

## **Does Religious Obligation of Muslims in Western China Influence Their Intention to Adopt Islamic Banking?**

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### **Abstract**

With a total number of 23 million Chinese Muslims, the Islamic banking service in China is still at its early stage of development. This study seeks to examine the factors that influence the Chinese Muslims' intentions to adopt Islamic banking. Employing the theory of planned behaviour (TPB), the present study investigates the effects of attitude, subjective norms, perceived behavioural control and religious obligation on the intention to adopt Islamic banking services amongst the Chinese Muslims. The survey data used in the process of research was collected from 669 Muslim respondents across four major cities in the western

regions of China. The hypothesized relationships are examined by using the Structural Equation Modeling (SEM). The results show that attitude, subjective norms, perceived behaviour control, and religious obligation significantly influence the intention to adopt Islamic banking among the Chinese Muslims.

**Keywords:** *Islamic banking, theory of planned behaviour, intention, Chinese Muslims*

## 1. Introduction

Islamic banking was not a widespread commodity limited to only the Islamic countries, but was also present in Western countries. The earliest Islamic banking product started out as a small, rural banking in a countryside of Egypt, but has since gained its momentum as many international banks now provide Islamic banking services (Iqbal and Molyneux, 2005). Presently, Islamic finance is growing rapidly worldwide – from Asia to Europe, and even the Americas. Malaysia is one of the earliest countries of Asia to introduce Islamic banking. The country's first Islamic bank was set up in 1983. Malaysia had provided excellent infrastructures to promote the establishment of an Islamic banking centre among Muslim countries; and the central bank of Malaysia, Bank Negara Malaysia, was one of the first to adopt a systematic planning approach to facilitate the Islamic finance system (Nasser and Muhammed, 2013). The first establishment in Europe was the “Duchy of Luxembourg International Holdings Group”, established in 1978. Luxembourg was not only the earliest Western country to have a seat amidst the International Islamic Liquidity Management, but had also built the Central Bank of Luxembourg – the establishment being one of the first members in the Islamic Financial Services Board (IFSB)

as well. Being one the first countries in Europe that has issued sovereign Sukuk, the Grand-Duchy of Luxembourg became the world's third largest Islamic financial centre (Ernst and Young, 2016). Subsequently, the United Kingdom had started to set up the Islamic Bank of Britain in 2004, and had allowed London to become a centre for Islamic finance. Furthermore, it is one the leading Western countries that functions as a premier centre for Islamic finance in Europe (UK Trade & Investment, 2014).

On the other hand, as a country with the largest population in the world and possessing the third largest population of Muslim minority, China has also shown great interest in promoting and participating in the industry of Islamic finance. This is evident as Islamic banking was offered in year 2009, when the Ningxia Bank ( 寧夏銀行 ) set up three Islamic bank windows at Shizuishan ( 石嘴山 ) city, which was located in the Ningxia Hui Autonomous Region ( 寧夏回族自治區 , NHAR). For Hong Kong, the country had launched two Islamic bonds (*Sukuk*) in the year 2014 and 2015.

According to China's 2010 Population Census, there are more than 23 million Muslims residing in China. The populace is observed to be mainly concentrated in the Western regions of China, where the Xinjiang Uyghur Autonomous Region ( 新疆維吾爾自治區 , XUAR), Gansu ( 甘肅 ) province, Ningxia Hui Autonomous Region, and Qinghai ( 青海 ) province are located. The number of Chinese Muslims had accounted for 1.7% of the total of 1.3 billion inhabitants in China. And in that 1.7 percent finds ten minority ethnic groups of China; they are the Hui, the Uyгур, the Kazak, the Uzbek, the Tajik, the Tatar, the Kirgiz, the Salar, the Dongxiang, and the Baoan. To further demonstrate the previous statement, Table 1 shows the Chinese Muslims' area of distribution and population.

**Table 1** Chinese Muslims' Distribution Area (Province) and Population

Ethnic group	The main distribution area (province)				2000		2010	
					Population	Proportion	Population	Proportion
					(People)	(%)	(People)	(%)
Hui	Ningxia Qinghai Anhui Tianjin Jilin	Gansu Yunnan Liaoning Heilongjiang Jiangsu	Henan Hebei Beijing Shanxi Sichuan	Xinjiang Shandong Inner Mongolia Guizhou	9,816,805	48.31	10,586,087	45.74
Uighur	Xinjiang				8,399,393	41.34	10,069,346	43.51
Kazak	Xinjiang	Qinghai			1,250,458	6.15	1,462,588	6.32
Dongxiang	Gansu	Xinjiang			5,130,805	2.53	621,500	2.68
Kirghiz	Xinjiang				160,823	0.79	186,708	0.81
Salar	Qinghai	Gansu			104,503	0.52	130,607	0.56
Tajik	Xinjiang				41,028	0.2	51,069	0.22
Baoan	Gansu				16,505	0.08	20,074	0.09
Uzbek	Xinjiang				12,370	0.06	10,569	0.05
Tatar	Xinjiang				4,890	0.02	3,556	0.02
TOTAL					20,320,580	100	23,142,104	100

Data Source: *China Statistical Yearbook 2010* and *China Statistical Yearbook 2013*.

