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# Attitude: mediator of subjective norm, religiosity and intention to adopt Islamic banking

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## Abstract

**Purpose** – The purpose of this paper is to report on the results of a study carried out to examine the mediating effect of attitude in the relationship between subjective norm, religiosity and intention to adopt Islamic banking in a developing secular state like Uganda.

**Design/methodology/approach** – This study' research design was cross sectional. Closed ended questionnaires were distributed to 258 managers of micro businesses in Uganda. Data were analyzed with the help of SPSS v22 and MedGraph program (Excel version).

**Findings** – Attitude is a significant mediator in the relationship between subjective norm and intention to adopt Islamic banking. Also, attitude significantly mediates the relationship between religiosity and intention to adopt Islamic banking.

**Research limitations/implications** – The study used only a single research methodological approach; therefore, future research could be undertaken using a mixed-methods approach.

**Practical implications** – Emphasis should be put on improving the mindsets of Ugandans toward Islamic banking.

**Originality/value** – While there has been a number of studies on Islamic banking, this study provides an initial empirical evidence on the mediation effect of attitude in the relationship between subjective norm, religiosity and intention to adopt Islamic banking in a single study in an African developing secular state like Uganda.

**Keywords** Uganda, Attitude, Subjective norm, Intention to adopt Islamic banking, Micro business

**Paper type** Research paper



## 1. Introduction

Over 400 Islamic bank branches managing a portfolio of over US\$2tn and 320 non-main stream Islamic banks managing a fund of over US\$200bn existed in the world by the end of

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2014 [Islamic Financial Services Board (IFSB), 2015; Mumtaz *et al.*, 2015]. The Islamic Financial Services Board stability report of 2015 indicate that Islamic banks grow at a rate of 17 per cent per annum. The continued adoption and expansion of Islamic banking services world over perhaps is because of peoples' attitudes toward Islamic banking systems. Islamic banking is critical for economic development in a sense that it offers interest-free loans, and the concept of profit and loss sharing makes it unique from conventional banking. Under Islamic banking, money is not a commodity but rather a medium of exchange and store of value. Islamic banking is not centered only on credit worthiness and ability to repay the loans and interest, instead the worthiness and profitability of a given business undertaking are the most important criteria of Islamic banking while the ability to pay the loan is sub segmented under profitability. Islamic banking prohibits not only *riba* (usury) but also involvement in other activities such as speculation, liquor and gambling, which are deemed unethical (Hanudin *et al.*, 2011; Akbar *et al.*, 2012; Lujja *et al.*, 2016).

Islamic banking has been a major focus to the business community and academicians. To date, a number of studies have been conducted to provide further insights into Islamic banking majorly focusing on the adoption of Islamic banking products, and calls for further research in the same area are common (Kabiru, 2014; Mahdzan *et al.*, 2017; Kaawaase and Nalukwago, 2017; Lujja *et al.*, 2016; Kholvadia, 2017; Rehman and Shabbir, 2010; Souiden and Rani, 2015; Gilani, 2015). This paper responds to such calls and contributes to existing literature using evidence from Uganda. Uganda is a developing secular state located in East Africa with a population of 34.6 million in 2014, of which Christians constitute 86.3 per cent and Muslims constitute only 13.7 per cent, while those with no religion constitute 2.3 per cent (Uganda Bureau of Statistics, 2016). This poses a question on whether Islamic banking will be embraced by Ugandans once it is introduced given that majority of Uganda's population are Christians. In January 2016, there was a petition by a section of Ugandans opposing the amendment of the Financial Institutions Act of 2004 as the amendment was aimed at legalizing Islamic banking products though the petition did not succeed. The petitioners' argument was that once Islamic banking is introduced in Uganda, the country will be Islamized (Mwesigwa, 2016). Currently (as at February, 2018), in Uganda, the guidelines for licensing Islamic banks were released to the public by the Ministry of Finance, Planning and Economic Development. However, it should be noted that by June 2018, no bank had formally applied for an Islamic banking license (Uganda Business News, 2018).

