extracted from the scale. The repeated EFA yield results showing that the 11-item scale is a four-factor structure, that the factors explain 69.791 pct of the total variance and that the factor loading of the items is above 0.6. The items on the 11-item scale and the EFA results on the factor loadings of the items are presented in Table 5. As shown in Table 5, the first factor, subsequent to the rotation, explains 21.969 pct of the variance, whereas the second in the ratio of 19.014 pct, the third in the ratio of 16.191 pct and the fourth factor in the ratio of 12.616 pct. Based on the theoretical expectations, the loaded items under the factor have been named perception of a fair financial system, interest-free financing preference, cost advantage preference and easy access to financing. These results confirm the validity of the four-factor structure of the 11-item scale.

**Table 5: Reliability values (Cronbach Alfa Testi)**

Variables	Cronbach's Alpha	Number of items
Perception of a fair financial system	,795	5
Cost advantage preference	,618	5
Interest-free financing preference	,734	4
Easy access to financing	,775	3

For the reliability tests of the fair financial system perception, cost advantage preference, interest-free financing preference and easy access to financing, Cronbach alfa value has been identified. A review of the tests reveals the following results respectively: 0.80, 0.62, 0.73 and 0.78. It appears that three of these results are between 0.7 and 0.8 and one below 0.7. according to Nunnally (1978) and Hair et al. (2006), the results are sufficient to confirm the reliability of the scale for Cronbach Alpha values.

On the other hand, a multiple regression analysis is needed to measure the fair financial system perception of the customers who prefer the iffis to better measure the theory of fair consumer behavior. For this, the fair financial system perception variable has been designated as a dependent variable. The independent variables that affect this variable have been modelled as interest-free financing preference, easy access to the financing and cost-advantage preference.

**Table 6: Average, standard deviation and correlation coefficients of the variables**

Variables	Avg.	S.D	1	2	3	4
1. interest-free financing preference	2,09	1,14	-			
2. easy access to financing	3,52	1,37	,23**	-		
3. cost advantage preference	2,93	1,29	,18**	,22**	-	
4. fair financial system perception	2,65	1,21	,32**	,35**	,31**	-

N= 235 \*\* P < .01

The averages, standard deviations and correlation coefficients of the variables are presented in Table 6. A review of the correlation values between the variables themselves shows that the impact of the easy access to financing has a greater impact upon the fair financial system perception dependent variable, compared to the other variables. Additionally, it is also interesting to note that the correlation value between the interest-free financing preference and the cost-advantage preference is relatively smaller.

**Table 7: Multiple regression analysis results (N=235)**

Variables	B	S.H	$\beta$	Sig.	Collinearity Tolerance	VIF Statistics
Interest-free financing preference	,24	,06	,23**	,000	,930	1,075
Easy access to financing	,22	,05	,25**	,000	,917	1,091
Cost advantage preference	,20	,06	,22**	,000	,933	1,072
Constant	,78	,24		,001		

Note. R<sup>2</sup>=0.23; Adjusted R<sup>2</sup>= 0.22; F<sub>(3,231)</sub> = 22,765, Durbin-Watson= 2,101; \*\* P < .01

When looking at the VIF statistic and collinearity tolerance values in Table 7, no multicollinearity problems were observed. For no multicollinearity, the Tolerance must be above 0.2 and the VIF value must be less than 10 (Tabachnick & Fidell, 2020). In addition, it was observed that the Durbin-Watson test value was close to 2, and the residual values were

independent. In other words, no autocorrelation was observed in the model. The multiple regression analysis results are statistically significant [ $F = (3,231) = 22,765$ ,  $p < 0.001$ ]. Corrected  $R^2$  value is 0.22. This result demonstrates that the interest-free financing preference of the 22 pct of variance in the fair financial system perception is explained by the easy access to financing and cost advantage preference. Additionally, a review of the Beta coefficients in Table 7 shows that when all independent variables are subjected to regression model, it becomes evident that all three independent variables have a significant contribution to explaining the fair financial system perception. Under the model, the regression equation is as follows:

$$AFSA = 0.781 + 0.24 FFT + 0.22 FKE + 0.20 MAT \dots (1)^3$$

According to the model, all the other independent variables are constant,

1. A one-unit increase in FFT leads to 0.24 increase in AFSA,
2. A one-unit increase in FKE leads to 0.22 increase in AFSA,
3. A one-unit increase in MAT leads to 0.20 increase in AFSA.

