DETERMINANTS OF ISLAMIC BANKING SERVICE USAGE IN JIMMA TOWN

A Thesis Submitted to the School of Graduate Studies of Jimma University in Partial Fulfillment of the Requirements for the Award of the Degree of Master of science in Accounting and Finance

MSc Program, Department of Accounting and Finance

College of Business and Economics

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JUNE, 2024

JIMMA ETHIOPIA

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A THESIS PAPER SUBMITTED TO THE ACCOUNTING AND FINANCE DEPARTMENT OF GRADUATE STUDIES, JIMMA UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER IN ACCOUNTING AND FINANCE.

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A Thesis Submitted to the School of Graduate Studies of Jimma University in Partial Fulfillment of the Requirements for the Award of the Degree of Master in Accounting and Finance (MSc.)

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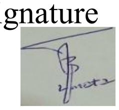
DECLARATION

I declare that the thesis entitled "**Determinants of Islamic Banking Service Usage in Jimma Town**" carried out by me under the guidance and supervision of Dr. Matewos Kebede (Asst. Prof.) and co-advisor Gelila Eshetu (Lecturer). The thesis is original and it has not been submitted previously in part or full to any university or other funding organizations. All works of others used in the were due acknowledge.

Researcher's Name	Date	Signature
Bekama Tesfaye Umeta	6/12/24	

CERTIFICATE

This is to certify that the thesis entitled "**Determinants of Islamic Banking Service Usage in Jimma Town**" for the award of the Degree of Master in Accounting and Finance carried out by Bekama Tesfaye under our guidance and supervision. Therefore, we now declare that this thesis is submitted as fulfilling the thesis requirement for the MSC in Accounting and Finance award at Jimma University.

Dr. Matewos Kebede (Asst. Prof.)_________________ _______________

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ABSTRACT

This study was conducted in Jimma, a town in the Oromia regional state of Ethiopia. The objective of this study was to examine the determinants of Islamic banking service usage in the town. Islamic banking is banking system which follows Shariah law, prohibiting interest and promoting ethical financial practices. Understanding the factors influencing its usage is crucial for financial institutions, policymakers, and researchers. For achievement of this objective the study employed a mixed-methods design. Analysis was conducted by using descriptive statistics and multiple regression analysis data from a questionnaire survey in Jimma town. A convenient sample of 514 individuals participated in the survey. The results of the study reveal that relative advantage, religiosity, marital status, age, and awareness are significant factors influencing Islamic bank usage in Jimma Town. However, variables like perceived risk, gender, and educational level of customers haven't shown any significant relationship with the usage of Islamic banking services. Qualitative results show that customers in Jimma use Islamic banks for saving money, economic participation, and development, but some are unaware of bank services and fear liquidity risk. It is better if Islamic banks in Jimma Town promote their services by demonstrating their perceived advantages over traditional banks. The study thus concluded that Islamic bank usage in Jimma Town is influenced by awareness, age, marital status, religiosity, and relative advantage. Further, creating personalized marketing strategies and improving customer awareness campaigns are worth considering increasing the level of Islamic banking service usage in Jimma Town. The current study didn't include few relevant variables that may potentially influence Islamic banking usage; therefore, further research on the same topic is encouraged to explore the effects of sociocultural factors, financial literacy, and customer satisfaction and loyalty towards Islamic banks to develop a comprehensive understanding of the factors affecting Islamic banking usage in Jimma Town.

***Keywords**: Awareness, Demographic Characteristics, Determinants, Islamic Banking Usage, Relative Advantage, Religion, Perceived Risk*

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Abbreviations

ANOVA ……………………………. Analysis of Variance

CBE………………………….….…Commercial Bank of Ethiopia

IB……………………………..……. Islamic Bank

IFDI…………………………………. International Islamic Financial Development institution

IFB…………………………………... Interest Free Bank

IFI………………………………......Islamic Financial Institution

SPSS………………………………...Statistical Program for social science

UK…………………………………... United Kingdom

US…………………………………...United State of America

CHAPTER ONE

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Banking is a type of financial service where banks and other financial institutions lend money, take deposits, and offer businesses and people asset management and investment services (Farnè & Vouldis, 2017). Banks as integral parts of the financial system mobilize savings and deliver loan products that facilitate investment swift flow of the real economy. The contemporary banking system in the world is classified into conventional banking and interest-free banking, which is also called Islamic banking (IB). Islamic banking is different from conventional banking because the transactions are performed based on the rules and principles of Islamic jurisprudence, which prohibit paying or accepting interest in financial transactions (Mohammed, 2019). Also, Kahf, (2005) stated that Modern IB are based on the European and North American banking models in terms of their overall design, departmental organization, and primary roles of obtaining funds and allocating them to individuals who require invest-able capital. The dissimilarity is evidently in the domain of funding methods, which are, in the case of Islamic banks, based on the Islamic legal framework and drawn from the Islamic system.

The Qur'an and the Christian Bible, two of the three major holly book, both ban having an interest in money. Islamic Jurisprudence is based on the Holy Quran and the Sunha of Prophet Muhammad (PBH). Interest (also called riba in Arabic) is forbidden in the Holy Quran Allah "SubhanahuwaTa'ala," expressly forbids this, saying that

"*Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, "Trade is just like interest." But Allah has permitted trade and forbidden interest. So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah. But whoever returns to [dealing in interest or usury]—those are the companions of the fire; they will abide eternally therein.*" (Surah Al-Baqarah 2:275).

According to Leviticus 25:36–37 in the New International Version (NIV), it states: Do *not take interest or any profit from them, but fear your God, so that they may continue to live among you. You must not lend them money at interest or sell them food at a profit.*" These verses highlight the ethical imperative of treating others with fairness and compassion and prohibiting the exploitation of those in need. The passage emphasizes the importance of prioritizing the well-being and dignity of fellow members of the community over financial gain.

Currently, Islamic banking is spreading globally. It is spreading not only in traditional predominantly Muslim countries but also in countries like the UK and Japan and the recent Islamic Financial Development Report states that 136 countries of the World Exercise Islamic banks (IFDI, 2022 &Ahmed, 2019). Apart from the expansion of interest-free banking services offered by special commercial banks, Islamic banking banks have also opened in developing African nations since 1963 the establishment of MitGhamr Saving House which is located in Egypt (Hussain et al., 2015). Africa's Islamic banking industry is expanding, especially in sub-Saharan Africa, where a sizable Muslim population resides(Seid Ali, 2021). Nigeria, Kenya, and South Africa are a few sub-Saharan African nations where IB is becoming more popular. In response to the demands of the Muslim community, these nations have witnessed a growth in the number of IB and financial organizations providing Shariah-compliant goods and services(Gelbard et al., 2014; Seid Ali, 2021). Fully-fledged Islamic banking also emerged in Ethiopia following the Banking directive SBB72/2019 which permitted the operation of fully-fledged interest-free banks in addition to interest-free windows that had been providing interest-free banking services since 2013.

Ethiopia allowed interest-free banking (IFB) in directive, SBB/ 51/2011. This directive states that interest-free window banking is only available from well-established conventional banks. And started in 2013 by the Commercial Bank of Ethiopia. Between 2011 and 2013, IFB gained traction and was incorporated into other private banks' window schemes, but full-fledged Islamic financial services were not allowed in the country until 2019 (Seid Ali, 2020) and Ethiopia has 30 banks, with 4 fully-fledged interest-free banks and most remaining private banks providing interest-free banking services on a window level.

Interest-free or Islamic banking services are part of a regulated banking system, according to the National Bank of Ethiopia. These banks (Islamic banks) uphold the Shari'ah, forbid what is unlawful, and enforce what ought to be upheld following Islamic financial customs. As a result, even though Ethiopia's conventional banks (Commercial Bank of Ethiopia(CBE) and sixteen private commercial banks) offer interest-free services, fully-fledged Islamic banks operating under Sharia law—like Zamzam (which has 75 branches nationwide), Hijra (which has 60 additional branches nationwide), Ramis Bank (which has 50 branches or fewer), and Shabelle (which has more than 52 branches)—are contributing to the nation's investment portfolio while also helping to form savings growth (Suadiq & Yatoo, 2021).

The growing size and operation of interest free banking is believed to increase financial inclusion in Ethiopia by easing religious barrier to financial inclusion. The objectives of these banks can be realized when their product and service are sanded by their target customer who self --excluded from the financial system to obey their religious teachings. This research is therefore conducted to describe the current state of interest free banking usage and the determinant factors. The study will be conducted in Jimma town of the Oromia regional state.

Nearly half of the people in Ethiopia's Oromia region are Muslims; over half live in the Jimma zone; and nearly half of Jimma town are Muslims (Abebe et al., 2021; DUİBE, 2021) and three IB (Four branches) are currently operating in Jimma town. Studies conducted both domestically and internationally have found that the following factors influence an Islamic bank's financial service: complexity, relativity, religiousness, demography, customer awareness of interest-free banking, customer lack of confidence, perceived risk, compatibility, tangibles, employee response, product innovation, communication skills, image, awareness, trust of financial institutions, individualism, and Shariah compliance are also important factors (Ansari et al., 2021;Kaakeh et al., 2019; Mariyanti et al., 2021). Also, local studies which were conducted on window Interest-free service reflected similar factors like trust, complexity, relativity, awareness, religiousness, lack of proper legal and regulatory framework, sharia experts, manpower, misunderstandings, and standardization of IFB concept, and demography as determinants of Islamic banks' financial service (Edilawit, 2022; Umer, 2021). Therefore, research is needed to further identify determinants of Islamic banks' financial services. Thus, this study aims to investigate the determinants of Islamic bank service in the case of fully-fledged branches in Jimma town.