In recent years, a number of studies on Islamic banking have been conducted by Chinese researchers in western China (An, 2012; Ma, 2012a; Zhang, 2009; Zhang and Zhao, 1987; Ba *et al.*, 2009; Feng, 2017). China has a population of more than thirty million Muslims, and more than 75% of Muslims are living in the western parts of China, hence having a tremendous potential to operate Islamic banking in their country (Ma, 2012a; Feng and Chen, 2011). Moreover, the Chinese central government has introduced the “One Belt One Road” (OBOR) / “Belt and Road Initiative” (BRI) to the world, and further highlighted the importance of Islamic finance to China (Ding *et al.*, 2016). With the BRI initiative, Islamic banking will gain new opportunities due to the support from the countries along the BRI route, as well as the demand for the establishment of diversified financial systems (Feng, 2017). The BRI involves the development of the economic areas along the



Silk Road as well as its linkages with the Islamic world due to the number of Muslim countries along the route. Hence, China should give priority to developing Islamic finance (Xie and Liang, 2016).

Due to the high demand for Islamic finance in western China and the fact that researchers studying the behavioural intentions of Chinese Muslims were a rarity; this study has chosen to examine the intention to adopt Islamic banking among the Chinese Muslims from the western regions of China. Additionally, this study also adopts the theory of planned behaviour (TPB) and postulates that attitude, subjective norm, perceived behaviour control and religious obligation are key determinants of intention to adopt Islamic banking amongst the Chinese Muslims.

As such, the main objectives of this study are as follows. First, the paper examines the influences of attitude, subjective norm, and perceived behaviour control on the adoption of Islamic banking. Secondly, it examines the effects of religious obligation on the intentions to adopt Islamic banking. Lastly, this paper evaluates the applicability of the TPB on Chinese Muslims and the intention to adopt Islamic banking.

## **2. Literature Review**

The objectives of the “Belt and Road Initiative” (BRI) are to develop the infrastructure and various trades of Central Asia, Southeast Asia, as well as the Middle East, whilst promoting the development of the western regions of China. The route of BRI covers a huge Muslim population area, especially the Silk Road which links western China, Central Asia, and the Middle East. Islamic finance plays a significant part in the implementation of the BRI. On a separate note, there are 65 countries along the BRI route with a total population of an estimated 4.4 billion, including China – which accounts for 63% of the global population; and

with 29 Muslim countries that have a total population of 1.2 billion, it accounts for 75% of Muslims populating in various parts of the globe. The countries which are located along the BRI route are considering developing Islamic finance as their own development strategy; among them are countries such as Malaysia, the United Arab Emirates, and Bahrain – all nations that were committed to promoting the construction of international Islamic financial centres in the region. Presently, those countries have already started their development in Islamic financial services in certain cities that serve as financial centres and have formed sufficient liquidity in Islamic financial markets. The BRI brought opportunities for the development of Islamic finance, whilst Islamic finance provided financial support for the construction of the BRI correspondingly (Feng, 2017).

In recent years, a number of studies on Islamic finance had emerged in China, especially in the areas of Islamic banking products and services as well as their operation in China (Adilijiang, 2010; Bao, 2016; Feng, 2017; Ba *et al.*, 2009; Ma, 2012a). One of the earlier studies made in China was conducted by Adilijiang (2010), who explained that the theoretical basis of Islamic finance are the Quran, Hadith, and the Islamic law, and the core principle of Islamic finance is that it prohibits the practice of interest and profit-sharing. Ma and Qi (2009) explained the ideology of Islamic finance, and concluded that the Islamic financial system needed to expand the types of businesses, and to introduce advanced business management methods due to its necessitated requirement for participating in the process of globalization. Islamic finance is attracting vast amounts of attention, and relevant, related researches conducted on the subject have great significance for China's financial market as well as the economic development in the western minority areas of China (Zhang, 2009).

There are more than 3 million Muslims residing in the Ningxia Hui Muslim Autonomous Region (NHAR), giving the area a unique advantage in developing Islamic finance. The NHAR has been building close trading relationship with Arab countries in recent years (Bao, 2016). Hence, as Ningxia formally took its first steps to set up an Islamic bank, the region has strengthened its cooperation and exchanges with international financial organizations, and has subsequently started a pilot project that launched Islamic banking in Yinchuan (銀川) city in December 2009. The Ningxia Bank has selected the Wuzhong branch, the Plaza branch, the Guangming branch, the Xinhuaixin Street branch and the Xincheng branch as windows of Islamic financial services, actively pushing forward the progress of Islamic banking. On the other hand, Hong Kong had actively expanded Islamic finance in recent years due to the growing proportions of the Chinese Muslim population in Ningxia province, as it is as high as being one third of China. Both Hong Kong and Ningxia play a complementary and cooperative partnership in the field of Islamic finance, jointly creating a platform for business opportunities – resulting in a “win-win” situation for the future of China-Arab trade and their economy (Ho, 2011).

Zhang (2016) has introduced the basic idea of Islamic finance and the main characteristics of the Islamic banking system, and has analysed the establishment of Islamic finance in the Gansu province of China. She concluded that Gansu had its advantages of developing Islamic banking – ones that involve the geographical, the Islamic cultural demand and the experiences of operating Islamic banking. The Gansu province is located in the western part of China, and was an important section of the ancient Silk Road just as it is the core area of the BRI. A large number of Chinese Muslims populate the area and the Islamic culture in Gansu is so strong that the province has been ranked the third most Islam-centric area in China, right after Xinjiang Uyghur Autonomous Region and

Ningxia Hui Autonomous Region. The financial industry amongst the Gansu Muslims has made great development in recent years, and has promoted trade as well as the cultural exchanges between the Chinese Muslims and the other Muslim countries. Therefore, Gansu has both internal and external advantages of establishing Islamic finance (Zhang, 2016). On the other hand, Fang and Ma (2017) had analysed the factors that influence civil financial development in Linxia City (臨夏市) of Gansu province. They found that the civil financial activities in Linxia was heavily influenced by the Islamic financial ideas due to the Chinese Muslims' beliefs in the religion of Islam. The high proportion of financial activities between Muslims includes the adoption of zero interest rate loans and profit-and-loss sharing, therefore indicating that there is a real need for Islamic banking in the market. An (2012) has studied and compared modern Islamic finance and the common business practices among Chinese Muslims, and has found that the two practices had high similarities due to the reasoning that there was something in common between Islamic religion and cultural basis.