According to Senyonyi (2018), embracing Islamic banking means bank clients have to uphold high corporate governance principles related to transparency, trust and fine accountability that are critical when it comes to ensuring profitability in business. Senyonyi (2018) further argues that the success of Islamic banking will also depend on how good the economy is doing for parties involved to benefit. However, according to Wilson and Liu (2011), if Islamic brands are to be accepted across the globe to both Muslims and non-Muslims, then they should not be sterilized and sanitized when considering their sensitive brand composition. This implies that the Islamic banking principles need to be relaxed at some level to enable its adoption in fragile environments like that of Uganda. Ugandans may not be able to reveal the truth regarding their profit levels and it is then important that the proprietors and promoters of Islamic banking relax some of the principles of Islamic banking. Some of the prominent Ugandans think, Islamic banking cannot be adopted in Uganda while others say it can be adopted. This can be evidenced by an excerpt which was obtained from Dr Fred Muhumuza, an analyst and economics lecturer at Makerere

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University, in an exclusive interview with Business Focus (an online business news platform):

I do not think that any bank will adopt Islamic Banking and roll it out to any great length largely because of limited trust levels in the country, it works best where there is either Sharia or Muslims are dominant. Borrowers in Uganda are likely to tell lies on profit levels, which is what is supposed to be shared instead of paying interest

Literature suggests possible explanations of intention to adopt Islamic banking such as pricing of other bank products, attitude, subjective norm (social influence), religiosity, knowledge in Islamic banking products and competitive advantage (Mahdzan *et al.*, 2017; Lujja *et al.*, 2016; Rehman and Shabbir, 2010; Souiden and Rani, 2015; Kaawaase and Nalukwago, 2017). Mahdzan *et al.* (2017) found a positive and significant relationship between competitive advantage and adoption of Islamic banking in Malaysia, while Lujja *et al.* (2016) found a positive and significant relationship between attitude and intention to adopt Islamic banking though notes that subjective norm influences intention to adopt Islamic banking through attitude as a mediator. Further, Kaawaase and Nalukwago (2017), in their study of religiosity and patronizing Islamic banking in Uganda using existing bank account holders, found that religiosity is positively and significantly associated with intention to patronize Islamic banking, and that religiosity mediates the relationship between attitude, subjective norm and intention to patronize Islamic banking in Uganda. Also, Rehman and Shabbir (2010) found a significant and positive relationship between religiosity and new product adoption using evidence from Pakistan. In trying to respond to previous studies' call for further studies on Islamic banking adoption and especially to that of Kaawaase and Nalukwago (2017), this study thus considers attitude as a mediator in the relationship between subjective norm, religiosity and intention to adopt Islamic banking in Uganda using evidence from micro businesses that are owner-managed. Results indicate that attitude mediates the relationship between:

- subjective norm and intention to adopt Islamic banking; and
- religiosity and intention to adopt Islamic banking.

These results were obtained through a questionnaire survey of 258 owner-managed businesses where the business manager was also the owner of the micro business.

Our study thus makes important contributions in a number of ways. First, it is now evident that attitude mediates the relationship between subjective norm, religiosity and intention to adopt Islamic banking in a secular state especially on the African scene. Second, given that the law is now amended, investors and banks willing to offer Islamic banking products may now have to focus on working around the attitudes of Ugandans in respect to Islamic banking. Finally, society can now have a choice on whether to go for Islamic banks through mounting pressure on Government to attract foreign investors and local entrepreneurs to invest in Islamic banking or opt for existing banks.

The remainder of the paper is structured as follows. The next section discusses literature and how literature helps in formulating the hypotheses. This is followed by methodology, results and finally discussion, as well as summary and conclusion.

## 2. Literature review

Sulaiman and Datin (2013) defined Islamic banking as a banking system that is based on the principles of Islamic law (also known Shariah) and guided by Islamic economics. In their study of introduction to history of Islamic banking in Malaysia, Sulaiman and Datin (2013)

noted that there are two basic principles behind Islamic banking and these are the sharing of profit and loss and, significantly, the prohibition of the collection and payment of interest. Under Islamic law, the collection of interest is prohibited as confirmed by the Holy Quran in Surat Al Baqara verse 278 stated below:

O ye who believe! Fear Allah and give up what remains of your demand of riba, if ye are indeed believers” and verse 279 says: “If you do not, take notice of war from Allah and His Messenger but if ye turn back, ye shall have your capital sums. Deal not unjustly and you shall not be dealt with unjustly

[Mahdzan et al. \(2017\)](#) argues that for one to accept or opt for Islamic banking, it begins with the knowledge acquired about Islamic banking products. [Mahdzan et al. \(2017\)](#) further notes that after awareness is created, an individual would also need to understand the features and benefits of the product or service being offered. This implies that for Islamic banking to be successfully adopted in Uganda, there is need for massive awareness campaigns about Islamic banking in terms of its operationalization and benefits expected from it especially those that tap into economic development. In the same context, [Haron et al. \(1994\)](#) found that 80 per cent of Muslim respondents and 53 per cent of non-Muslim respondents indicated that Islamic banking would be their option for their monetary affairs if they have better understanding of the operations of Islamic banking.