1.2 Statement of the Problem

Currently, Islamic banks are growing in different parts of the world, not only in regions like Asia and the Middle East but also in Africa and Western countries like the UK (Yasim, 2020).Studies from different parties of the globe dealt with interest-free banking and fully-fledged Islamic banks.Accordingly, empirical studies conducted in different Islamic countries in Tunisia show that customers take into account several factors when choosing an Islamic bank: the quality of services provided by financial institutions, trust, and (especially) compliance with Sharia law. In addition, gender and age seem to be the only indicators of the choice of Islamic banks and these determinants (Ltifi, 2015). Another study in Malaysia which was conducted to assess the determinants of Islamic retail Banking Adoption revealed that relative advantage, promotional efforts, complexity, compatibility, and awareness of attributes of Islamic retail banking are the significant determinants of the usage of Islamic retail banking products and services. Studies in countries known as multi-religious societies are also available in the literature. Charles, (2021) The Tanzanian study reveals that corporate customers prioritize religious motives and low service charges as their main factors, followed by customer service and profit-sharing. Retail customers prioritize religious factors and customer services, with Islamic banks being more popular. Shari'ah compliance is a top priority for Amana Bank. Sawitri & Febrian, (2018) of Indonesia study findings show that banks' operations determined by Customers prioritize service accessibility, information technology-based products, and product knowledge, with religious factors being less significant drivers. Aden, (2014) of Kenya found that most respondents are aware of Islamic banking and factors like religious affiliation being the primary reason. Other reasons include affordability, convenience, ethical practices, and fast transactions

Also, numerous studies have been conducted in Ethiopia concerning interest-free banking; Debebe (2020) revealed that interest-free financial products and services are not properly used by customers as a result of their low level of awareness, perceived relative advantage, perceived compatibility, perceived complexity, and perceived trust in the existing banking system. Tesfaye (2020) also indicated that perceived relative advantage, perceived complexity, and trust have a significant positive impact on the acceptance of IFB in Ethiopia. Similarly, Edilawit (2022) studied factors affecting Islamic Banking Financial Services in the Ethiopian Banking Industry taking the Commercial Bank of Ethiopia as a case study, and found that relative advantage of Islamic banking, complexity, awareness, compatibility, and perceived risk have a small positive relationship and statistically significant correlation with an Islamic banking financial service usage.

The paragraphs above show that research in other countries has mainly focused on fully established Islamic banks, but the community's awareness and economic understanding of Islamic banking may likely vary. A study in Ethiopia found that people there have access to interest-free banking through IFBs or traditional banks (Umer, 2021) and previous authors specifically from Ethiopia were not examine the relative advantage, customer awareness, perceived risk, socio-demographic and religiosity impacts on usage of Islamic Bank which are fully fledged rather than Interest-free window service conventional Bank. This suggests that the new fully-fledged Islamic banks in the country have not been considered in the research conducted there; this study will be conducted to find out the factors influencing the use of services from full-fledged Islamic Bank branches in Jimma Town.

1.3 Objective of the Research

General Objective

The major objective of this study is to assess the determinants of fully-fledged Islamic banking usage in Jimma town.

Specific objectives

The following specific objectives are expected to be achieved through this study:

1. To examine how relative advantage of the services affects fully-fledged Islamic banking financial service usage in Jimma town.
2. To assess how religiosity of the customers affects fully-fledged Islamic banking financial service usage in Jimma town.
3. To assess how Socio-demographic characteristics of customers affects fully-fledged Islamic banking financial service usage in Jimma town.
4. To investigate how level of customer awareness affects fully-fledged Islamic banking financial service usage in Jimma town.
5. To assess how Perceived risk affects fully-fledged Islamic banking financial service usage in Jimma town.

1.4 Significance of the Study

This study focuses on the factors influencing Islamic banking services in Jimma town, to improve IB practices, promote financial inclusion, facilitate economic development, encourage on-Muslim individuals to be members of IB, and empower Muslim consumers. By recognizing the elements that influence customer behavior, Islamic banks can customize their goods, services, and marketing tactics to attract and keep customers, resulting in higher customer satisfaction and institutional growth. The findings can also help shape legislative and regulatory frameworks that promote the expansion, stability, and sustainability of IB services in Jimma. Furthermore, it has the potential to empower

Muslim consumers by raising their awareness and understanding of IB services, thereby matching their financial transactions with their religious beliefs and values. The outcomes of the study will serve as literature for similar areas for future researchers.

1.5. Scope of the study

Because there is not enough money to travel outside of Jimma town, previous researches were conducted on conventional banks which include banks that offer interest-free service alongside conventional service rather fully-fledged Islamic Banks. The purpose of this study is to evaluate the factors that influence the use of IB services in fully operational Islamic bank branches in Jimma town, Ethiopia. The research targeted customers from diverse demographic backgrounds and levels of familiarity with Islamic banking services. Determinants include demographic factors, religiosity, awareness, perceived risk, and relative advantage. The study focused on fully-fledged Islamic bank branches (Hijra, Ramis, and Zamzam) in Jimma town, offering a wide range of products and services; since factors influencing IFB on window conventional banks have been the subject of earlier research. . The research employed a mixed research approach, utilizing structured questionnaires to gather data from Islamic banking customers. The study was conducted within eight months (October 2023-June 2024), allowing for sufficient data collection, analysis, and reporting.

1.6 Organization of the Paper

The organization of the study presented in five chapters. The first chapter deals with the background of the study, statement of the problem, research hypotheses, objectives of the study, significance of the study, and scope of the study. Chapter two contains a review of related starting from the context Banking, concept and history of interest free banking, principles of Islamic banking, empirical review and conceptual framework chapter three consists of methods and materials, descriptive of study area, research approach, data source, data collection instruments, population, target population, sampling technique and sample size, data analysis and ethical consideration. The fourth chapter consist study result, interpretation and discussion and chapter five deals with research conclusion and recommendation.

CHAPTER TWO

2. REVIEW OF LITERATURE AND HYPOTHESES DEVELOPMENT

2.1 Theoretical Review

2.1.1 Banks concept and history

The business of banking is safeguarding other people's money. These funds are lent by banks, which earn interest and profit for both the bank and its clients. A bank is a type of financial organization that is authorized to take deposits and issue loans. However, they might also offer additional financial services (Levine, 1999).

Banks have a very long history that dates back thousands of years. The first recorded instances of banking can be found in prehistoric societies, where moneylenders and merchants provided financial services to businesses and private individuals.

The first banks in recorded history were the prototype banks run by ancient merchants who lent grain to farmers and traders who transported goods between towns. Banking techniques date back thousands of years to ancient Mesopotamia, which includes modern-day Iraq. Among the banking services offered by retailers were lending, currency exchange, and credit extension. Subsequently, lenders housed in temples provided loans and introduced two significant innovations: they took deposits and changed money during the time of the Roman Empire and ancient Greece. This era's archaeology in ancient India and China also reveals proof of moneylending activity. Therefore, the Mesopotamian civilization's invention of banking is a great gift to the world. From them, the idea of banking originated and subsequently extended to the nations of their contemporaries (Naik, 2014).

The origins of banking in the contemporary sense can be found in northern, affluent cities like Florence, Venice, and Genoa during the Middle Ages and the early Renaissance. In the fourteenth century, the Bardi and Peruzzi families controlled the banking industry in Florence and spread their branches throughout most of Europe. Founded by Giovanni Medici in 1397, the Medici Bank was arguably the most well-known Italian bank. With its headquarters located in Siena, Italy, Monte dei Paschi di Siena is the oldest bank that is still in operation today. It has been in operation continuously since 1472 (Viera Valencia & Garcia Giraldo, 2019).

The development of banking spread from northern Italy throughout the Holy Roman Empire, and in the 15th and 16th centuries to northern Europe. This was followed by several important innovations that took place in Amsterdam during the Dutch Republic in the 17th century and in London in the 18th century. During the 20th century, developments in telecommunications and computing caused major changes to banks' operations and let banks dramatically increase in size and geographic spread. The financial crisis of 2007–2008 caused many bank failures, including some of the world's largest banks, and provoked much debate about bank regulation (Rabbi, 2009).

2.1.2. Concept and History of Interest Free Bank

Verse in Surah Baqarah from the Qur'an: "*Those who devour usury (riba) shall not rise again except as he rises, whom Satan of the touch prostrates; that is because they say, 'Trade is like usury (riba*)." God has approved trade but disapproved of usury (riba). Christians have historically opposed charging interest on loans, citing biblical injunctions. Leviticus 25:37, Exodus 22:25, and Deuteronomy 23:20 prohibit lending money at interest to poor people, while Deuteronomy 23:20 allows foreigners to charge interest.

The administration of banking and financial transactions that adhere to Islamic morality, uphold Islamic principles, and fulfill Islam's social responsibility requirements is referred to as "Islamic Banking." Muslims first became aware in the 19th century that there should be a different banking and economic system whose operations, goods, and services adhere to Shariah laws. This was because the current system was founded on interest (riba), which is strictly prohibited in Islam and cannot exist in any form, whether it be commercial or non-commercial. Because of this, Islamic banks began to appear in the middle of the 1970s. Nonetheless, the initial stage of Islamic finance may be traced back to the early days of Islam, about 1,400 years ago (Shahdila et al., 2017).

Based on Sharia law, Islamic banking is meant to be conceptually and operationally distinct from traditional Western banking. The Hadith, the holy Quran, and other sources are the sources of the Sharia principles, which are laws and commands that also require the application of interpretation-based reasoning (Mansur & Klamer, 2021). One of the three monotheistic world faiths, Islam provides its adherents with strong guidance in several areas. Depending on the nation, there are occasionally slightly differing interpretations of Islamic banking. For instance, Muslims residing in Germany should find Islamic banking to be substantially relevant. There are over 4 million potential clients. For example, Berlin, the capital of Germany, is home to over 250,000 Muslims. As a result, Islamic banking is growing in significance even in this primarily Christian country. Customers who follow strict Islam should contrast conventional financial products with those that adhere to Sharia law. Although the Islamic banking sector is still relatively new, it has grown quickly, and only a few years ago, so-called Islamic financial products were still seen as a significant potential future market for the Western financial industry. The banks anticipated a significant influx of new capital from Muslim clients who wished to invest under Islamic law (Mansur & Klamer, 2021).