Presently, there are a group of scholars who are familiar with the Islamic law and the Islamic economic thought in the northwestern regions of China, where a large number of Chinese people who believe in Islam form a suitable market for the development of Islamic finance. Therefore, the first trial of Islamic finance in China will obtain a very broad market (Ma, 2012a). Introducing Islamic finance is meaningful for the economic construction of Kashi – a special economic zone in Xinjiang, and it is also feasible in the aforementioned region because of the large Chinese Muslim population in Xinjiang. The Kashi (喀什, Kashgar) area has an estimated number of 90% Uyghurs, who believe in Islam. Thus, introducing Islamic finance has the foundation of Islamic religion and Chinese Muslim minorities (Sui, 2011). Several Chinese scholars have introduced Islamic banking systems and the basic Islamic

banking products, such as works by Sui (2010), Xu and Ouyang (2011). They described Islamic banking products, which are those of the *Murabahah*, *Musharakah*, *Mudarabah*, *Ijara*, *Istisna'a*, and *Salam*. In addition to that, they had summarized the differences between Islamic finance and conventional finance and discussed the combination of Islamic finance and banking, stocks, bonds and insurance in the Chinese financial market.

However, there were some challenges to establishing the Islamic finance in the world (Ma, 2012b). According to Xie and Liang (2016), the main problem is that market participants are unfamiliar with the Islamic finance practice in China. And because the Halal industry is the foundation of Islamic finance and is in its growing phase, the Chinese financial institutions do not have comprehensive programs to deal with Islamic financial risks. To meet and abolish the challenges, the Chinese government should consider setting up a special task team to study and promote Islamic finance, strengthen the media's transmission and create good environments for the development of Islamic finance, as well as systematically cultivating Islamic financial professionals to carry out prospective researches (Xie and Liang, 2016).

Quantitative studies of the demand for Islamic banking in China are particularly rare. To fill this gap, this study adopts the theory of planned behaviour (TPB) and has added a new independent variable, which is religious obligation. Given that the subjects under study are Chinese Muslims who live in the northwestern regions of China, who were known to observe and live according to their religion's beliefs even in their daily financial and economic transactions, the objective of this study is to empirically explore the effects of the determinants such as attitude, subjective norm, perceived behaviour control and religious obligation on their intention to adopt Islamic banking in China.

The theory of reasoned action (TRA) was popularized by Fishbein and Ajzen in 1975, and has since then been extensively used to study the intention to act or behave in a certain way, particularly in adopting a product or service. Due to the fundamental disadvantages of the TRA, however, Ajzen (1985) introduced perceived behaviour control (PBC) as a variable to the TRA model – resulting in an extended version of the TRA, also known as the theory of planned behaviour (TPB). According to the TPB, the behaviour intention of an individual is jointly influenced by his or her attitude, subjective norm and perceived behaviour control (Ajzen, 1985). The main reason for this study to adopt the TPB is the fact that this theory has successfully predicted and interpreted human behaviour across a variety of studies (Ajzen, 1991, Ajzen, 2002). The TPB has been employed to study the intention of individuals to exercise (Rhodes and Courneya, 2003; Ravis and Sheeran, 2003), to patron insurance (Innan and Moustaghfir, 2012), to purchase halal products (Hanzaee and Ramezani, 2011; Shah Alam and Mohamed Sayuti, 2011), to deal in online trading (Gopi and Ramayah, 2007; Ramayah *et al.*, 2009), to choose online grocery shopping (Hansen *et al.*, 2004), and to adopt Internet banking (Al-Ajam, 2013). Furthermore, the TPB model has been widely tested to predict the intention to adopt Islamic banking services by many researchers who have found that this model was applicable in the context of Islamic banking. These include studies about Islamic banking services (Echchabi and Aziz, 2012), Islamic unit trust (Ali *et al.*, 2014), Islamic credit cards (Amin, 2013; Amin, 2012; Ali *et al.*, 2017a), and Islamic home financing (Alam *et al.*, 2012; Amin *et al.*, 2009). Due to the reasons previously stated, this study opts to adopt the TPB to explore the influencing factors which affect Chinese Muslims' intention in using Islamic banking. This is done to hopefully help the stakeholders to comprehend and forecast the behaviour of Chinese Muslims, in regard to the adoption of Islamic banking in China.

Noting that the TPB alone does not completely interpret the relationship between intention and behaviour (Conner and Armitage, 1998), studies have recommended the addition of new variables (Ajzen, 2011) – which for this study is religious obligation. The reason to add and examine religious obligation is the fact that this study is conducted on Chinese Muslims, who are strongly influenced by their Islamic religion. Therefore, the present study includes religious obligation when it examines the factors, namely attitude, subjective norm, perceived behaviour control, whilst explaining the rationality of Chinese Muslims in choosing Islamic banking.