In general, it appears that all independent variables have a significant and positive relationship with the dependent variable. Similarly, it could be argued that the impacts of the independent variables upon the dependent variable are almost equal. Taken all these results into consideration, it could be concluded that the hypotheses offered for the research ( $H_1$ ), ( $H_2$ ) and ( $H_3$ ) are confirmed as reliable. It is also evident that the correlation values between the variables themselves are significant and positive (see Table 7). Based on these results, it should be noted that the theory of fair consumer behavior estimates the behaviors of the consumers who uphold Islamic sensitivities. In other words, it could be argued that in the eyes of the consumers, the fair financial system perception is influential in preferring the offers.

### **Conclusion**

This study is focused on the role of the perceptions over a fair financial system in the behaviors of the consumers motivated by Islamic values. To determine this, the flaws in the scholarly accounts are taken into consideration and a new theory is offered, the theory of fair consumer behavior. This theory suggests that there are three factors influencing the fair consumer behaviors of the individuals: preference over the interest-free financing, preference over cost advantage and preference over easy financing.

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<sup>3</sup> In the equation, AFSA refers to fair financial system perception, FFT to interest-free financing preference, FKE to easy Access to financing and MAT to cost advantage preference.

To test the hypotheses that serve as basis of this theory, a scale has been developed in reference to a survey to estimate the impact of the hypotheses upon the fair financial system perception of the consumers. For this, a survey was conducted with the participation of 235 consumers that were aware of the Islamic finance. The quantitatively collected data has been empirically analyzed. As part of this process, One-way ANOVA and chi-square tests were performed over the survey, followed by the operation of the relevant correlation tests to reject the null hypothesis identified for the study. Subsequently, exploratory factor analysis was performed, resulting in the conviction that the size of the Kaiser-Meyer-Olkin (KMO) sample was sufficient for a factor analysis. In addition, the results show that the Barlett globality test is significant and that the necessary conditions have been met for the factors.

The analysis confirms that a four-factor structure is valid. The findings further show that these factors explain 69.791 of the total variances and that the factor loads are above 0.6. The factors have been identified as fair financial system perception, interest-free financing preference, cost-advantage preference and accessibility of financing. The structure validity of the research is thus maintained, and the relevant variables are identified. Subsequently, to test the reliability of the research, Cronbach alfa test is applied. A review of the tests shows that the values corresponding to the variables are 0.80, 0.62 0.73 and 0.78 respectively, and thus are reliable. Multiple regression has been utilized to estimate the model in quantitative terms. For this, the fair financial system perception variable has been designated as dependent variable, being influenced by interest-free financing preference, easy access to financing and cost-advantage preference as independent variables. The multiple regression results show that the 22 pct variance in the fair financial system perception is explained by the interest-free financing preference, easy access to financing and cost advantage preference independent variables. No multiple linear connection is observed between independent variables. This means that the variables, independently from each other, have a significant and positive impact upon the dependent variable.

The model suggests that the interest-free financing preference independent variable has a significant and positive impact of 0.24 upon the fair financial system perception dependent variable, that the easy access to financing independent variable has a significant and positive impact of 0.22 on the same dependent variable and that the cost advantage preference independent variable has a positive and significant impact of 0.20 upon the dependent variable. Additionally, the study finds that the correlation between the variables of the interest-free financing preference and cost advantage is relatively low. This demonstrates that in addition to the interest-free nature of the financing, the cost advantage has an impact upon the behaviors of the consumers. A review of the statistical results shows that the  $H_1$ ,  $H_2$  ve  $H_3$  hypotheses corresponding to the relevant variables have been accepted, confirming that the theory of fair consumer behavior based on the notion of financial fairness have significant results. The theory thus holds promise to fill certain gaps in the literature. But for a more thorough validation of the theory, a broader sample is needed.

The impact of fair financial system upon the behavior of the consumers who have close interest in the interest-free financing is strong. Additionally, it is also necessary to make more coherent statistical observations upon the consumer behavior for the efficiency of the operations of the iffis. For this, structural equation modeling can be included in the analysis in the further stages. Diversification of the financing options (interest-free, low-cost and accessible) could further draw attention to these institutions. When this is done, the higher objectives of the shariah may be accomplished through financial fairness which would eventually lead to the emergence of a financial system that is based on fairness and welfare.

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