The first Islamic financial institutions of the modern era were created in the 1960s. In Egypt, a small interest-free savings bank was established at MitGhamr, in the Nile Delta, in 1963, and over the next three years, it opened eight more branches in other localities. In 1967 they (IB) were all either closed or merged with government banks, most likely for political reasons. Also in 1963, the Pilgrims' Fund Tabung Haji was set up in Malaysia to provide facilities for Muslims wishing to save for the hajj (pilgrimage to Mecca). It flourished, and it now provides a wide range of services to its 9 million depositors.

The Islamic Development Bank was established in 1974 by the Organization of the Islamic Conference (OIC, presently known as the Organization of Islamic Cooperation) as a multilateral lending organization to finance development initiatives in member nations under Sharî'a. It started functioning in 1977. Several significant Islamic commercial banks were founded at the same time; the first was Dubai Islamic Bank in 1975, followed by Kuwait Finance House and Faisal Islamic Bank of Sudan in 1977. Following the Islamic Revolution in 1979, Iran changed its banking system in the 1980s. At the same time, Pakistan attempted to Islamize its financial industry as a whole but was unsuccessful. Sudan was isolated politically and economically, so it followed suit with greater "success"(Pericoli, 2021).

The 1970s saw a boom in Islamic finance, which is no coincidence. It was facilitated by a broader religious renaissance, which was most strikingly demonstrated by the establishment of the Islamic Republic of Iran and Islamist governments under Omar al-Bashir and Muhammad Zia ul-Haq in Sudan and Pakistan, respectively. Furthermore, the 1973 and 1979 oil shocks resulted in a massive rise in profits for producers like the Gulf monarchs, who pushed Islam as an alternative to Arab socialism. Since then, the industry has expanded to other parts of the world, most notably Southeast Asia, but also to sub-Saharan Africa and Western nations with sizable Muslim populations (Al-Daghistani, 2017).

Moreover, the scope of Islamic banking has expanded beyond traditional banking, encompassing mutual funds, stocks, bonds, reinsurance, and insurance. This expansion mirrors the substantial growth in Foreign Direct Investment (FDI) and portfolio investment witnessed during the 1990s. But after 9/11, political upheaval compelled a lot of Muslim investors to reassess their holdings and return a part of their savings home. Islamic banking has expanded to become a huge industry, with a market value of over $2 trillion, more than a thousand Islamic Financial Institutions (IFIs), and a presence in more than 80 countries. Even though all of Iran's banking is Islamic, more than 45% of its assets are owned by Gulf Cooperation Council members. Iran possesses the largest proportion of assets (Bel et al., 2020).

There has been a significant Islamic economics and finance movement in East Africa for more than 20 years. It began with the establishment of Islamic banks in Somalia in 1998. At that time, the other countries did not pay attention to this sector until 10 years later, when Kenya joined in. During the first decade of Islamic banking in Somalia, there were eight fully-fledged Islamic banks. Currently, the East African region is gaining ground and catching up rapidly with the rest of the world when it comes to adopting Islamic economics and finance.The first Islamic banking window was opened by the Kenya Commercial Bank in 2007. In just ten (10) years, nine commercial banks have been licensed to provide Islamic banking services, and three of them are fully-fledged (Kasule, 2019).

The Islamic Bank had only been in operation for ten years or less when we returned to Ethiopia. Even if the window IFB was launched before it, it took more than decades of struggle to construct a fully-fledged Islamic bank. Accordingly, in 2007, a formal request was made by a Muslim Diaspora representative to the late Ethiopian prime minister to establish a bank that adheres to Sharia law. In May 2020, after many battles on the part of Ethiopian Muslims, full-fledged Islamic banking will be allowed. Aside from the window service offered by IFB, banks like Hijra, Zamzam, Shabelle, and Ramis are among the first to be identified as Fully-fledged Islamic banks operating in Ethiopia since 2020, when the fully Shariah-compliant bank license was given (Suadiq & Yatoo, 2021).

Three financial organizations, including Islamic banks, Islamic insurance, and Islamic microfinance, are the representatives of Islamic finance in Ethiopia, according to a study done to look into the existing state, future potential, and difficulties facing the sector. Islamic banking offers both fully-fledged and interest-free banking through the Interest-free Banking Window. Conventional banks use the interest-free banking window system, while fully-fledged Islamic banks use a different financial system that complies with Sharia law to provide services. The outcome further demonstrated that the main prospects for Islamic finance in Ethiopia are the following: a sizable client base, easy deposit mobilization, profitability, and sufficient capital for establishment (Hailu, 2021).

2.1.3 Principles of Islamic Banking

Shariah, or Islamic law, serves as the foundation for Islamic banking. Islamic banking is founded on moral and ethical values that prioritize justice and fairness while avoiding interest and uncertainty (Gharar). The following are some essential tenets of Islamic banking:

Riba (Interest): As a literal translation, Riba means surplus, and in Islam, interest is forbidden. The ban on interest is also mentioned many times in the Sunnah. In this case, interest refers only to income from rental properties, as profits and rental income are welcome as well. Consumers are affected by the interest prohibition both in terms of saving and borrowing. In Islam, fixed interest rates are forbidden for deposits and savings. Bonds are also forbidden, since interest is paid to the buyer in a fixed amount, regardless of whether profit or loss is generated. Profits are instead paid proportionally. In addition to many other factors, the ban on Riba is based on Sura 3, verse 130, "O *you who have believed, do not consume usury, doubled and multiplied, but fear Allah that you may be successful*." More detailed treatment of the riba is represented by verses 275-279 of Sura 2:" 20 those who consume interest cannot stand [on the Day of Resurrection] except as one stand who is being beaten by Satan into insanity.

Gharar: The term "Gharar" has a significant meaning concerning derivative transactions and refers to uncertainty or risk under a contract. One of the cornerstones of Islamic finance is the prohibition of excessive speculation. Contracts must be clearly stated for both contracting parties to reduce the risk of Gharar. Although Allah (s.w.t.) says, "*Eat not your property among yourselves unjustly by falsehood and deception, except it is a trade amongst you by mutual consent*," there is no explicit evidence from the Quran that suggests Gharar (Al-Bakarah, 2:188; AlNisa, 4:29). Gambling is expressly forbidden by the Quran (Al-Bakarah, 2:219 and AlMaidah, 5:93). Furthermore, the contract cannot be associated with an uncertain occurrence, wherein the outcome is unknown in advance(Ibrahim, 2011).

Ijarah: The Holy Qur'an says, "*Believers! Do not swallow interest, doubled and redoubled, and be mindful of Allah so that you may attain true success. The major cause of the setback suffered at Uhud was that precisely at the moment of their victory the Muslims succumbed to the desire for worldly possessions, and turned to collecting booty rather than completing their task of crushing the enemy. Hence God thought fit to raise a barrier against this excessive adoration of money and to urge them to give up usury which keeps man constantly absorbed in considering ways and means of amassing wealth and generally whets his appetite for money"* (Surah Al-Imran, 3:130).Ijarah is an act by which bank customers are allowed to use a particular resource. Depending on the type of contract, the bank either receives a fixed lease rate or a percentage of the asset's profits while maintaining ownership of the asset until the conclusion of the agreement. Depending on the type of contract, the bank either receives a fixed lease rate or a percentage of the asset's profits while maintaining ownership of the asset until the conclusion of the agreement(Muhamad A, 2016).

Mudarabah: In the Mudarabah model the bank is a shareholder in a project of the customer. Mudarabah is a commercial activity that is carried out by two parties where one is rabbul-mal (fund provider) and the other is mudarib (entrepreneur). The holly Qur'an argues in favor of Mudarabah by saying "*And when the prayer is ended, then disperse in the land and seek of Allah's bounty*" (Chapter 62, Verse 10). The bank invests as an asset manager the deposits in Sharia-compliant enterprises, whereby with the economic success of the enterprise the bank and the investor receive a previously fixed share of the generated income of the enterprise in addition to the complete repayment. The customer is solely responsible for the entire business and the bank does not influence the management. In the event of profit making, the distribution needs to be specified upfront. Only the investor—in this case, the bank—bears the risk in the event of a loss. As a result, Mudarabah is funded through a silent partnership. Although investing in these accounts can result in losses for the investor, Islamic banks typically handle these funds with extreme caution(Rahman, 2018).

Murabaha/Wadiah Principle: Murabaha contract is one in which the bank purchases a good on its behalf or charges the consumer to purchase on its behalf. Following the ownership transfer, the borrower and the bank sign a purchase agreement under which the borrower buys the bank's asset at a premium and makes payments over time or in installments. The average profit on all of these credit transactions is subsequently shared with the individual investor. The bank serves as a middleman. There are long-term investments and savings here, much like in the "Western" banking system (Shah & Niazi, 2019).

Ethical Investments: Investments in endeavors that align with Islamic values of morality and ethics are encouraged by Islamic banking. Investments should be avoided in sectors related to gambling, alcohol, tobacco, and other illegal activities. Rather, investments are encouraged in fields like healthcare, education, halal food, and renewable energy that support societal development (Anas & Mounira, 2009).

Prohibition of Haram (Forbidden) Activities: Islamic banking abstains completely from any conduct or dealings that are expressly forbidden by Islamic law. These include partaking in gambling, alcohol, pork, interest-based financial products, and other activities that are considered unethical or immoral (Abdul & Khorshid, 2001; Hussain et al., 2015)

Risk-Sharing and Profit-Sharing: Shared earnings and risks are the foundation of Islamic finance. Qur'an says "*And do not consume one an other's wealth unjustly or send it [in bribery] to the rulers so that [they might aid] you [to] consume a portion of the wealth of the people in sin, while you know [it is unlawful]*." (2:188)Islamic banks share the risks and rewards of investment initiatives as partners with their clients. This guarantees that the bank is actively involved in the development and performance of the projects it finances and promotes a more equitable distribution of income (Hussain et al., 2015).