**Table 2** Review of Literature on Islamic Finance

Author(s)	Country	Models	Analysis	Key Findings
Echchabi and Abd. Aziz (2012)	Morocco	TPB	Multiple Regression	Findings illustrate that the TPB provides a comparable fit; on the other hand, attitude, subjective norm, and perceived behaviour control significantly influence the intention to use Islamic banking among Moroccan banking clients.
Amin, Abdul-Rahman and Abdul-Razak (2013)	Malaysia	TPB, IDT	SEM	The study shows that the integrated model is valid in the context of Islamic home financing, and attitude, subjective norm, perceived behaviour control, simplicity and compatibility are significant predictors of the intention to adopt Islamic home finance.
Fauziah, Ramayah and Abdul-Razak (2008)	Malaysia	TRA	Multiple Regression	Findings of this study verify that the TRA is applicable in the context of Islamic diminishing partnership financing, and that attitude, subjective norm, and religion jointly affect the intention to adopt Islamic home financing.
Alam, Janor, Zanariah and Ahsan (2012)	Malaysia	TPB	SEM	The study indicates that the attitude, perceived behaviour control, and religiosity significantly influence the intention to use Islamic home financing among Malaysians in the Klang valley; on the other hand, subjective norm does not influence the intention to use Islamic home financing.
Ali, Raza and Puah (2017)	Pakistan	TRA	Factor, Regression Analysis	Findings show that attitude and subjective norm significantly impact the intention to use Islamic credit cards in Pakistan while the perceived financial cost has a negative effect on the intention to use Islamic credit card.
Ali, Raza, Puah and Karim (2017)	Pakistan	Modified TPB	SEM	Findings indicate that the TPB is applicable in the context of Islamic home financing in Pakistan, where attitude, subjective norm, perceived behaviour control and religious belief significantly influence the customers' intention to choose Islamic home financing.
Amin, Abdul-Rahman and Abdul-Razak (2013)	Malaysia	TPB	SEM	The study confirms the applicability of the TPB in the context of Musharakah, Mutanaqisah home financing in Malaysia, and that attitude, subjective norm, and perceived behaviour control are found to have significant impact on the intention to be partner in Islamic home financing.

### 3. Hypotheses Development

#### 3.1. Attitude

Attitude is a significant element of a person's predisposition to respond and has been shown to be have significant relation to behaviours (Allport, 1935). Fishbein and Ajzen (1975) defined attitude as the evaluative effect of a positive or negative perception about an individual conducting certain behaviours. A great number of studies have been conducted on attitude and behaviour intention, and have found that there was a significant and positive relationship between the two. For instance, on the subject of Internet banking, Shih and Fang (2004) examined the factors that influenced the intention to adopt Internet banking in Taiwan. The study found that attitude had a significant relationship with the intention to adopt Internet banking. Similar results were reported by Gopi and Ramayah (2007) and Ramayah *et al.* (2009) in their studies on the factors that influence intention to use online trading in Malaysia; where a positive relationship between attitude and intention was also found among the customers of Islamic banking services in Morocco (Echchabi and Aziz, 2012) and Indonesia (Wahyuni, 2012). In this empirical study, attitude is suggested to have a positive relationship with the intention to adopt Islamic banking. The greater the positive attitude towards Islamic banking, the greater the intention to adopt Islamic banking will be among the Chinese Muslims in western China. Thus, the study proposes the following hypothesis:

*H1: Attitude has a positive effect on the intention to adopt Islamic banking*



### 3.2. Subjective Norm

Subjective norm has been defined as an individual's perception that people who are important to them should or should not carry out the target behaviour (Fishbein and Ajzen, 1975). The subjective norm reflects the influence of significant people, which relates to an individual's behavioural decisions. In short, when people for whom the individual hold high regard, such as parents, spouses and friends, encourage a certain behavioural decision, the person is more likely to have the intention to take that particular action.

Taylor and Todd (1995) found that the subjective norm significantly affected the consumers' intention to adopt innovative products. Similarly, Gopi and Ramayah (2007) and Ramayah *et al.* (2009) discovered that the subjective norm has significant, positive effects on the intention to adopt Internet stock trading in Malaysia. Subjective norm was also found to be a significant predictor in different areas of study. Lada *et al.* (2009) examined the factors that influence the intention to use halal goods, and amongst the 485 responses in Malaysia has revealed that the subjective norm is the most important factor in the Malaysian's context of intention. Amin (2007) found a similar trend in the adaptation of Internet banking among the Malaysian Islamic banking consumers. The relationship was reiterated again as Echchabi and Aziz (2012) found that the subjective norm significantly affected the customer's intention to use Islamic banking in Morocco.

This study examines the role of subjective norm on the intention to adopt Islamic banking among the Chinese Muslims in China. Subjective norm is proposed to have a positive relationship with the intention to adopt Islamic banking. The greater the subjective norm on Islamic banking, the greater the intention to adopt Islamic banking will be among the Chinese Muslims in western China. As such, the study surmises the following hypothesis:

*H2: Subjective norm has a positive effect on the intention to adopt Islamic banking*

### **3.3. Perceived Behaviour Control**

In the theory of planned behaviour (TPB), besides the factors of attitude and subjective norm, perceived behaviour control is assumed to have an effect on intention. For Ajzen (1991), perceived behavioural control embodies the self-perceived level of difficulty to take certain actions, including the individual's feeling of internal factors, such as knowledge, determination and skills, whilst external factors are resources, time, conditions, etc. Thus, Ajzen (1991) had concluded that the role of perceived behavioural control in determining an individual's intention should not be neglected. In the empirical study of Islamic banking, perceived behavioural control was found to be significant by Echchabi and Aziz (2012), Alam *et al.* (2012) and Ali *et al.* (2017b). The later study had then adopted the structural equation modelling in examining the Islamic home financing in the Pakistan context.

