

THE RELATIONSHIP BETWEEN RELIGION OBLIGATION AND INTENTION TO ADOPT ISLAMIC FINANCE

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Abstract: The advancement of Islamic Banking and Finance in Syria has faced constraints owing to a range of factors, including inadequate assistance from regulatory authorities and customer base. The role of small and medium enterprises (SMEs) is vital in Syria's economy and job market, yet they often lack sufficient support from the Islamic Banking and Finance sector. There exists a notable gap in scholarly work connecting SMEs with Islamic finance, particularly within the Syrian context. To ascertain the significance of the Islamic financial system for SMEs in Syria and other Muslim nations, it is imperative to address this research topic and conduct a thorough empirical analysis. This gap in understanding and literature forms the central issue of the study. This study investigates the relationship between religious obligation and intention to adopt Islamic finance among SMEs in Syria. This research offers valuable insights for both individual practitioners and the academic and theoretical spheres. Its findings are poised to influence policy-making. To assess the effect of the independent variable on the dependent one, quantitative methodologies were employed, capitalizing on their ability to detect fine distinctions and variances among individuals. A questionnaire constituted the primary instrument of this study. It targeted a research population of 600 small and medium-sized enterprises (SMEs) in Syria, with a subset of 400 SMEs comprising the study sample that received the questionnaire. The findings revealed that religiosity has little impact on a person's desire to receive Islamic finance in Syria, more precisely, the findings reveal that religion does not always play a key role in deciding on Islamic finance, since only those with a higher level of religiosity are more likely to choose Islamic banking and finance. According to the findings, the conclusions matched those of other research they looked at, which had mixed results on the association between religion and the choice of Islamic banks and finance.

Keywords: Religion, Adopt Islamic Finance, SMEs, FinTech.

1. RESEARCH BACKGROUND

Islamic Finance and Banking's advancement in Syria encounters obstacles stemming from inadequate backing by regulatory entities and consumer engagement, especially in the Small and Medium Enterprises (SMEs) domain, which is crucial for Syria's economic and employment landscape. This research delves into how Financial Technology Adoption influences Syrian SMEs' use of Islamic Banking and Finance offerings. The worldwide Muslim populace, which stood at 1.6 billion in 2010, is expected to surge to roughly 2.8 billion by 2050, showcasing a substantial increase. This demographic growth presents new vistas for Islamic financial services, broadening their reach beyond predominantly Muslim areas (Lipka & Hackett, 2015).

A key factor in Islamic finance's worldwide embrace is its adherence to Sharia, which is in harmony with the religious convictions of its clientele (Metawa & Al-Mossawi, 1998; Naser et al., 1999; Bley & Kuehn, 2004). Sharia embodies a spectrum of doctrines and prohibitions that Muslims are obliged to observe, including eschewing interest (Riba), speculative dealings (Gharar or Maysir), and involvement in illicit (haram) activities like trading in alcohol, pornography, arms, pork, and traditional banking practices. Thus, to be accepted in the Muslim community, any Islamic financial product must comply with these core Sharia tenets. Sharia's foundations are the Holy Quran and the Sunnah, which are records of Prophet Muhammad's deeds and ordinances. Other jurisprudential mechanisms, such as Ijma (Consensus), Ijtihad (scholarly

interpretation), and Qiyas (analogical reasoning), are also utilized for addressing modern-day challenges. Islamic finance introduces alternatives to conventional banking, with Sharia-compliant ventures like Halal certification becoming increasingly prominent (Yusuf et al., 2017). Halal certification verifies that products adhere to Islamic standards, accentuating purity, and quality. Nonetheless, there is a paucity of research on the benefits of this compliance for entrepreneurs. In summary, the evolution of Islamic Banking and Finance in Syria is hindered by limited support and cognizance, especially within the SME sector. The burgeoning global Muslim population heralds' prospects for Islamic finance's growth, rooted in Sharia, derived from the Quran, the Sunnah, and supplementary jurisprudential resources. Sharia-compliant enterprises, inclusive of Halal certification, are integral to this framework, yet further investigation is essential to understand their advantages for business proprietors.