The theory of reasoned action (TRA) as advanced by [Ajzen and Fishbein \(1980\)](#) suggests that attitude and subjective norm are significant predictors of behavioral intention. In numerous previous studies such as [Lujja et al. \(2016\)](#) it was confirmed that attitude positively and significantly influences behavioral intention to adopt Islamic banking though subjective norm does not directly influence behavioral intention to adopt Islamic banking. In another study conducted by [Kaawaase and Nalukwago \(2017\)](#) on religiosity and intention to patronize Islamic banking in Uganda using evidence from existing account holders, it was found that attitude, subjective norm and religiosity significantly influence the intention to patronize Islamic banking. Further in their study, [Kaawaase and Nalukwago \(2017\)](#) found that religiosity mediates the relationship between attitude, subjective norm and intention to patronize Islamic banking. No present study has tested the mediation effect of attitude on the relationship between subjective norm, religiosity and intention to adopt Islamic banking on the African scene in a single study using evidence from Uganda’s microbusinesses.

Given that TRA identifies attitude and subjective norm as significant predictors of behavioral intention, [Ajzen and Fishbein \(2000\)](#) defined attitude as the extent to which an individual has favorable or unfavorable feeling and evaluation of a psychological object. [Lujja et al. \(2016\)](#) defines subjective norm in terms of whether a person thinks that those who are important to him/her believe a certain behavior should be accomplished. It was noted by various scholars such as [Hanudin et al. \(2014\)](#), [Lujja et al. \(2016\)](#), [Kaawaase and Nalukwago \(2017\)](#) and [Lajuni et al. \(2017\)](#) that attitude is the most influential factor in explaining one’s intention to use Islamic banking products, such as Islamic personal financing. [Wilson and Liu \(2011\)](#) noted that cognitive, affective and conative (components of attitude) decision making patterns are affected by risk minimization. This means that if the risks associated with adoption of Islamic banking are minimal as compared to those of maintaining the traditional banking systems (conventional banking), then it is likely that people’s attitudes will be biased toward adoption of Islamic banking. Further, [Lajuni et al. \(2017\)](#) found that attitude and intention to use Islamic banking products are positively related, implying that efforts on changing or influencing potential users’ attitude through education and marketing campaign may result in the willingness of the Muslims and non-Muslims to choose Islamic

banking products, especially in a country where Islamic banking is being introduced for the first time. Also, [Hanudin et al. \(2014\)](#) found that attitude is a significant determinant of consumer acceptance of Islamic home financing.

For subjective norm, there are studies that have failed to trace its direct effect with intention to adopt a new product and in this context Islamic banking. [Lujja et al. \(2016\)](#) failed to trace a direct relationship between subjective norm and intention to adopt Islamic banking using evidence obtained from existing bank customers in Uganda. Further, [Chau and Hu \(2001\)](#) and [Lewis et al. \(2003\)](#) found subjective norm to have no direct impact on intention to use information technology. Contrary, [Lajuni et al. \(2017\)](#) notes that when being under significant social influence or pressure, an individual would perform the expected behavior, even though he might not be in favor of performing the behavior. [Gumel et al. \(2015\)](#), while studying critical insights into an integrated literature review on customers' adoption of Islamic banking research, concluded that subjective norm component of the TRA was the most important factor in shaping people's intention to adopt Musharakah–Mutanaqisah (capital is provided by the bank in return for a share in the realized profit (or the loss if a loss occurred) home financing). [Hanudin et al. \(2014\)](#) found that subjective norm is a significant determinant of consumer acceptance of Islamic home financing. This implies that in Uganda, some communities will adopt Islamic banking mainly because of the actions of those who are seen as important to those communities. For example, if a bishop instructs say Catholics not to involve themselves in any Islamic banking activity, it is highly likely that the Catholics may not opt for Islamic banking. Further, [Abduh et al. \(2011\)](#), in their study of factors influencing depositors' withdrawal behavior in Islamic banks, found subjective norm a very strong factor.