This study proposes that perceived behaviour control is to have a positive relationship with the intention to adopt Islamic banking. The greater the perceived behaviour control on Islamic banking, the greater the intention to adopt Islamic banking among Chinese Muslims in western China will be. Based on the extant research, the hypothesis is postulated as follows:

*H3: Perceived behaviour control has a positive effect on the intention to adopt Islamic banking*

### **3.4. Religious Obligation**

Religious obligation has a role in influencing an individual's choices and activities (Amin *et al.*, 2011). Omer (1992), who examined Muslims in the United Kingdom, found that the fundamental motivations for them to engage with Islamic banking was their religious belief. Metawa and Almossawi (1998) also revealed that religion was the most important influencing factor in adopting Islamic banks in Bahrain. Other studies that have arrived at the same conclusions include Lee and Ullah (2011) and M. Ali *et al.* (2017a) who studied bank consumers' attitudes towards Islamic banks and financing respectively in Pakistan, while Souiden and Rani (2015) assessed a sample size of 217 Islamic banking customers in Tunisia. Studies by Haron *et al.* (1994) and Amin *et al.* (2011) on Malaysian respondents, however, concluded differently as they have found that religion was not an influencing factor for customers to engage with Islamic banks. On the basis of the previous studies, the following hypothesis is proposed in this study:

*H4: Religious obligation has a positive effect on the intention to adopt Islamic banking*

## **4. Methodology**

### **4.1. Sample**

The target population of this study is the Chinese Muslim population living in the four cities west of China, namely Lanzhou (蘭州), Ürümqi (Wulumuqi, 烏魯木齊), Xining (西寧) and Yinchuan. The purposive sampling technique was applied since it was impossible to list all samples of study as it was difficult to attain the exact population of study (Neuman, 2005). A total of 1000 questionnaires were sent out

**Table 3** Demographics of Respondents (n=669)

Measure		Value	%
Gender	Male	363	54.3
	Female	306	45.7
Marital Status	Single	216	32.3
	Married	453	45.3
Age	Below 20	65	9.7
	21 to 30	192	28.7
	31 to 40	198	29.6
	41 to 50	135	20.2
	51 to 60	63	9.4
	61 above	16	2.4
Education Level	Below high school	265	39.6
	Diploma	192	28.7
	Degree	200	29.9
	Master/PhD	12	1.8
Employment Status	Student	138	20.6
	Government		
	employee	156	23.3
	Private sector		
	employee	287	42.9
Income per month	Self-employed	87	13
	Below 2000	138	20.6
	2001 to 3000	115	17.2
	3001 to 4000	233	34.8
	4001 to 5000	119	17.8
	5001 above	64	9.6
City of Residence	Lanzhou	168	25.1
	Urumqi	171	25.6
	Xining	179	26.8
	Yinchuan	151	22.6

and 669 questionnaires were usable, attaining a net response rate of 66.9 percent. The study was carried out from June to December 2015.

The demographic profile of the respondents is as shown in Table 3. The distribution of the respondents was 25.1% for Lanzhou, 25.6% for Urumqi, 26.8% for Xining, and 22.6% for Yinchuan, which was a distribution consistent across the four provinces. Even though 39.6 % of the respondents had education levels that were below high school level, the age and income of the respondents were of those who were able to access to banking products and services.

#### ***4.2. Development of Questionnaire***

All questionnaire items were adopted from previous studies and had been modified accordingly to reflect the context of this study. The constructs of attitude and subjective norm were adopted from Amin *et al.* (2009) and Amin (2013), while the constructs of perceived behavioural control were scales from Gopi and Ramayah (2007) and Amin *et al.* (2009). The questionnaire items for intention and religious obligation were adapted from Amin *et al.* (2011). All constructs were measured using seven-point scales, ranging from “strongly disagree (1)” to “strongly agree (7)” from left to right. This is consistent with the ideal seven-point Likert-scale proposed by Bollen (1989) for structural equation modelling. The survey questionnaire was developed in English at first and then translated into Chinese to accommodate the non-English speakers. This study applied the back-translation technique, as suggested by researchers, which has been widely adopted in cross-cultural studies (Brislin *et al.*, 1973; Chapman and Carter, 1979). Because this study was conducted in China and the sample of population were non-English speakers, the questionnaire had passed through translation works. Brislin *et al.* (1973) had suggested several translation approaches, for example: bilingual techniques, back-translation, pre-test, and committee approach.

Back-translation is a method in which the language is translated back to its language of origin, and it needs to be checked and proven that the translation finished could be used as a study instrument. This technique is remarkably accepted and recommended by scholars, as it is widely used in cross-cultural studies (Brislin *et al.*, 1973; Chapman and Carter, 1979). Thus, this study employs the back-translation technique to enhance the translation quality of the questionnaire from the origin language (English) to the Chinese language.

## 5. Results of the Study

### 5.1. Data Analysis

In this study data analyses are distributed in two steps: the first step is the preliminary analysis and the second is the SEM analysis. In the first procedure, the data screening process has been conducted to make sure that the data are entered properly and fulfill the assumption of normality.