2. THEORETICAL FRAMEWORK

This research endeavors to propel advancements in the field of Islamic finance utilization among Small and Medium Enterprises (SMEs) in Syria, contributing significantly to both theoretical and practical knowledge. It engages in a thorough empirical investigation, addressing a crucial void by exploring the adoption of Islamic finance from the vantage point of the Islamic finance sector and the determinants influencing its adoption, thereby shedding light on SME decision-making processes. The research explores the individual behavioral elements within Islamic financial contexts, with a specific focus on the roles of perceived behavioral control (PBC) and subjective norms (SNs) in embracing Islamic finance. This study enhances comprehension of how these elements influence attitudes and behaviors in the financial sector. The outcomes of this research are anticipated to serve as a valuable resource for scholars, educators, and industry practitioners, providing a rich dataset for future explorations into the preferences of Syrian SMEs regarding Islamic finance. Furthermore, the conclusions drawn from this study have potential repercussions for policy development, influencing the management strategies of SMEs. On a practical level, the findings offer guidance to SME leaders in adopting Islamic finance practices. The research highlights the criticality of robust communication between management and stakeholders in fostering positive attitudes towards Islamic finance among SMEs.

3. LITERATURE REVIEW

Religion obligation being a highly influential social institution profoundly shapes attitudes, ethics, societal behavior, and individual conduct, making it a significant factor for research (Mokhlis, 2009). It molds an individual's life by altering their beliefs, knowledge, and attitudes. As posited by Kotler (2000), religion influences people's attitudes. Moreover, religious doctrines, dictating permissible and forbidden actions, sway customers' decisions (Rehman and Shahbaz Shabbir, 2010). It is agreed that actions and decisions are influenced by religious values. Each religion, including Christianity, Islam, Hinduism, Judaism, Buddhism, among others, has distinct beliefs. This paper primarily focuses on Islamic religiosity, viewing religion as a comprehensive life code rather than a collection of rituals (Ad-Din). That is, Islam pervades every aspect of a Muslim's life, not merely the solitary act of prayer. For example, prohibitions like gambling and alcoholism are outlined in the Quran. Islam is deemed 'shulmul' (perfect) and 'Kamil' (comprehensive), dictating norms for trade, interaction with different religions, and consumption guidelines. These norms differ based on religious faith. With an increasing number of Malaysian Muslims practicing Islamic teachings (Shah Alam et al., 2011), the challenge is to understand if increased Islamic awareness influences their financing decisions for major investments. As all Muslims are expected to follow Allah's guidance, it can logically exert the most significant influence on their decisions. Shah Alam et al. (2011) state that despite the significant influence on human personal and social behavior, there is currently little research in this area. Because religion makes up a modest percentage of culture, Kotler (2000) did not demonstrate the extent to which it influences purchasing decisions. Religiosity was a key predictor of attitudes and behaviors in earlier empirical research. That is, in banking selection, religion could be a major influence on the shape of customers' decision. Vitell and Paolillo (2003) posit, since idealism and relativism are determined significantly by religion, it also indirectly determines consumer ethical belief and practices.

Various studies across different countries have analyzed intentions to engage in financing. In Bahrain, Metawa and M. Almoosawi (1998) found that profitability and religious considerations are primary factors when choosing banking services. Similar findings were made by Naser, Jamal, and Al-Khatib (1999) in Jordan, where religion was a key deciding factor for Islamic banking. M.M. Metwally (1997) in Kuwait asserted that the robust presence of Islam was a major consideration in opting for Islamic banking. This concurs with Philip's (1997) research showing that in Singapore, Muslims' preference for Islamic banking was religiously motivated. Furthermore, Okumus and Genc (2013) found that the Islamic character of a bank significantly influenced its choice of location. Interestingly, a study revealed that Muslims in the UK were not fully