Religiosity is another strong determinant of the intention to adopt Islamic banking. [Lajuni et al. \(2017\)](#) posits that the more an individual fears divine punishment, the more he or she will develop a favorable perception toward Islamic banking. In addition, the more he believes in Islamic law, the more he is in favor of Islamic banking products. However, [Hanudin et al. \(2011\)](#) found religiosity to insignificantly relate to intention to use Islamic personal financing though [Echchabi and Olaniyi \(2012\)](#) documents that choosing an Islamic bank is due to the religious motivation of the customers. Further, [Rehman and Shabbir \(2010\)](#) found that religiosity significantly influences adoption of a new product. From the foregoing discussion, it can be believed that attitude influences intention to adopt Islamic banking positively but unclear on whether subjective norm and religiosity can influence positively Islamic banking especially in an African developing secular state where Christians are the majority. It also remains questionable as to whether attitude mediates the relationship between subjective norm, religiosity and intention to adopt Islamic banking. It can therefore be hypothesized that:

- H1.* Attitude positively and significantly relates to intention to adopt Islamic banking in Uganda.
- H2.* Subjective norm relates to intention to adopt Islamic banking in Uganda.
- H3.* Religiosity relates to intention to adopt Islamic banking in Uganda.
- H4.* Attitude mediates the relationship between subjective norm and intention to adopt Islamic banking in Uganda.
- H5.* Attitude mediates the relationship between religiosity and intention to adopt Islamic banking in Uganda.

### 3. Methodology

#### *3.1 Research design, population and sample*

This study took a cross-sectional and quantitative research designs to address the framed hypotheses. The population consisted of 92,996 micro businesses located in Kampala Business District from which a sample of 382 micro businesses was determined using Krejcie and Morgan Table of 1970. Usable questionnaires were received from 258 respondents, representing a response rate of 68 per cent. Simple random sampling without replacement was used to select the micro businesses. Basing on the Uganda Bureau of Statistics (UBOS) report on the census of business establishment 2010/11, there are 458,106 businesses in Uganda. 132,851 (29 per cent) of the total businesses in Uganda are in Kampala and 92,996 (70 per cent) of these businesses in Kampala are Micro businesses. According to Uganda Bureau of Statistics report on the census of business establishment 2010/11, Kampala District is the biggest commercial district in Uganda and also the focal point of businesses in Uganda. Most of these micro businesses have limited sources of finance and in most cases use debt financing and thus Islamic banking may be an alternative source of finance to them. The owner of a micro business was the unit of inquiry. Male respondents were 123 (or about 48 per cent) and female respondents were 135 (or about 52 per cent), and this means that in Uganda, women are more into micro businesses compared to men. Majority of the respondents were of 30 years of age and below, representing 72 per cent of the respondents, and only 28 per cent were older than 30 years of age. The implication of such a finding is that in Uganda, the youth are more into micro businesses than other Ugandans. The sources of funding for micro businesses are equity, debt and sometimes both. In total, 50 per cent of the respondents use their own savings as compared to 12 per cent who use debt as a source of funding for a micro business. Respondents who use both debt and equity are 38 per cent. In terms of religious preference, Muslims were more anxious to respond to questionnaires than the Christians. There were 131 (or about 51 per cent) Muslims who responded to the questionnaire as compared to 117 (or about 45 per cent) Christians. Other denominations accounted for only 4 per cent.

#### *3.2 Reliability, validity and measurement of variables*

The research instrument was subjected to validity tests using a panel of experts and practitioners. Validity determines whether the research truly measures that it was intended to measure or how truthful the research results are (Golafshani, 2003, p.599). Field (2009) categorizes validity as criterion validity and content validity. The Content Validity Index was thus used to test the relevance and clarity of the questions. All the variables registered a Content Validity Index of above 0.7. We further tested the reliability of the instrument to find out if it consistently measured the study variables (Nunnally, 1978). Reliability (internal consistency and stability) of the instruments was tested using Cronbach's alpha coefficient (Cronbach, 1951). The Cronbach alpha coefficients for all the study variables were above 0.75 implying that the scales used in the study were reliable.

The questionnaire used in this study had three sections where Section A was about respondents' background information, Section B collected data on the study variables. Questions in Section B were designed on a five-point Likert scale ranging from strongly disagree (1) to neutral (3) and to strongly agree (5). Questions on intention to adopt Islamic banking (this study's dependent variable) were adopted from the works of Kaabachi and Obeid (2016) whose study was to identify the main factors that influence the adoption of Islamic banking services in Tunisia. Kaabachi and Obeid (2016), for example, used five-item scales such as "You are aware about the differences between conventional banking system and Islamic banking system", "The features and benefits of the Islamic banking products