According to Hair *et al.* (1998), normality is one of the assumptions to apply in the SEM, and the data of the study should be analysed to examine the normality of data. Due to this study applying the SEM, its fundamental procedure is to examine the univariate and multivariate normality. Therefore, this study introduces the AMOS software to test the normality of both the univariate and the multivariate. Through running the measurement model with AMOS, it had shown some outliers in the data set. After deleting the outliers, the data had reached univariate and multivariate normality. According to Anderson and Gerbing (1988), the absolute value of skewness being equal to or less than 1 indicates that the data is normally distributed, and if the sample size is more than 200, the value of the absolute skewness reaches 1.5. Meanwhile, the value of critical region (CR) for the kurtosis should not be greater than 3.0 (Awang, 2015).

**Table 4** Confirmatory Factor Analysis

Construct	Items	Factor Loading	AVE	CR	Cronbach Alpha
Attitude	1	0.773	0.601	0.883	0.882
	2	0.759			
	3	0.746			
	4	0.806			
	5	0.792			
SN	1	0.784	0.569	0.868	0.867
	2	0.786			
	3	0.715			
	4	0.747			
	5	0.736			
PBC	1	0.812	0.562	0.864	0.860
	2	0.802			
	3	0.627			
	4	0.794			
	5	0.696			
RO	1	0.724	0.584	0.875	0.875
	2	0.745			
	3	0.770			
	4	0.799			
	5	0.780			
Intention	1	0.759	0.582	0.848	0.846
	2	0.766			
	3	0.755			
	4	0.772			

Notes: SN, subjective; PBC, perceived behaviour control; RO, religious obligation.

In the second procedure, the structural equational modelling (SEM) process has been executed, and that the analysis involves two steps (Anderson and Gerbing, 1988). In the first step, it comprises examining the SEM measurement model, which deals with the assessment of the unidimensionality of all constructs and engages the modification as well as the specification of the model. It also needs to examine the reliability and validity of measurement models.

The objective of reliability is to reduce biases and error. According to Nunnally and Bernstein (1978), this can be achieved when the Cronbach alpha value is more than 0.70. To evaluate the reliability of the study, the Cronbach's alpha value of all variables should be greater than 0.80 (Nunnally and Bernstein, 1978). In Table 4, the Cronbach's alpha for attitude, subjective norm, perceived behaviour control, religious obligation and intention are 0.882, 0.867, 0.860, 0.875 and 0.846 respectively. Since the values for the variables are higher than 0.8, the model is deemed to have adequate internal reliability. Meanwhile, the average variance extracted (AVE) and CR were assessed to check reliability. A confirmatory factor analysis (CFA) was adopted to calculate the AVE and the CR values, which is introduced by Fornell and Larcker (1981). The scores are illustrated in Table 4, where all results for the AVE is greater than 0.5, and results of the CR have exceeded 0.7, which is recommended by Bagozzi and Yi (1988).

Validity refers to whether the sample data gathered could effectively embody the issues to be examined and appraise the quality of the study. Thus, this study has also gone through the validity assessment, which is measured by content validity and construct validity. By reading previous literature, the questionnaire items were developed in English. Due to this study being conducted in China, the questionnaire should be translated into Chinese. Bilingual students interpreted the questionnaire items into Chinese, which is in line with the habit of thought of the Chinese locals.



After being reviewed by relevant experts who have helped to correct the inconsistencies, the items were translated back into the English version. Brislin (1986) proposed that the back-translation is a required method in cross-cultural studies.

To assess the convergent validity and the discriminant validity of the measurement models, Fornell and Larcker (1981) suggested that the three criteria should be reached at first, and that all measured variables of factor loading (FL) ought to be significant, whilst value should be greater than 0.5. Secondly, all construct reliability (C.R.) values should exceed 0.8. And finally, the average variance extracted (AVE) should surpass 0.5. However, this study used the FL, C.R., and AVE for convergent validity, as shown in Table 4, where the value of FL ranged from the lowest of 0.627 to the highest of 0.812. This exceeded the recommended factor loading by Chin *et al.* (1997), which was supposed to be above 0.60. The value of the AVE ranged from 0.562 to the highest of 0.601, which was found to be consistent with the suggestion made by Bagozzi and Yi (1988). The values of the CR in this study are all above 0.8, indicating convergence reliability among the variables (Gefen *et al.*, 2000). Therefore, the values of the factor loading, AVE and CR indicated the achievement of convergent validity. Therefore, all three requirements for convergent validity were fulfilled.

In order to assess discriminant validity, the Fornell-Larcker (1981) criterion has been adopted. Table 5 illustrates that the values of the square root of AVE are higher than that of the correlations between the latent variable and the other variables. Thus, the requirement of discriminant validity was achieved. In summary, the measurement model has illustrated adequate internal reliability, convergent validity, and discriminant validity. This study was conducted using the common method bias test, and as Table 5 shows – the correlation value between constructs does not reach 0.8, which means that there is no single

variable that influences all constructs. Therefore, it can be concluded that there is no issue of common method bias in the data.

**Table 5** Latent Variable Correlation Matrix

	<b>Att</b>	<b>SN</b>	<b>PNC</b>	<b>RO</b>	<b>Intention</b>
<b>Att</b>	<b>0.775</b>				
<b>SN</b>	0.429**	<b>0.754</b>			
<b>PBC</b>	0.390**	0.408**	<b>0.750</b>		
<b>RO</b>	0.405**	0.400**	0.323**	<b>0.764</b>	
<b>Intention</b>	0.639**	0.600**	0.511**	0.530**	<b>0.763</b>

Notes: Att, Attitude; SN, subjective norm; RO, religious obligation.

Diagonal items are the square root of average variance extracted.