Asset-Backed Financing: Financing transactions secured by physical assets is the main focus of Islamic banking.Holly Qur'an says "…*And there are those who amass gold and silver and do not spend it in the Way of Allah. Announce to them the tidings of a painful chastisement [9:35] on a Day when they shall be heated up in the Fire of Hell, and their foreheads and their sides and their backs shall be branded with it, (and they shall be told):* "This is the treasure which you hoarded for yourselves. Taste, then, the punishment for what you have hoarded." An Islamic bank, for instance, would offer financing for the acquisition of real estate or machinery, in which case the bank would own the item and lease it to the client. This lowers the possibility of speculative transactions and guarantees that the funding is linked to actual economic activity (World Bank Group, 2017).

Social Responsibility: Islamic banking encourages morality and social responsibility. The Qur'an also encourages acts of kindness, compassion, and justice towards others, regardless of their religion or background; which supported by Surah Al-Imran Ayat 92 (3:92 Quran), which says "*You shall not attain righteousness until you spend out of what you love (in the way of Allah). Allah knows whatever you spend*." Islamic banks are supposed to take social justice, economic growth, and environmental sustainability into account while making decisions and making investments. Islamic Banks are urged to participate in philanthropic endeavors and support humanitarian causes to improve society (Aboul-Dahab, 2023; Aracil, 2019; Mansur & Klamer, 2021).).

2.1.4 Determinants of Islamic Banking Financial Services

The services provided by Islamic banks will be comparable to those of conventional banks. In light of this, we can examine some of the issues that have come up in earlier studies as elements influencing Islamic banking financial services and proposed hypotheses as follows.

Relative Advantage and Islamic Banking Financial service

An innovation's relative relevance increases with its rate of adoption. This is the degree to which prospective adopters think an innovation will satisfy their wants, experiences, and beliefs (Robinson, 2009). Previous studies have attempted to study the effect of relative advantage on financial services and confirmed that it has a positive influence. For example, a study in Ghana entitled "Determinants of Islamic Banking Adoption Across Different Religious Groups in Ghana" confirms that perceived benefits of IB have shown a significantly positive effect on consumer attitudes towards IB (Mbawuni & Nimako, 2017). Another study conducted in eastern Ethiopia showed that relative advantage and interest-free banking financial services have a statistically significant correlation with the dependent variable, Islamic banking financial services (Edilawit, 2022). Transaction costs are another expected advantage that can determine the usage of Islamic Bank. These expenses are linked to economic transactions and notably impact consumer behavior and usage trends within the banking industry. In Islamic banking, where adherence to Sharia principles and ethical standards is crucial, transaction costs can greatly influence customer engagement and utilization of Islamic financial services (IMF, 2017).In Islamic banking, service charges are structured differently compared to conventional banking. Islamic banking follows Shariah law, which prohibits the charging or paying of interest (riba). Instead, Islamic banks charge service fees based on the actual cost of providing the service or a profit-sharing arrangement (Noor & Haron, 2016)

According to Mohd T et al., (2020), The pricing of Islamic banks in Malaysia influences non-Muslims' loyalty to Islamic banking. Their Sharīʿah-compliant, stable products, absence of interest charges, and clear communication of operational aspects, particularly bank.

Ha1*: Relative advantage has a positive significant relationship with Islamic banking financial service*

Religiosity and Islamic Banking Financial Service

Religiosity, defined as the degree to which individuals follow religious beliefs, practices, and values, significantly influences consumer behavior and decision-making (Anas, 2019). Islamic banking, guided by Sharia law principles, provides financial products and services that align with Islamic teachings and ethics. Religion significantly influences consumer behavior, especially in Islamic banking. Islamic finance principles, like interest prohibition and profit-and-loss sharing, align with Islamic values. Religious consumers seek services aligning with their beliefs, leading to increased trust in Sharia-compliant institutions (Yasin & Hijrah, 2017). A study by Yazar S et al., (2020) indicated that A person's perception of themselves toward Islamic banking will gradually improve as they experience the dread of God's wrath. People will make an effort to live according to their adopted religion and beliefs. Furthermore, a person will be more in favor of Islamic banking goods the more he adheres to Islamic law and believes in it. A survey study conducted in Indonesia titled “Religiosity and Islamic Banking Product Decision: ” the study revealed that dimensions of religiosity affected the understanding of Islamic Banking Concept and also affected Bank Selection Criteria(Soma et al., 2017). Another was conducted in Egypt entitled “Effects of Religiosity on Consumer Attitudes Toward Islamic Banking in Egypt”.The findings of the study show that religiosity has an impact on consumer attitudes toward Islamic banking in Egypt (Abou-Youssef et al., 2015).

***Ha2**: Customer religiosity level has a positive effect on customers to use Islamic banks*

Demographic characteristics and Islamic Banks' Usage

Age, gender, education, marital status, and employment are just a few examples of the demographic traits that have a significant impact on how consumers behave and what they like, including while using financial services. Understanding how these variables affect consumer engagement and usage patterns is essential for Islamic banks to effectively tailor their offerings and marketing plans (Kumar, 2014).

Previous research on a range of banking and non-banking services has shown that demographic characteristics are important. These factors have been the subject of numerous researches, either fully or partially. According to (Abou-Youssef et al., 2015; Rahmi, 2023)a study conducted on “The Influence of Demographic Factors and Social Class on Customers' Decisions to Choose Islamic Banks’ results of the partial statistical test also shows that the variables of education, income, and employment have a significant positive effect, while the age variable has a significant negative effect on the customer decision in the usage of Islamic bank.

Ha3: Age has a significant effect on customer usage of Jimma Town's fully-fledged Islamic banks.

While most authors focus on age and gender as the primary determinants of behavior, other personal factors, such as education, , marital status, and occupation, might also affect the choice of Islamic banks (Sayani & Miniaoui, 2013). Customers' decisions may be influenced by their occupation and income. Additionally, they may prioritize basic services over wealthier individuals and may not place as much emphasis on the cost or quality of financial services. The level of education could also play a significant role. Therefore, the following hypotheses are suggested:

Ha4: *Education influence customers' usage of Jimma Town fully-fledged Islamic banks.*

Ha5: Gender has significant relation with usage of Jimma town fully-fledged Islamic Banks

Ha6: Marital status has significant relationship with usage of Jimma Town fully-fledged Islamic banks

Customer Awareness and Islamic Banking Financial Services Usage

Before making any decisions, consumers should be knowledgeable and well-informed about financial products and services, according to the principle of customer awareness in finance. This entails being aware of potential fraud and scams as well as comprehending the advantages and disadvantages of various financial solutions (Dwiastanti, 2015; G20, 2020).

Findings of previous studies show that the majority of Islamic Bank service customers are Muslim which indicates that they have an awareness of its service. They weren't aware some terminologies like Assurance Fund and Mudarabah are terms with solid comprehension among respondents, with less than 50 % of customers being poorly understood, indicating a need for further education and awareness in Islamic banking. In short, this finding confirms that awareness has a determining power on Islamic Banking financial services (Okumus et al., 2013).

According to Imran et al., (2011) study conducted on "Awareness Level of Islamic Banking in Pakistan's Two Largest Cities" Customers' awareness of Islamic banking was investigated, and it was discovered that while they were not fully informed, they were happy with the operational services provided by traditional banks regarding Islamic banking goods.

Ha7: *Having Awareness has a positive significant effect on Islamic Banking Financial service*

Perceived Risk and Islamic Bank Financial Services

The elements that affect a person's perception of risk when utilizing Islamic banking services are referred to as perceived risk determinants of Islamic banking services. These variables may include return uncertainty, bank reliability, financial system stability, and the general standing of Islamic banking (Arman, 2017).

One study conducted in Nigeria and entitled “The Impact of Compatibility and Perceived Risk on Customers’ Acceptance of Islamic Banking in Nigeria” showed that perceived risk has a determining power strongly negative on Islamic financial services. It demonstrates that perceptions have a major detrimental effect on Nigerian consumers' adoption of Islamic banking's goods and services. Customers are therefore aware of the risk concern. The more elevated the understanding the less likely it is that consumers would continue using the products, and the smaller the risk.

In addition to the mentioned study finding, another conducted in the east of Ethiopia titled “Factors Affecting Islamic Banking Financial Services in Ethiopian Banking Industry; in the Case of Commercial Bank of Ethiopia “The possibility of utilizing interest-free banking has a negative and substantial impact on consumers' perceptions of Islamic banking financial services. The average value of the variables indicates that clients do not fully understand and have faith in the bank when it comes to IFB transactions (Edilawit, 2022).

Ha8: *Perceived risk has a negative significant effect on Islamic banking financial service of Fully-fledged Islamic banking*

2.2 Empirical Literature Review

Sayani & Miniaoui, (2013) have studied on Determinants of bank selection in the United Arab Emirates. In the study, they used Data from 246 respondents in Dubai and Sharjah to reveal factors influencing bank selection, including product quality, service quality, profit, reputation, cultural and religious factors, and demographic attributes. The finding shows that Bank reputation and expectation of profit on deposits are not determinants of bank selection; however, religious preferences are the most important considerations in selection between Islamic and conventional banks.

Al Balushi et al., (2019) in a study Determinants of the decision to adopt Islamic finance: evidence from Oman, used A survey conducted on 385 owner-managers in Muscat, Oman, using a questionnaire and ANOVA.The study reveals that while owner-managers' Islamic financial knowledge and personal characteristics influence their intention to adopt Islamic finance, their firms' characteristics do not significantly influence their decisions.