offered by Islamic banks are known to you” to evaluate awareness of Islamic banking services. Kaabachi and Obeid (2016) further used five-item scales such as “Islamic banks operates according to Islamic principles (Sharia)” to measure relative advantage. More item scales were adopted from previous studies like Hanudin *et al.* (2014), Hanudin *et al.* (2011) and Kaawaase and Nalukwago (2017). In this study, we operationalize intention to adopt Islamic banking using measures such as perceived benefit and awareness level as adopted from previous studies (Kaabachi and Obeid, 2016; Hanudin *et al.*, 2014; Hanudin *et al.*, 2011; Kaawaase and Nalukwago, 2017). Religiosity was operationalized using religious experience and ideology as has often been used in previous studies (Souiden and Rani, 2015; Hanudin *et al.*, 2014; Stefan and Odilo, 2012; Kaawaase and Nalukwago, 2017). Questions on religiosity were adopted from the works of Souiden and Rani (2015) whose study aimed at investigating the impact of religiosity on consumer attitudes and purchase intentions toward Islamic banks. Souiden and Rani (2015) used 19 items to operationalize religiosity and these items were grouped into four dimensions such as fear of divine punishment where questions such as “I am afraid that Allah is going to punish me in some way”, religious involvement where five questions such as “I attend religious sermons at the Mosque”, religious belief which comprised of four items such as “I believe in the application of sharia” and the last dimension was susceptibility to give in to temptations where three items were included such as “I am a believer but sometimes I have a tendency to sin”. Jaffar and Musa (2016) used Knowledge (Cognitive attitude) and feeling (Affective attitude) to operationalize attitude. Kalafatis *et al.* (1999), Chang (1998) in their respective studies, operationalized subjective norm using families influence and friends opinion.

### 3.3 Data analysis

Before data analysis, data were checked for completeness and simple frequency runs were performed to screen the data so as to identify missing values. The identified missing values were a result of omissions made by respondents and constituted 1.2 per cent of the data; and thus, considered trivial (Little and Rubin, 2002) and could not suppress the standard deviation (Field, 2009). Thereafter, descriptive statistics involving frequency distribution were generated. Data were analyzed using SPSS version 22, and Pearson correlation coefficient was used to establish the relationship between predictor variables (attitude, subjective norm and religiosity) and the criterion variable (intention to adopt Islamic banking). Tests for mediation were conducted in this study to establish the nature of mediation and the extent to which attitude influences the association between subjective norm, religiosity and intention to adopt Islamic banking. The test for mediation was carried out using MedGraph program (an excel version program) by Jose (2008), which is based on the works of Field (2009) and Baron and Kenny (1986).

## 4. Results

### 4.1 Descriptive statistics

We present descriptive statistics results in Table I. We generated means and standard deviations to summarize the observed data as according to Field (2009), means represent a summary of the data, and standard deviations show how well the means represent the data. The mean score for the dependent variable (intention to adopt Islamic banking) is 3.94, while the standard deviation is 0.77. This means that on average, Ugandans will adopt Islamic banking products. However, given that the dependent variable is measured on a five-point Likert scale, the minimum score of 1.08 indicates that there are some Ugandans not willing to adopt Islamic banking products. The standard deviation for attitude, subjective norm,

Variable	<i>n</i>	Minimum	Maximum	Mean	SD
Affective	258	1.00	5.00	3.9276	0.91200
Cognitive	258	1.00	5.00	3.6202	0.80664
Attitude	258	1.25	5.00	3.7739	0.76942
Family influence	258	1.00	5.00	2.9096	0.73116
Friends opinion	258	1.00	5.00	3.2339	0.92592
Subjective norm	258	1.00	4.75	3.0717	0.70233
Ideology	258	1.00	5.00	3.7345	0.69944
Religious experience	258	1.00	5.00	3.9884	0.73666
Religiosity	258	1.00	5.00	3.8614	0.65904
Awareness level	258	1.17	5.00	3.9173	0.81759
Perceived benefit	258	1.00	5.00	3.9574	0.82290
Intention to adopt Islamic banking	258	1.08	5.00	3.9373	0.77193

**Table I.**

Descriptive statistics

**Source:** Primary Data

religiosity and intention to adopt Islamic financing are small as compared to their mean values and thus the statistical means are a good fit of the observed data.