## 5.2. Results of the Study

According to Anderson and Gerbing (1988), the two-step approach is recommended for structural equation modelling (SEM), which is both the measurement model and the structural model. This study has started with the measurement model by executing the confirmatory factor analysis (CFA), followed by the structural model, which was employed for hypotheses testing. The AMOS 22.0 version was used to analyse both of the models.

## 5.3. Measurement Model

The AMOS applies the maximum likelihood estimation for which Kline (2005) recommended to use, and the use of a larger sample size more than 200 was adequate. Due to the sensitivity of Chi-square to sample size, especially when the sample size is bigger than 200, it was expected that a larger sample size would result in a larger Chi-square value.

Therefore, this study has adopted the most commonly used model-fitting indicators to review the results. These indicators are: ChiSq/df, GFI, CFI, and RMSEA. The results of the measurement model for all constructs are as shown in Table 6. The values of the ChiSq/df ratio are all below 5.0, which are within the value recommended by Bagozzi *et al.* (1991). The values of GFI are above 0.90, which show the acceptable model fit (Baumgartner and Homburg, 1996). And the values of CFI are all higher than 0.90, which reach the recommended value (Hu and Bentler, 1999). All values of RMSEA are below 0.08, which indicate that there is an absolute fit (Browne *et al.*, 1993). Therefore, there is a reasonable, overall fit between the measurement model and the measured data.

**Table 6** Results for Measurement Model

	GFI	CFI	RMSEA	ChiSq/df
Attitude	0.993	0.996	0.044	2.307
SN	0.996	0.999	0.021	1.306
PBC	0.997	1.000	0.007	1.028
RO	0.990	0.992	0.062	3.549
Intention	0.997	0.998	0.041	2.114

Notes: SN, subjective; PBC, perceived behaviour control; RO, religious obligation.

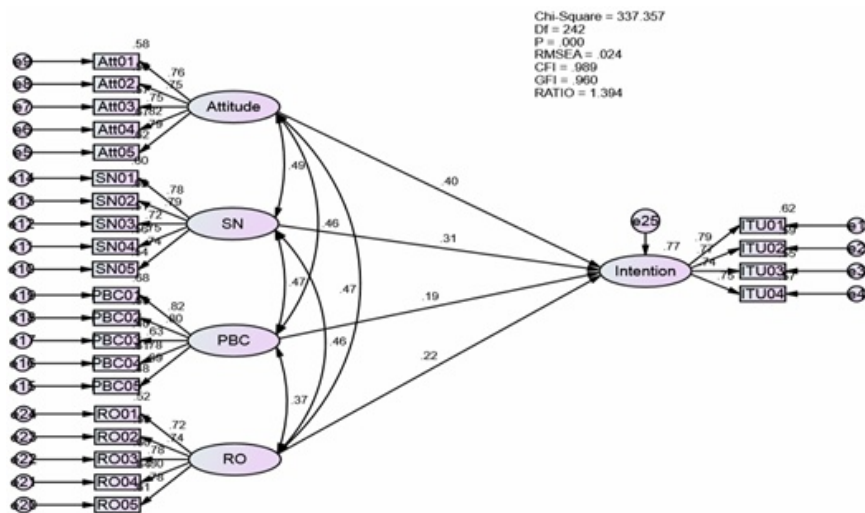
#### 5.4. Structure Model

After satisfying the validity and reliability of the measurement model, the study proceeded with the testing of the structural model. The structural equation model is as shown in Figure 1. The ChiSq/df ratio is equal to 1.394 and is within the recommendation of Bagozzi *et al.*

(1991). The GFI is 0.960, which shows an acceptable model fit (Baumgartner and Homburg, 1996), while the CFI is 0.989 and reaches the recommended value (Hu and Bentler, 1999). The value of RMSEA is 0.024 and below the recommended 0.08. This again shows that there is an absolute fit (Browne *et al.*, 1993). Therefore, the proposed structural model is revealed to be a good model fit.

In the vein of the TPB, attitude, subjective norm and perceived behaviour control are the independent variables, while intention is the dependent variable. This study has introduced a new independent variable, namely religious obligation. The values of correlation between the four independent variables are all below 0.8, indicating that all exogenous variables have achieved discriminant validity while the exogenous variables are not redundant, as shown in Figure 1.

**Figure 1** AMOS Structural Model Results



Note: \*  $p < 0.01$ .

**Table 7** Results of Regression

Construct		Construct	Estimate	S.E.	C.R.	P-Value
Intention	←	Attitude	.377	.038	10.052	***
Intention	←	SN	.280	.036	7.850	***
Intention	←	PBC	.225	.042	5.323	***
Intention	←	RO	.198	.033	6.078	***

Notes: Significance level: \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ .

SN, subjective; PBC, perceived behaviour control;  
RO, religious obligation.

**Table 8** Results of Structural Model

Construct		Construct	Hypothesis	Decision
Intention	←	Attitude	H1	Supported
Intention	←	SN	H2	Supported
Intention	←	PBC	H3	Supported
Intention	←	RO	H4	Supported

Notes: SN, subjective; PBC, perceived behaviour control; RO, religious obligation.