aware of Islamic banking, yet their choices remained rooted in faith. Bley and Kuehn (2004) suggested that demand for Islamic banking was fueled more by religious beliefs than financial savvy. This indicates a direct correlation between the adoption of Islamic financial systems and the level of religious commitment. Naser et al. (1999) found that a bank's reputation was a secondary consideration to religious devotion for customers. Haque, Osman, and Ismail (2009) uncovered the relationship between ethnicity and attitudes toward Islamic banking, highlighting the need to understand non-Muslim demographics. Sufian, Mohamad, and Muhamed-(2008) showed that perceived innovative features and consumer characteristics were key influences on Islamic banking, strengthening this argument. Rasheed et al. (2008) noted a disparity between the primary choice of banking system and level of religiosity among Malays in the Klang Valley. Muslims, in line with their religious teachings, ideally should choose Islamic banking exclusively. The report showed that most religious individuals used Islamic banking for deposit and financing transactions.

Religion obligation is viewed as a three-dimensional construct (Souiden and Rani, 2015). The stronger the fear of divine retribution, the more positively Islamic banks are perceived. People who strongly believe in Islamic law prefer Islamic financial products. However, the effect of religious obligation on the inclination to adopt Islamic banking products or services is minimal (Amin et al., 2011). Contrarily, Alam et al. (2012) found that religion can influence a person's thinking and behavior. Religion helps people become more mindful, which can justify their actions and attitudes (Foxall, Goldsmith, and Brown, 1994), a view also supported by Weaver and Agle (2002), who argued that religion consistently influenced subscribing to Islamic banking services. However, religious individuals have raised queries about the compatibility between Islamic principles and Islamic banking. Therefore, it becomes essential in this study to evaluate the inclination to use Islamic banking products. Affecting an individual's intention and choice is the role of religion I religious obligation. The Sharia guidelines significantly affect the Islamic society (Sulaiman, 2003). The Sharia principles, goals, and values are to be adhering to strictly by Islamic banks in provision of the Islamic individual finance. This bond can alter one's inclination to utilize the Islamic individual finance system. If the Sharia principles are adhered strictly too, there is a bigger possibility than a person may utilize the Islamic personal financing. This conclusion is also proven by numerous quantitative research in the context of products offered by Islamic banks. (Almossawi, 2001; Omar, 1992). The following theory is put up regarding the religious responsibility based on prior research, **H1: Religion Obligation has a major role in the intention to adopt Islamic finance.**

4. METHODOLOGY

This study employed quantitative methods to gauge the influence of various independent variables on the dependent variable, leveraging the ability of quantitative techniques to discern nuanced distinctions and variations among individuals. A questionnaire served as the primary instrument for data collection. The research encompassed a population of 600 small and medium-sized enterprises (SMEs) in Syria, out of which a sample of 400 SMEs was selected for the distribution of the questionnaire.

5. INSTRUMENT'S RELIABILITY

The pilot study is crucial for determining the reliability of measurement tools prior to conducting the main research. Gay and Airasian (2006) define reliability as the extent to which an assessment consistently measures what it is intended to measure. Additionally, the initial reliability regarding the internal consistency of data obtained from the pilot study is assessed using Cronbach's alpha (Cronbach, 1984). According to Zander and Kogut (1995), the value of Cronbach's alpha can be enhanced by increasing either the number of items or the average correlation among them.