#### 4.2 Correlation analysis results

The correlation analysis results are presented in [Table II](#). Pearson's correlation coefficient analysis was conducted to establish the relationships between the predictor variables (attitude, subjective norm and religiosity) and the outcome variable (intention to adopt Islamic banking). The intention was to evaluate whether linear relationships existed between predictor variables and the outcome variable. Pearson's correlation coefficient ( $r$ ) was used because it is a parametric statistic and requires interval data for both variables ([Garson, 2012](#)). As a result, bivariate-correlation analyses were performed and Pearson correlation coefficients were generated to measure the direction and size of the relationship between the study variables ([Field, 2009](#)). The correlations reveal that attitude is positively associated with intention to adopt Islamic banking ( $r = 0.707^{**}$ ,  $p < 0.01$ ), and thus, *H1*, which states that attitude positively and significantly relates to intention to adopt Islamic banking, is confirmed. The manifest variables under attitude that is to say, affective and cognitive attitudes independently are positively and significantly associated with intention to adopt Islamic banking. One's attitude toward Islamic banking may include the feeling for Islamic banking products and the knowledge about Islamic banking products. The significant association of attitude and intention to adopt Islamic banking implies that a positive change in attitude will lead to a positive change in the intention to adopt Islamic banking in Uganda. Further, [Table II](#) results indicate that there is a significant positive relationship between subjective norm and intention to adopt Islamic banking ( $r = 0.504^{**}$  and  $p < 0.01$ ), and thus *H2*, which states that subjective norm relates to intention to adopt Islamic banking in Uganda, is confirmed. Family influence and friends' opinion as manifests of subjective norm are positively and significantly associated with intention to adopt Islamic banking. The implication of such a finding is that a positive change in subjective norm leads to a positive change in the intention to adopt Islamic banking. The results in [Table II](#) further indicate a significant positive relationship between religiosity and intention to adopt Islamic banking ( $r = 0.644^{**}$  and  $p < 0.01$ ), and thus, *H3*, which states that religiosity relates to intention to adopt Islamic banking in Uganda, is confirmed. Religious ideology and religious experience as manifests of religiosity taken independently are significantly and positively

Variable	1	2	3	4	5	6	7	8	9	10	11	12
Affective (1)	1											
Cognitive (2)	0.602**	1										
Attitude (3)	0.908**	0.881**	1									
Family influence (4)	0.343**	0.300**	0.361**	1								
Friends opinion (5)	0.391**	0.435**	0.460**	0.429**	1							
Subjective norm (6)	0.436**	0.443**	0.491**	0.803**	0.883**	1						
Ideology (7)	0.590**	0.455**	0.589**	0.328**	0.439**	0.460**	1					
Religious experience (8)	0.393**	0.362**	0.423**	0.258**	0.288**	0.324**	0.685**	1				
Religiosity (9)	0.533**	0.444**	0.549**	0.318**	0.394**	0.425**	0.913**	0.922**	1			
Awareness level (10)	0.609**	0.612**	0.682**	0.280**	0.530**	0.495**	0.603**	0.519**	0.610**	1		
Perceived benefit (11)	0.576**	0.587**	0.649**	0.211**	0.521**	0.453**	0.569**	0.535**	0.601**	0.771**	1	
Intention to adopt Islamic banking (12)	0.630**	0.637**	0.707**	0.261**	0.558**	0.504**	0.623**	0.560**	0.644**	0.941**	0.941**	1

**Note:** \*\*Correlation is significant at the 0.01 level (2-tailed)

**Source:** Primary Data

associated with intention to adopt Islamic banking. This means that a positive change in religiosity leads to a positive change in the intention to adopt Islamic banking.

#### 4.3 Testing for mediation

The major focus for this study was to test for the mediating effect of attitude in the relationship between subjective norm, religiosity and intention to adopt Islamic banking. Mediation tests were thus conducted to be sure that the conditions suggested by [Baron and Kenny \(1986\)](#) are met. According to [Baron and Kenny \(1986\)](#) and [Kenny et al. \(1998\)](#), mediation occurs if the following conditions are met:

- Variations in the independent variable significantly account for variance in the presumed mediator.
- Variations in the mediator significantly account for variance in the dependent variable.
- Variations in the independent variable significantly account for variance in the dependent variable.
- The effect of the independent variable on the dependent variable significantly reduces when the mediator is included in the equation.

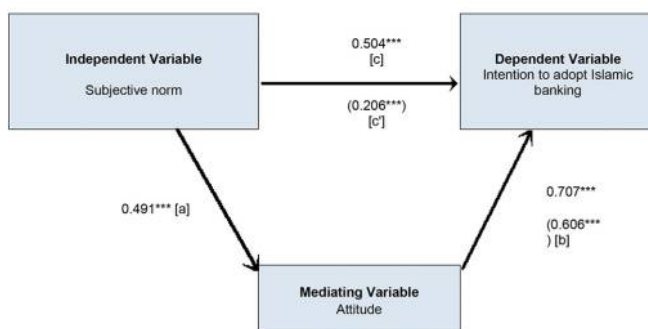
All the above-mentioned conditions were met because *H1-H3* are supported, and also, [Table II](#) shows a significant link between the study variables. Further the MedGraph program, a modified version of Sobel test was used to compute the Sobel z-value and the significance of the mediation effect of attitude on the relationship between subjective norm, religiosity and intention to adopt Islamic banking. The results are summarized in [Figures 1 and 2](#).