The proposed model is as shown in the AMOS graphic in Figure 1. The AMOS yielded the regression path coefficients for the structural model, as shown in Table 7. The rule of thumb is that if the critical ratio (C.R.) value is  $>\pm 1.96$ , then the estimate is fitting (Chau, 1997). The model produced  $\beta=0.40$ ,  $P<0.001$  for attitude,  $\beta=0.31$ ,  $P<0.001$  for subjective norm, and  $\beta=0.19$ ,  $P<0.001$  for perceived behaviour control. This indicates that all independent variables significantly affect the intention of adopting Islamic banking. Therefore, the hypotheses of H1, H2 and H3 are supported, as shown in Table 8. Similarly, the assessment

of religious obligation on intention has resulted in  $\beta=0.22$ ,  $P<0.001$  and the C.R value of 6.078. Thus, H4 is also supported.

## 6. Conclusion, Implication and Limitations

### 6.1. Conclusion

This study has empirically assessed the factors that influence the intention to adopt Islamic banking among the Chinese Muslims in western China. To the best of our knowledge, this is one of the earliest researches in adopting the TPB, and has composed religious obligation as a factor into the model to observe the Chinese Muslim consumer behaviour in Islamic banking settings. And the study contributes to the Chinese Muslim consumers' behaviour adoption by studying attitude, subjective norm, perceived behaviour control and religious obligation in Islamic banking services.

The outcome acknowledges the original TPB, which poses that attitude, subjective norm and perceived behaviour control directly influence intention. The results of the study have demonstrated that attitude is a significant predictor of intention to adopt Islamic banking, and it is consistent with the studies by Echchabi and Aziz (2012) and Ali *et al.* (2017a). Therefore, for Chinese Muslims, attitude is the most important factor in influencing them to adopt Islamic banking services, which is proven by the highest beta value ( $\beta=0.40$ ). It can be interpreted that once Chinese Muslims have a positive attitude towards Islamic banking services, they will intend to use it. Chinese Muslims feel that adopting Islamic banking is good, useful, beneficial, and a good idea for them. The findings of this research display that the subjective norm has a positive relationship with the intention to adopt Islamic banking. The finding is in line with the studies conducted by Echchabi and Aziz (2012), and Amin *et al.* (2013). The explanation on this is that Chinese

Muslims make decision based on others' opinion such as that of parents, friends or people who are much more important to them. The results also indicate that perceived behaviour control has a significant effect on the intention to adopt Islamic banking. This is consistent with the findings of Echchabi and Aziz (2012), Ali *et al.* (2014) and Gopi and Ramayah (2007). It can be interpreted that Chinese Muslims feel confident to be able to adopt Islamic banking, and they are capable of choosing Islamic banking services. In addition to the above, the present study has found that religious obligation does have positive influence on the intention to adopt Islamic banking among Chinese Muslims. This indicates that the Chinese Muslims consider religious obligation to be a very important factor in deciding their choice of banking. The finding of this study is consistent with Ali *et al.* (2017b). On the other hand, Lu (2014) concluded that the behaviour of Chinese Muslims was different from other Chinese people due to the fact that they were much influenced by the Islamic religion and Islamic law, including their attitude towards adopting financial services. Being Muslim, they should follow the principles of the Quran, which prohibits interest (Fang and Ma, 2017). Thus, bankers should be made aware that religious obligation will influence the intention to adopt Islamic banking among the Chinese Muslims while they are setting up Islamic banking services in western China. The principles of Islamic banking are based on the Quran, the Hadith and the Islamic law (Shariah), which are the foundations of the Islamic banking system. Bankers should abide by the most important ideological principles of Islamic finance, which is consistent with Islamic law, prohibiting interest, as well as profit and loss sharing. By developing the Islamic banking, Chinese Muslims will be made aware of the alternative and will gradually adopt Islamic banking in western China.

## **6.2. Policy Implications**

The findings of this study provide a number of managerial implications for the policymakers and bank managers. Since attitude, subjective norm, perceived behaviour control and religious obligation are the most influential factors for the intention of using Islamic banking among the Chinese Muslims in western China, it is paramount for bankers to engage in certain actions and processes in the future. More importantly, as bankers establish Islamic banking brand in the western regions of China, the principles of Islamic banking should be based on the Quran, the Hadith and the Islamic law, which represent a critical base of establishing the Islamic banking system. Bankers should abide by the most essential ideologies of Islamic finance, comply with the Islamic law, prohibiting interest, and sharing profit and loss.

## **6.3. Limitations and Recommendations of the Study**

The empirical findings of the study are favourable for both theoretical and practical objectives. However, there are some limitations that ought to be discussed as follows. First, the sample of this study includes four specific cities (Lanzhou, Urumqi, Xining and Yinchuan) in China, as these cities are geographically situated in the western regions of China. It is to be noted that samples of the Chinese Muslims who reside in other parts of China were not studied, such as Xi'an (西安), which is located in the central part of China, and Kunming (昆明), situated in the southwest of China. These findings may generalize the western regions of China but has not considered Chinese Muslims in China as a whole.

Secondly, the research model embodies the independent variables, such as attitude, subjective norm, perceived behaviour control, and religious obligation, which influence the intention to adopt Islamic banking among Chinese Muslims. It does not involve other independent



variables which would affect the intention to adopt Islamic banking, such as the Chinese cultural factors of face and group conformity. Thus, future studies should incorporate other potential influential factors into them.

Thirdly, this study has employed a cross-sectional study, which has several limitations when compared to longitudinal study. The data of a cross-sectional study arise at a certain point of time (Johnson and Onwuegbuzie, 2004). According to Veleva *et al.* (2012), the data gathered in a cross-sectional study are only present for the sample at a specific time, and as a result, are not possible for researchers to distinguish the respondents' accurate, steady perceptions, feelings, and opinions, and hence could be deemed temporary.

## Notes

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