Sen et al., (2020) in the study "The Determinants of Opening Account with Islamic in Bangladesh" The study used a validated structured questionnaire to survey 300 Bangladeshi clients with at least one Islamic bank account. The study found that factors influencing people to open accounts in Islamic banks include high interest, ATM facilities, SMS confirmation, branch service availability, lower financing costs, low deposit fees, and prompt service from employees.

Sarah Aini & Masih, (2021) has studied the study entitled "Investigating the major determinants of Islamic bank savings: Malaysian evidence". The authors' study aimed to determine the factors affecting Islamic bank savings and deposits. For collected data, they used time series techniques which are used for the analysis. The findings of the study revealed that Money Supply is the most exogenous because the level of liquidity determines savings.

The study conducted by Zinser, (2018) entitled "Retail Islamic banking and financial services determinants of use by Muslims in the USA" was conducted by aiming to identify the determinants of the intended use of Islamic banking and financial services by US Muslims. For the success of the author's works data were collected via Web-based surveys, a sample size of n = 251 was analyzed and a three-step approach using SEM was used to test the five hypotheses. The findings showed that positive attitudes toward Islamic financial services were found to be statistically significant and its path was the strongest. The higher Muslim identification path was tending toward being statistically significant. The analysis also showed that the lower perceived cost of being Muslim path was statistically significant but in the opposite hypothesized direction.

Another study was conducted titled "Determinants of Islamic banking adoption in Ghana" which aimed to examine factors affecting the adoption of Islamic banking (IB), which is an innovative and emerging form of banking, in a non-Islamic Sub-Saharan African (SSA) country. The study used primary data collected from a cross-section of 975 respondents using a self-administered structured questionnaire and was analyzed using SPSS by the model of least squares structural equation modeling for Muslim and non-Muslim groups. The study found that Muslims have higher knowledge of IB than non-Muslim groups. The perceived religious effect of IB hurts non-Muslim consumers' attitudes toward IB adoption but has a positive on Muslim consumers' attitudes towards IB adoption (Mbawuni & Nimako, 2017).

ElMassah & Abou-El-Sood, (2022) conducted a study in Egypt on the Selection of Islamic banking in a multicultural context: the role of gender and religion. The study utilizes structural equation modeling to analyze data from a survey of 790 respondents in an emerging market setting, adjusting for gender and religion to eliminate bias. Consumer awareness significantly influences Islamic banking product selection, with Muslim consumers showing a greater positive effect. Social stimuli and bank attributes have no significant impact.

Tesfaye, (2020) conducted the study entitled “Determinants of interest-free banking acceptance in Ethiopia” which aimed to identify potential determinant factors affecting customers to accept IFB in Ethiopia by considering five independent variables(perceived relative advantage, perceived Compatibility, perceived complexity, Trust and Attitude towards use of Islamic Branding). The study was performed in Quantitative Descriptive Analysis (QDA) methodology. The ANOVA and Correlation were used to test the hypotheses. ANOVA result showed that the value of R and R2 obtained under the model summary part was statistically significant. The multiple linear regression analysis revealed that perceived relative advantage, perceived complexity, and trust have a significant positive impact on the acceptance of interest-free banking in Ethiopia.

With particular reference to the Commercial Bank of Ethiopia branches located in Harar town, Edilawit, (2022) "Factors Affecting Islamic Banking Financial Services in Ethiopian Banking Industry; in the Case of Commercial Bank of Ethiopia," sought to understand the factors influencing Islamic banks' financial services in Ethiopia. This author's study was specifically focused on traditional banks that use the IFB work window. 218 respondents made up the study sample size. it includes 200 clients and 18 workers of the interest-free window. The sample was chosen using the purposeful sampling technique. The study's findings show that all independent variables—complexity, relative advantage, awareness, compatibility, and perceived risk—have a statistically significant and minor positive connection with the dependent variable which is Islamic banking financial service.

In general, the mentioned studies found that perceived relative advantage, complexity, trust, and attitude towards Islamic branding positively impact interest-free banking acceptance. Money supply is the most exogenous factor affecting savings in Islamic banks. Positive attitudes towards Islamic financial services are strongest among Muslims.

Table 1 Summary of empirical review of the study

Author& year of study	Country	Model specification	major findings
Sayani & Miniaoui, (2013)	United Arab	Multiple discriminant analysis	Bank reputation and expectation of profit on deposits are not determinants of bank selection
Mbawuni & Nimako, (2017).	Ghana	least squares structural equation modeling (PLS-SEM)	The perceived religious effect of IB hurts non-Muslim consumers' attitudes toward IB adoption but has a positive on Muslim consumers' attitudes towards
Zinser, (2018)	USA	three-step approach using SEM	lower perceived cost of being Muslim path was statistically significant but in the opposite hypothesized direction
Al Balushi et al., (2019	Oman	ANOVA non-parametric test	Islamic financial knowledge and personal characteristics influence their intention to adopt Islamic finance,
Sen et al., (2020).	Bangladesh"	Factor Analysis	factors influencing people to open accounts in Islamic banks include high interest, ATM facilities, SMS
Tesfaye, (2020)	Ethiopia	Multiple Regression	Perceived complexity, and trust have a significant positive impact on the acceptance of interest-free banking in Ethiopia.
Shuvro Sen (2021)	Bangladesh	Factor analysis	Riba on saving, ATM , confirmation SMS availability of branch, lower cost on financing are factors influencing IB
Sarah Aini & Masih, (2021)	Malaysian	regression technique	Findings revealed that Money Supply is the most exogenous because the level of liquidity determines savings.
ElMassah & Abou-El-Sood, (2022)	EGYPT	structural equation modeling	Consumer awareness significantly influences Islamic banking product selection
Edilawit, (2022)	Ethiopia	Multiple Regression and ANOVA	complexity, relative advantage, awareness, compatibility, and perceived risk—have a statistically significant on Islamic Bank service

2.3 Conceptual Framework

The main objective of this study is to assess the determinants of fully-fledged Islamic banking usage in Jimma town. Based on the study objective the author framed a conceptual model by reviewing several literatures. The usage of Islamic banking can be determined by variables like relative advantage (the degree to which IB is superior to conventional Bank), religiosity (the quality the customers have for their religion), demographic characteristics (Age, gender, grade and marital status the customers), awareness of customers (to what extent the customers are know the product and service of IB), and perceived risk (subjective evaluation for risk that will occurred because the use IB), (A, 2020; Abou-Youssef et al., 2015; Al Balushi et al., 2019; Edilawit, 2022; Mohammad et al., 2008; Mohd Thas Thaker et al., 2020; Soma et al., 2017; Yasin & Hijrah Hati, 2017).This study's scope and primary focus are summed up in terms of the variables that are included in the conceptual model that follows.

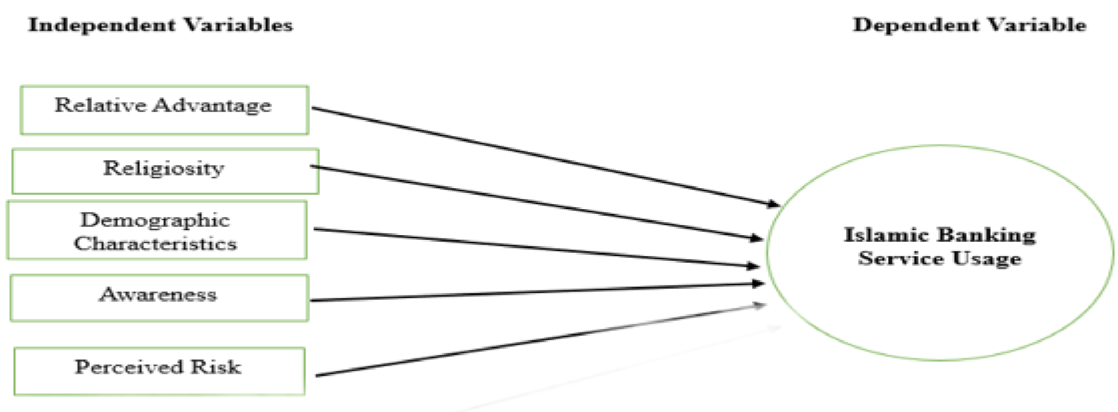

Figure 1 Conceptual Framework Source: Author 2024

2.4. Research Gaps

Analysis of the literature indicated that there is a knowledge gap about the factors that determine Ethiopia's use of fully-fledged Islamic banking. According to a study of the literature, industrialized nations have produced the majority of the empirical research done to determine the factors influencing the use of Islamic banking. To the best of the researcher's knowledge, only a small number of studies on the factors influencing the use of interest-free (offered by conventional banks) banking services have been done in developing nations and demographic characteristics were not addressed. Aware of this, the researcher is inspired to add demographic variables, size of sample to this investigation and working on fully operated Islamic Banking service banks.

CHAPTER THREE

3. RESEARCH METHODS AND MATERIALS

3.1 Description of Study Area

The study was conducted at Jimma town, a town located in Ethiopia's southwestern region 346km southwest of Addis Ababa, which is a thriving metropolitan area with a large Muslim population. The town is renowned for its cultural richness, economic activity, and historical significance. Nearly half of Jimma's population is Muslim, making it a perfect place to investigate the factors that influence Islamic banking service usage (CSA, 2007).

Jimma town is home to three fully operational Islamic banks with four branches that offer a variety of Shariah-compliant financial goods and services to the local community. These branches serve an important role in fulfilling the financial requirements of Muslims while also promoting ethical and inclusive banking practices.Majority of the town’s population is considered to be of working age, and their average yearly income is quite similar to Ethiopia's average, as reported by the World Bank (Bukata et al., 2022).

3.2 Research Design

Mixed (quantitative and qualitative) study design was used to investigate the determinants of Islamic banking services in fully operational Islamic bank branches in Jimma town.