From [Figure 1](#), Sobel z-value is large with a *p*-value less than 0.05, it means that a significant mediation of attitude in the relationship between subjective norm and intention to adopt Islamic banking existed. In real sense, it indicates that the association between the predictor variable (subjective norm) and the criterion variable (intention to adopt Islamic banking) has been significantly reduced (from 0.504 to 0.206) by the inclusion of the mediating variable (attitude) in the model ([Jose, 2008](#)). Also, a partial type of mediation was registered because the correlation between independent variable and dependent variable was reduced to a significant level. The ratio index of 58.9 per cent given by  $(0.297/0.504*100)$ , implying that 58.9 per cent of the effect of subjective norm on the intention to adopt Islamic banking goes through attitude and about 41.1 per cent of the effect is direct. Findings in [Figure 2](#) also indicate that Sobel z-value is large with a *p*-value less than 0.05 and this means that a significant mediation of attitude in the relationship between religiosity and intention to adopt Islamic banking existed. Also, a partial type of mediation was registered because the correlation between independent variable and dependent variable was reduced to a significant level. The ratio index of 43.1 per cent given by  $(0.278/0.644*100)$ , implying that 43.1 per cent of the effect of religiosity on the intention to adopt Islamic banking goes through attitude and about 56.9 per cent of the effect is direct.

## 5. Discussion

According to the present results, attitude mediates the relationship between subjective norm and intention to adopt Islamic banking in Uganda. Also, attitude mediates the relationship between religiosity and intention to adopt Islamic banking in Uganda. It is thus important that in Uganda, for Islamic banking to be successful, peoples' attitudes must carefully be worked on, for example, the proprietors of Islamic banking need to understand that

Type of mediation	Significant	$p = <0.000001$
Sobel z-value	7.271734	
95% Symmetrical Confidence interval		
Lower	0.23933	
Higher	0.41595	
Unstandardized indirect effect		
a*b	0.32764	
se	0.04506	
Effective Size measures		
Standardised Coefficients		
Total:	0.504	
Direct:	0.206	
Indirect:	0.297	
Indirect to Total ratio	0.59	



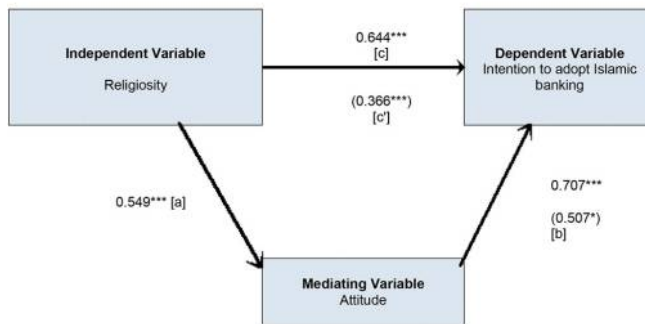
**Figure 1.**  
The MedGraph program graphically depicting mediation among subjective norm, attitude and intention to adopt Islamic banking

Ugandans are used to conventional banking systems, and thus, the proprietors of Islamic Banking need to inform Ugandans that Islamic banking is an alternative banking system for them. Potential clients expect Islamic banking to bring a piece of mind to them as the hurdles associated with fluctuating interest rates will be minimized through Islamic banking operations. The packaging and branding of Islamic banking products should done in way that both Muslims and non-Muslims will be comfortable with. This argument is in line with that for [Wilson and Liu \(2011\)](#), who suggested that if Islamic brands are to be accepted across the globe to both Muslims and non-Muslims, then they should not be sterilized and sanitized when considering their sensitive brand composition. As no previous studies has been conducted to test the mediating role of attitude in the relationship between:

- subjective norm and intention to adopt Islamic banking; and
- religiosity and intention to adopt Islamic banking, it is almost impossible to compare results.

Correlation results further indicate that feelings (affective) and knowledge (cognitive) have a significant association with intention to adopt Islamic banking. It is then important that players in Islamic banking in Uganda should capitalize on feelings of Ugandans and carrying out massive sensitization among Ugandans about Islamic banking products and principles. There is need to invest in various media centers, trade unions and schools/universities to educate the mass about Islamic banking. It is worth noting that attitude is a significant predictor of intention to adopt Islamic banking especially among micro

Type of mediation	Significant	$p = <0.000001$
Sobel z-value	7.45684	
95% Symmetrical Confidence interval		
Lower	0.24004	
Higher	0.41122	
Unstandardized indirect effect		
a*b	0.32563	
se	0.04367	
Effective Size measures		
Standardised Coefficients		
Total:	0.644	
Direct:	0.366	
Indirect:	0.278	
Indirect to Total ratio	0.432	