Table 1: Scale Reliability Alpha – Pilot Test of Model's Questionnaire (N=400)

Variable	N. of Items	Alpha (a)
Intention to Adopt Islamic Finance	10	.919
Religion Obligation	5	.900

6. DATA ANALYSIS AND RESULTS

6.1 Assumption of Normality

Normality analysis is typically conducted to understand the symmetrical distribution curve, where the highest frequency of scores is at the center, tapering off towards both ends (Byrne, 2013). This analysis, crucial for structural equation modeling with Mplus, involves examining skewness and kurtosis values, as they pertain to the dispersion of scores for both dependent

and independent variables, a practice endorsed by scholars such as Kline (1998) and Pallant (2001). This scrutiny is vital because scores in social science research, often collected via scales, may exhibit positive or negative distortions (Pallant, 2001). Kurtosis, representing the form of distribution, measures the concentration of observations around a central mean. Hair et al. (2013) posited that skewness values outside the range of +1 to -1 significantly deviate from normality. Kline (1998) suggested a broader acceptable range for skewness, from +3 to -3. In this study, skewness values were found to be within this -3 to +3 range. Similarly, Coakes and Steed (2003) recommended that kurtosis values should lie between +3 and -3, a range also adhered to in this study (Table 2). The results affirmed that the dataset conformed to the normality assumption, implying that all variables were normally distributed.

Table 2: Kurtosis as well as Skewness regarding the analysis for reliability

Constructs	Skewness	Kurtosis
Intention to Adopt Islamic Finance	.185	.173
Religion Obligation	-.343	-.096

6.2 Result Of Hypothesis Testing

Hypothesis 1: The results indicated that the anticipated association between religious obligation and intention to use Islamic finance is negative ($\beta = 0.001$, $t = 1.069$), indicating that the hypothesis is unsupported.

Table 3: Result of Direct Hypothesis Testing

#	Relationship	Beta	t-value	p-value	Decision
Hypothesis 1	Religion obligation has a significant effect on the intention to adopt Islamic finance.	0.001	1.07	0.29	Not Supported

The researcher hypothesized that religious obligation would have a favorable influence on the Intention to Adopt Islamic Finance in the suggested model (H1). The parameter estimates (H1: Religion Obligation Intention to Adopt Islamic Finance; = 0.001, $t = 1.069$, $p\text{-value} = 0.29$; H2: Religion Obligation Intention to Adopt Islamic Finance; = 0.001, $t = 1.069$, $p\text{-value} = 0.29$; H2: Religion Obligation Intention to Adopt Islamic Finance; = 0.001, As a result, the earlier hypothesis was determined to be statistically insignificant. As a result, this theory was discarded. This research demonstrates that religiosity has little impact on a person's desire to receive Islamic finance in Syria. The findings of this research are consistent with previous studies. Several studies have demonstrated that religious obligation has a negligible influence on the intention to use Islamic Finance. In Malaysia, researchers (Amin et al., 2011) discovered that religion is not a significant predictor of the desire to use Islamic financing. Furthermore, (Bodibe et al., 2016) discovered that the link between religious obligation and mindset toward Islamic banking was statistically insignificant. Furthermore, according to Ali and Chin-Hong (2015), religious duty has a negative and significant impact on the intention to use Islamic personal financing. In addition, Selvanathan et al. (2018) discovered that religion had a detrimental impact on the decision to use Islamic banking and finance. More precisely, the findings reveal that religion does not always play a key role in deciding on Islamic finance, since only those with a higher level of religiosity are more likely to choose Islamic banking and finance. According to the findings, the conclusions matched those of other research they looked at, which had mixed results on the association between religion and the choice of Islamic banks and finance. In conclusion, the findings of this hypothesis are consistent with previous research showing that religious obligation is not a significant factor in determining the acceptance of Islamic banking among Syria's small and medium-sized businesses.

7. SUMMARY

This study investigated the influence of religious obligation on Islamic Finance adoption among SMEs in Syria. The empirical studies provided new findings that may serve as a foundation for Islamic banking in Syria. The independent variable (Religious Obligation) has no significant effect on the Islamic Finance adoption. Consequently, this research work has obtained all its objectives completely. For future studies in this research area, this work has laid a foundation by recommending many possibilities and open questions. The scope of the research is currently limited to SMEs only, but it can be extended to larger organizations and the government sector. Moreover, the study is limited to one variable (religious obligation), but there can be more variables.

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