3.3 Data Type and Sources

For achieving study objectives gather primary data from customers of the three Islamic banks in Jimma town. A semi-structured questionnaire was used to collect primary data. The close, open-ended, and Likert scale methods was used to measure responses, with options including strongly disagree, disagree, neutral, agree, and strongly agree, each assigned a numerical value from 1 to 5 respectively.

3.4 Target Population

The target population of this study was consist of all active customers of Hijra, Zamzam, and Ramis banks found in Jimma town which is 27870 on Tuesday, February 6/2024 as data taken from each bank. The customers who are the employment of the bank were excluded from to be study subjects.

3.5 Sampling technique and sample size of the research

Study respondents were determined by Kothari formula and then proportionally taken from each banks depending on customer size of each branch of Islamic banks found in the town. Then, to collect the required data, convenience sampling techniques were employed to use participants who were availed in banks in days of data collection. The sample size was determined by using the formula of a finite number of population, depending on the total number of clients at each bank branch found in Jimma town (R. Kothari, 2004).

$$\mathrm{n} = \frac{\mathrm{N}}{1 + \mathrm{N}\,(\,\mathrm{e}\,)2}$$

Description:

N= is the target population size

n= is required sample size

e= margin of error at 5% (standard value of 0.05)

1= constant

The remaining calculations follow suit

$$n = \frac{27870}{1{+}27870\,(\,0.05\,)2} = 395$$

It is usually advised to expand the sample size by 30 to 50% in order to address the non-response issue. For this reason, the sample size would be 514 or [(395*30%)+395=513.5≈514] after adding up to 395 percent (Abbas et al., 2023).

Table 2 Sample Size Proportionality

Banks	Total Customers in February	Calculated sample size
Hijra-Aba Jifar & Jabal Anur	13018 +6052	240 +112=352
Zamzam	4000	74
Ramis	4800	88
Total	27870	514

Source: Own survey, 2024

3.6 Data Analysis and Model Specification

Descriptive (frequency and percentage) analysis used to describe the demographic characteristics of respondents and the average of variables. Pearson correlation and multiple regression analyses used to determine the relationship between the study variables. The degree to which the independent variable explains the dependent variable was ascertained using regression analysis. To determine how each independent variable affects the dependent variable, regress the dependent variable over the independent variables. Furthermore, each independent variable's significance was assessed using its p-value and a 95% confidence range. The model is as follows, based on the information that has been provided.

$Y = \beta 0 + \beta 1RA + \beta 2Rg + \beta 3Dc + \beta 4Aw + \beta 5Pr + \varepsilon$

Where:

Y= the dependent variable (Fully-fledged Islamic Banking Service Usage)

ε= Marginal error term

$\beta 0$= Constant

$\beta 1$, $\beta 2$, $\beta 3$, $\beta 4$, and $\beta 5$, are the coefficient of independent variables; while RA is a relative advantage, Rg is religiosity, Dc is Demographic characteristics (Age, gender, educational background, and marital status), Aw is awareness, and Pr is perceived risk.

Multiple linear regression models were therefore used in this study to calculate the effect of each bank determinant on IB usage by customers. The researcher verified that the data acquired met the requirements for multiple linear regressions, such as multicollinearity normality, before doing multiple linear regression analysis.

3.7. Validity and Reliability Test of data collection instrument

3.7.1. Validity test

The degree to which an instrument measures what it is intended to measure is referred to as validity. Not only must data be trustworthy, but they must also be accurate and true. A measurement is reliable if it is valid (Sürücü, 2020).The researcher included twenty Jimma Town full-fledged IB consumers in the pilot test. Despite not being included in the sample that was chosen for use in the same study, these respondents have the same traits. The methods and sampling strategies described in the primary study were also used in the pilot study. The researcher was able to modify or rethink the questions in order to make the instruments clear and devoid of ambiguity after discovering issues with the research instruments during the pilot testing, such as imprecise instructions and ambiguous questions. Before moving on to the main investigation, the corrected instruments were retested to make sure they were now functioning correctly. Because respondents were thus able to easily answer the questions, this increased the tools' efficiency and maximized the response rate from the respondents.

3.7.2. Reliability test

The consistency, stability, or dependability of the data is referred to as reliability. Every time a variable is measured, an investigator wants to be certain that the results are accurate and consistent. When a measurement yields the same results when repeated twice, it is considered dependable. The measurement is unreliable if the outcomes differ. (Use et al., 2009)).

A reliability coefficient that provides an objective assessment of the generalization of data is Cronbach's alpha. An alpha coefficient of 0.6 or higher indicated that the gathered data are reliable as they have a relatively high internal consistency and can be generalized to reflect opinions of all respondents in the target population (Tavakol & Dennick, 2011).

A technique called Cronbach's Alpha is used to gauge how reliable a questionnaire is both for individual questions and for the entire set of questions. The Cronbach's coefficient alpha value normally ranges from 0 to 1, with a greater value denoting a higher degree of internal consistency and a lower value denoting a lower degree. The most widely recognized value of Cronbach's alpha to establish internal dependability of the data is 0.60 and higher, while different authors accept different values. The key to ensuring the quality of the data is to verify the validity and reliability of the devices used to collect the data before supplying them to the real study subjects.

3.6.3. Analysis of reliability Test

Table 3 Reliability test results

Determinants of Usage of Islamic Bank	Number of attributes	Cronbach's Alphas' Results
Relative Advantage	6	0.896
Religiosity	4	0.89
Customer Awareness	5	0.787
Perceived Risk	4	0.57
Demographic Characteristics	4	0.593

Source: Own survey, 2024

The average Cronbach's alpha test result in this study was 0.75As a result; the result exceeds the minimum value of 0.6 and shows that the instrument's dependability is not an issue.

3.7 Ethical Consideration

The research procedure was carried out in accordance with moral principles. The required approval and authority to begin the research was acquired from Islamic banks in Jimma town, Jimma University, and other relevant entities. A covering letter guaranteeing participant privacy and confidentiality that information collected from them wouldn't be shared with outside parties was included to the questionnaire. From this point on, each respondent's right to confidentiality, anonymity, complete informed consent, and privacy was handled separately. The questionnaires did not include the name or any other sort of identifying information. Each participant was asked to give their informed consent, and their confidentiality and privacy were respected.

CHAPTER FOUR

4. RESULT, INTERPRETATION AND Discussion

The study's data analysis and discussion are presented in this chapter. The following sections contain the results of the descriptive and inferential analyses as well as a discussion of the findings.

4.1. Response Rate

Questionnaires were provided to 514 respondents from Jimma town who use fully fledged Islamic banking services for the current study. By the end of the survey period, 415 questionnaires had been returned, representing an 80.74% response rate. 21 of the 415 completed surveys were thrown out since most of them were incomplete. The remaining 394 questionnaires were deemed suitable for data analysis in the current study, with a valid response rate of 76.65%. According to recommendations for the mixed method, 35% is adequate (Kimball, E., & Loya, 2017). As a result, the current study's legitimate response rate of 76.65% % was deemed appropriate for data analysis which is 394. The following table provides a full summary of the questionnaire responses for the current study.

Table 4 Summary of the questionnaire responses for the current study

Response	Frequency	Percent
Distributed questionnaire	514	100
Returned Questionnaire	415	80.74
Incomplete questionnaire	21	4%
Complete and high quality Questionnaire	394	76.65%

Source: Own survey, 2024

4.2. Descriptive Statistics

Under descriptive statistics, the study examines demographic characteristics, and key determinants influencing Islamic bank usage among individuals by indicating the mean of determinants factors.

4.2.1 Demographic characteristics of respondents.

Table 5 Demographic characteristics of respondents

Characteristics		Frequency	Percent
Gender	Male	314	79.7
	Female	80	20.3
	Total	394	100.0
Age of the *respondents*	20-35	209	53.2
	36-50	133	33.9
	>50	52	13.3
	Total	394	100.0
Educational background	Below grade 8 completed	108	27.5
	Grade 9-12 completed	69	17.5
	Diploma and other certificate	94	23.9
	Bachelor degree and above	123	31.2
	Total	394	100.0
Occupation	Employed	144	36.5
	Merchant	137	34.8
	Farmer	24	6.1
	Others	89	22.6
	Total	394	100.0
Religion	Muslim	377	95.7
	Orthodox	13	3.3
	Protestant	4	1.0
	Total	394	100.0
Marital Status	single	90	22.8
	married	304	77.2
	Total	394	100.0

Source: Own survey, 2024

Table 5 item one shows gender of respondents, the majority of respondents were male, constituting 79.7% of the sample, while females accounted for 20.3%. This indicates a gender imbalance in the sample, with a significantly higher proportion of male participants compared to females; because there no adequate availability of female customers at Banks.

Item two displays ages of respondents, accordingly, the majority of respondents fell within the 20-35 age category, representing 53.2% of the sample. This was followed by the 36-50 age group at 33.9% and those older than 50 years at 13.3%. The age distribution shows a higher representation of younger individuals in the sample.

The third item is about educational background of respondents and it indicated as it is varied, with a significant proportion holding Bachelor's degrees and above (31.2%), followed by respondents who attend only primary school and below 27.5 % and third respondents are those who have a diploma and other level certificates (23.9%). This suggests a relatively educated sample population.

The fourth Item is about the occupation of respondents and occupation distribution shows that a substantial number of respondents were employed (36.5%) or engaged in merchant activities (34.8%). Farmers represented a smaller percentage at 6.1%, with the remaining respondents falling under other occupational categories.

The fifth item is about the religion of the respondents. It shows that a large percentage of respondents identified as Muslim, comprising 95.7% of the sample. A small percentage identified as Orthodox (3.3%) or Protestant (1%). This indicates a predominantly Muslim sample population.

Marital status is the sixth item on the table. Accordingly, the majority of respondents were married (77.2%), followed by those who were single (22.8%). This reflects the marital status distribution within the sample population.