**Figure 2.** The MedGraph program graphically depicting mediation among religiosity, attitude and intention to adopt Islamic banking

businesses in Uganda. According to the TRA, attitude and subjective norm are significant predictors of behavioral intention and this study's results are thus in agreement with the theory. Whereas previous studies such as [Lujja et al. \(2016\)](#) did not find a direct effect in the relationship between subjective norm and intention to adopt Islamic banking, their study found out that subjective norm predicts behavioral intention through attitude. However, in other studies such as in [Kaawaase and Nalukwago \(2017\)](#), results indicated that subjective norm is associated with intention to patronize Islamic banking. In terms of relationships between the independent and dependent variables, the present study results are in agreement with that of previous scholars. Religiosity is positively associated with intention to adopt Islamic banking though there is no evidence as yet in the existing literature as to whether attitude mediates the relationship between religiosity and behavioral intention. Studies such as that for [Hanudin et al. \(2011\)](#), did not find a significant relationship between religiosity and intention to use Islamic personal financing. However, [Echchabi and Olaniyi \(2012\)](#) documents that choosing an Islamic bank is due to the religious motivation of the customers. Further, [Rehman and Shabbir \(2010\)](#) found out that religiosity significantly influences adoption of a new product.

This study thus provides an empirical account of what matters for Uganda in terms of Islamic banking adoption especially among micro businesses. Whereas [Gumel et al. \(2015\)](#)'s study focused on critical insights into an integrated literature review on customers' adoption of Islamic banking, results indicated that subjective norm was the most important factor in shaping people's intention to adopt *Musharakah-Mutanaqisah* home financing, which is not the case with this study. This study confirms attitude as a more critical factor in

determining a customers' intention to adopt Islamic banking given its capacity to mediate the relationship between subjective norm, religiosity and intention to adopt Islamic banking and its high correlation. Gumel *et al.* (2015)'s findings were further supported by other scholars like Hanudin *et al.* (2011), who found that subjective norm was of great value in influencing customers' adoption of Islamic insurance, and Abduh *et al.* (2011), while studying factors influencing depositors' withdrawal behavior in Islamic banks, found subjective norm a very strong factor. This study's findings confirm that attitude is a mediator in the relationship between subjective norm, religiosity and intention to adopt Islamic banking in Uganda. Finally, given the high correlation coefficient of attitude, it can be noted that attitude is a strong predictor of intention to adopt Islamic banking, and this is consistent with scholars such as Hanudin *et al.* (2014), Lujja *et al.* (2016), Kaawaase and Nalukwago (2017) and Lajuni *et al.* (2017) that attitude is the most influential factor in explaining one's intention to use Islamic banking products, such as Islamic personal financing.

## 6. Summary and conclusion

This study aimed to establish the mediation effect of attitude in the relationship between subjective norm, religiosity and intention to adopt Islamic banking in Uganda. The above objective was achieved through a questionnaire survey of 258 owner-managed micro businesses representing a response rate of 68 per cent. Results indicate that attitude mediates the relationship between:

- subjective norm and intention to adopt Islamic banking; and
- religiosity and intention to adopt Islamic banking in Uganda.

In terms of correlation results, attitude, subjective norm and religiosity are significantly and positively associated with intention to adopt Islamic banking in Uganda.

Overall, the findings of this study have important implications for academics, as well as practitioners and regulators. For academics, our results suggest that attitude mediates the relationship between subjective norm, religiosity and intention to adopt Islamic banking among Ugandans. For practitioners and regulators, findings are important for the proprietors of Islamic banking in ensuring that massive sensitization is emphasized and put in practice to create awareness among Ugandans in respect to Islamic banking. It is important that the attitude of Ugandans be worked on. Society too has a choice to opt for Islamic banking systems and this can be possible by first putting pressure on government to encourage both foreign and local investors to invest in Islamic banking so that Islamic banking services are available to them or opt to keep quiet and stay with conventional banks.

Like any other study, the current study also has a number of limitations. First, the study used evidence from owner-managed micro business in Uganda, and it is possible that these results are only applicable to Uganda's micro businesses. Second, this study was cross-sectional, and this means that changes in behavior over time are not taken care of. Finally, this study used quantitative data which sometimes miss certain information and limit the respondent's opinions on the study variables. However, this study results are useful as the mediation effect of attitude in the relationship between subjective norm, religiosity and intention to adopt Islamic banking in Uganda is clearly brought out. Future research may consider replicating this study in other settings to confirm the present study findings. Future studies may also consider a mixed-methods design.

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**Further reading**

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