4.2.2 Descriptive Analysis of Determinants of Islamic Bank Usage

Table 6 Descriptive Statistics about Determinants of Islamic Banking service Usage

	N	Mean	Std. Deviation
Age	394	36.5	9.6
Relative advantage	394	4.17	.92
Religiosity	394	4.22	.95
Awareness of the customer	394	3.9	.86
Perceived risk	394	2.1846	.88

Source: Own survey, 2024

The first item of this table prevails mean age of customers at the Islamic Bank and it is 36.5 years, with a standard deviation of 9.6 years. This indicates that the age of customers varies around the mean age, with some customers being younger or older than the average age.

The second item of the table shows Customers rated the relative advantage of the Islamic Bank compared to conventional banks and the mean 4.17 which shows strongly agree of the statements provided. The low standard deviation of 0.92 suggests that customers' opinions on this aspect are relatively consistent, with most customers perceiving a high relative advantage of the Islamic Bank. This result shows as customers use service of this banks due to its benefits rather than conventional Banks.

The third item shows religiosity level customers of Islamic Bank, the mean religiosity of customers is 4.2, with a standard deviation of 0.95. This indicates that customers, on average, have a relatively high level of religiosity, with some variability in the degree of religiosity among customers. The results show that the religiosity level of IB users is strong they believe as Allah help them and pray 5 per days, and other variables of religiosity.

The fourth item indicates perceived risk in using Islamic Bank, the mean perceived risk level among customers is 2.18, with a standard deviation of 0.88. This suggests that customers, on average, perceive a relatively low level of risk associated with the Islamic Bank. The low standard deviation indicates that customers' perceptions of risk are relatively consistent.

The final item shows Customers awareness, on average, rated their awareness of Islamic Bank products and services as 3.9 which agree to provide statements. The low standard deviation of 0.86 suggests that there is a relatively consistent level of awareness among customers, with most customers having a similar level of knowledge about the bank's offerings.

4.3. Inferential statistics

Inferential statistics play a vital role in deriving meaningful conclusions from the data collected and analyzing the relationships between the determinants and the dependent variable, which in this case is the usage of Islamic banks. By utilizing inferential statistical techniques, researchers examined the strength and direction of associations, identify significant predictors of Islamic banking usage, and assess the impact of each determinant on customer behavior. This analytical approach enables researchers to draw inferences about the population based on the sample data and make informed decisions regarding the factors that drive individuals to utilize Islamic banking services.

Moreover, the diverse nature of the determinants, including both categorical (gender, marital status) and continuous variables (age, educational level ,and which measured by likert scale perceived risk, relative advantage, awareness and religiosity), necessitates the use of inferential statistics to account for the different types of data and effectively analyze the relationships between these variables and Islamic banking usage. Through inferential analysis, researchers tested hypotheses, measure the significance of each determinant, and provide actionable insights for Islamic banking institutions seeking to enhance customer engagement and promote the adoption of Islamic banking services.

4.3.1. Pearson Correlation analysis

Table 7 Correlations of the Dependent and Independent variables

Correlations									
	Usage of IB	Age	Gender	Edu	Marital	RA	Rg	PR	Aw
Usage of IB	1								
Age	.777**	1							
Gender	.09	.041	1						
Edu	.11	-.491**	-.032	1					
Marital	.48**	.519**	-.094	-.17*	1				
RA	.27***	.276**	.101*	-.095	.098	1			
Rg	.55**	.591**	-.041	-.29**	.286**	.080	1		
PR	.07	.072	-.046	-.065	.269**	-.221**	-.051	1	
Aw	.69**	.643**	.034	.334**	.326**	.295**	.523**	-.028	1
**. Correlation is significant at the 0.01 level (2-tailed).									
*. Correlation is significant at the 0.05 level (2-tailed).									

Source: Own survey, 2024

A statistical metric that determines the direction and intensity of the relationship between the relative movements of the two variables is called the correlation coefficient (Schober & Boer, 2018).Interpretation of correlation analysis results:

The correlation coefficients represent the strength and direction of the relationships between the variables in the analysis. Here are the correlations between the "Usage of Islamic Bank" and the other variables.

The correlation between "Usage of Islamic Bank" and Age is strong and positive (0.77**). This indicates a significant strong positive relationship, suggesting that as individuals' age increases, their usage of Islamic Bank services also tends to increase strongly. Second, the correlation between "Usage of Islamic Bank" and Gender is weaker and positive (0.09). This suggests a very strong weak relationship between gender and the usage of Islamic Bank services. The third analyzed character is education, as it is indicated in the table education beta is .11 which indicates as education has slightly correlation with using Islamic Bank service. The fourth character of demographic factor is marital, marital status two category married as 1 and single and 0 which has beta of (0.48 status) and this result suggest that individual marital status, accordingly usage of Islamic banking has moderate positive relationship with marital status which means married individuals uses Islamic banking service than single individuals.

The correlation between "Usage of Islamic Bank" and Relative advantage is weak and positive (0.27**). This indicates a slight positive relationship, suggesting that individuals who perceive a relative advantage of Islamic Bank services may be more likely to use IB than others bank.

The correlation between "Usage of Islamic Bank" and Religiosity is moderate and positive (0.55**). This suggests a significant positive relationship, indicating that individuals with higher levels of religiosity are more likely to use Islamic Bank services.

The correlation between "Usage of Islamic Bank" and Perceived Risk is weak and positive (0.07). This suggests a very weak positive relationship, indicating that individuals' perceptions of risk may have a minimal impact on their usage of Islamic Bank services.

The correlation between "Usage of Islamic Bank" and Awareness is strong and positive (0.69**). This indicates a significant strong positive relationship, suggesting that individuals with higher awareness of Islamic Bank products and services are more likely to use them.

Overall, these correlation results suggest that Factors such as Relative Advantage, Religiosity, Awareness, and Marital Status emerge as significant determinants of Islamic banking usage, highlighting the importance of perceived benefits, religious beliefs, knowledge, and marital status in influencing customer behavior.

"Usage of Islamic Bank," while gender, Perceived Risk and Educational Level do not show a significant impact on Islamic banking usage, suggesting that the perceived risks associated with Islamic banking and educational qualifications may not be strong drivers of customer adoption.

4.3.2 Multiple Linear Regression Assumption

Testing the multiple linear regression analysis model's assumptions is crucial before incorporating regression analysis (Flatt & Jacobs, 2022). Thus, the following was a discussion of each assumption result:

A. **Normality Test**

The residuals' zero mean is the basis for the normalcy assumption. Furthermore, it is standard procedure in statistics and data analysis to employ normality tests to ascertain whether or not a data sample was drawn from a population that was normally distributed. To verify that the data were normal, the researcher employed the p-plot and histogram methods.

Gao, (2013) states that the histogram should be bell-shaped and the regression-standardized residual shown between 3.3 and -3.3 if the residuals are normally distributed around their mean of zero. According to the p-p plot shown in Figure 4, the residuals appear to be normally distributed, have a mean of 0, and the data supports the normalcy assumption (Saunders et al., 2009). The study's standard deviation is 0.992, or roughly 1.Thus, the model fulfills the assumption of being normally distributed. Moreover, in the normal probability plot is expected that our points will lie in a reasonably straight diagonal line from bottom left to top right which can be confirmed with p-p plot depicted in the figure 4, and would suggest no major deviations from normality.

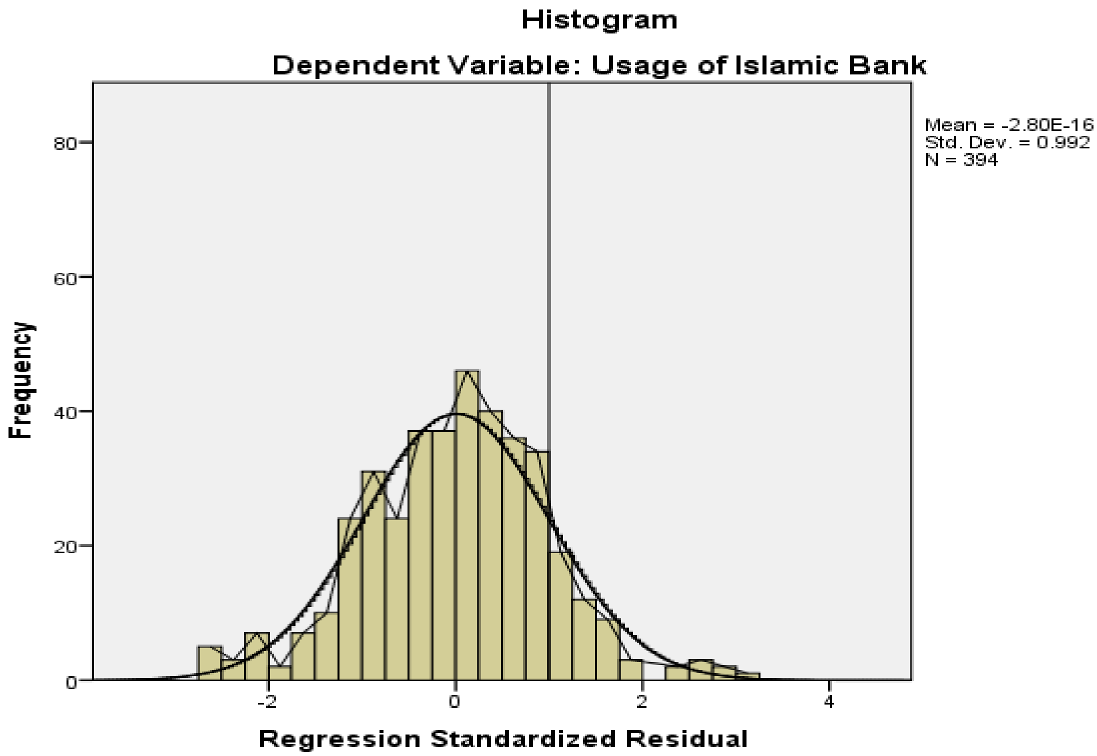

Figure 2 Histogram for Usage of Islamic Banking

Source: own survey

Table 8 Residual Statistics on Normality

Residuals Statistics

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	3.4	5.00	4.1416	.37	394
Residual	-.72	.79	.00000	.26	394
Std. Predicted Value	-2.05	2.314	.000	1.000	394
Std. Residual	-2.73	3.013	.000	.992	394

a. Dependent Variable: usage of Islamic Bank

Source: own survey

In a regression analysis, the residuals show the variations between the observed and anticipated values. The projected values in this instance are 3.4 at the minimum, 5.0 at the maximum, and 4.14 at the mean. These numbers show how the residuals are distributed around the expected values.

The inaccuracies or variances between the expected and actual observed values are represented by the residuals. The residual ranges from -0.72 at the minimum, to 0.79 at the maximum. The residuals are often centered on zero, as seen by the mean residual of 0.000. The residuals' standard deviation, which displays the residuals' variability or dispersion, is 0.26.

The anticipated values that have been standardized to have a mean of 0 and a standard deviation of 1 are known as standardized predicted values. Standardized expected values range from a minimum of -2.05 to a maximum of 2.314, with a mean of 0.00. The spread of the expected values following standardization is shown by the standardized predicted values' 1.0 standard deviation..

The residuals that have been standardized to have a mean of 0 and a standard deviation of 1 are known as standardized residuals. The standardized residual has a mean of 0.00, a maximum of 3.013, and a minimum of -2.73. The dispersion of the residuals following normalization is indicated by the standardized residuals' standard deviation, which is 0.992.

Overall, these residual statistics provide insights into the accuracy and consistency of the regression model's predictions and the distribution of errors in the model. The mean residuals and standardized residuals being close to zero indicate that, on average, the model's predictions are accurate, with some variability in the errors.

B. **Linearity test**

When the relationship between the dependent and independent variables is linear, multiple linear regressions can be used to estimate it with accuracy. All regression estimates, including regression coefficients, standard errors, and tests of statistical significance, may be distorted if linearity is broken (Flatt & Jacobs, 2022) . Figure 4's p-p plot residual can be used to verify this. The relationship between the dependent and independent variables is linear when the p-p residual shows a straight line.

Consequently, there are no problems with linearity in the data that were used in this study.

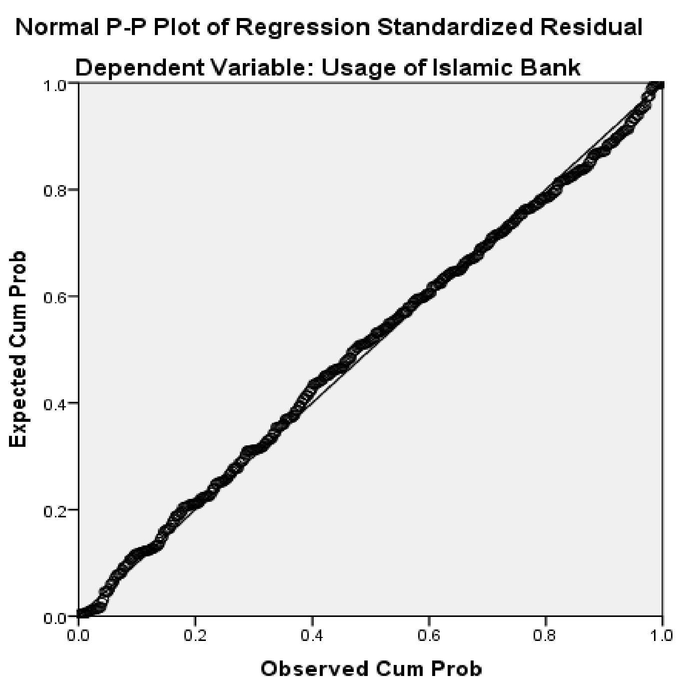

Figure 3 P Plot Islamic Banking Usage

Source: own survey

C. **Multicollinearity Test**

We can conclude that the model has complete collinearity if an independent variable is an exact linear combination of the other independent variables. Kim, (2019)claims that the multicollinearity test aids in determining the correlation between explanatory factors and prevents the independent variable from having a twofold effect in the model. There is overlap or sharing of predictive power when the independent variables exhibit multicollinearity. This may result in the paradoxical effect, wherein the regression model provides a good fit to the data, but none of the explanatory factors by themselves significantly affects the dependent variable's prediction.

In order to determine whether there is a multicollinearity issue with the explanatory variables (bank image and reputation, convenience, financial, technology, and service quality elements), the variance inflation factor (VIF) and tolerance test were utilized. There is no multicollinearity between the explanatory variables if the VIF value is less than 10. Conversely, a major Multicollinearity issue is indicated by a VIF of 10 or higher. Tolerance, which is determined using the formula for each variable, also indicates the extent to which the other independent variables in the model do not account for the variability of the designated independent. The probability of multicollinearity is suggested if this value is very little (less than.10), which denotes a high multiple correlation with other variables (Shrestha, 2020).

Table 9 Co linearity Test Result

Model	Tolerance	VIF
Constant		
Age	.464	2.154
Gender	.978	1.022
Educational background	.89	1.121
Marital status	.77	1.28
RA	.817	1.224
Rg	.587	1.703
PR	.909	1.100
Aw	.529	1.892

Source: own survey

According to Table 9 above on co-linearity statistics, tolerance is used to evaluate multi-co-linearity by having a value of less than 0.1. All independent variable VIF values were found to be smaller than 10.

Every independent variable in this study has a tolerance value that is significantly higher than 0.1. As a result, every result verifies that the multicollinearity assumption is true.

4.3.3 Regression Analysis

With the use of regression analysis, one or more predictor variables, denoted as X, can be used to predict or estimate the value of a single variable, known as the criterion, dependent, or predicted variable, or Y (Palmer & Connell, 2009). Multiple linear regression models were utilized by the researcher to ascertain the characteristics that impact customers' decision to select a bank.

Table 10 Model Summary

	R	R-Square	Adjusted R- square	St. Error of estimate
1	.834[a]	.696	.690	.25409

a. Predictors: (Constant), AW, PR, Dc(Age, Gender, Educational background, marital status), RA, Rg,

b. Dependent Variable: Usage of Islamic Banking service

Source: own survey

The corrected R-square value for this model is 0.69, as shown in the table, meaning that the independent variables that determine customer usage of Islamic banking can assess usage at a rate of 69%. But the remaining 31% can represent other factors that this study did not take into account.

4.3. 4 Analysis of Variance

Table 11 ANOVA Result

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	56.879	8	7.110	110.12	.000[b]
	Residual	24.857	385	.065		
	Total	81.736	393			

a. Dependent Variable: Usage of Islamic Bank

b. Predictors: (Constant), Age, genders, PR, RA, Grade, Marital, Rg, Aw

Source: own survey

The total F statistics (110.12) of the ANOVA result in table is highly significant at 1% with a p-value of 0.000. This suggests that the regression model can be implemented. Therefore, the model ought to be:

$$Y= \beta0 + \beta1RA + \beta2Rg + \beta3Dc + \beta4Aw +\beta5Pr + \varepsilon$$

4.3.5 Coefficients of Determinants of Islamic Bank

Table 12 Coefficient Model

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.04	.148		13.736	.000
	RA	.037	.022	.053	1.695	.045
	Rg	.055	.026	.078	2.131	.034
	PR	.024	.017	.042	1.379	.169
	Aw	.209	.026	.309	8.021	.000
	Age-Dc1	.024	.002	.501	10.432	.000
	Genders-Dc2	.031	.032	.035	4.043	.12
	Grade-Dc3	.004	.003	.040	1.234	.218
	Marital-Dc4	.080	.038	.074	2.120	.035

Islamic Bank Usage= 2.04 +.037RA + .055Rg +.024Dc1 +.031Dc2 +.004Dc3 +.080Dc4 +.209Aw + .024PR+ ε

Source: own survey

Unstandardized coefficients in the table indicate the degree to which dependent and independent variables vary when combined to form a constant with another independent variable. Additionally, using the chosen regression model, the beta coefficient demonstrates how the independent variable influences the dependent variable, customer use of Islamic banking services.

The table's regression analysis reveals that the coefficient of relative variables is 0.037, with a p-value of 0.045; the positive beta coefficient for Relative Advantage suggests that an increase in the perceived Relative Advantage of Islamic banking services by 1 unit is associated with a 0.037 increase in the likelihood of using Islamic banks. The statistically significant p-value of 0.045 indicates that the Relative Advantage variable is a significant predictor of Islamic banking usage at 5%. The comments' dimensions show that customers have used the Islamic bank to save money, participate in the economy in various ways, and fulfill their long-held goals of economic development by taking advantage of opportunities like Murabaha and Mudarabaha, which were unavailable before the establishment of this bank in Jimma. They brought up these considerations as a relative advantage of using Islamic banking services. This result confirms findings of study conducted by Mbawuni & Nimako, (2017) which indicates as relative benefit has positive relationship with usage of Islamic Bank. So, hypothesis predicted as *Relative advantage has a positive significant relationship with Islamic banking financial service (Ha1) is supported.*

Regression analysis results for religiosity as drivers of Islamic Bank usage in the table indicate that the p-value is 0.034 and the coefficient of religiosity is 0.055. The positive beta coefficient for Religiosity implies that higher levels of religiosity are associated with increased usage of Islamic banks, with a 0.055-unit increase in the likelihood of using Islamic banks for every one-unit increase in religiosity. The statistically significant p-value of 0.034 indicates that Religiosity is a significant determinant of Islamic banking usage. at 5% level. Under open ended part respondents stated that adhering to Sharia law and the Islamic Bank, praying, fearing Allah, and thinking that Mohammed is Allah's messenger all helped them to uphold the teachings of their religion. The majority of them replied that their message was to eat what Allah had provided them and to be compelled by their religion to abide by Islamic regulations and Sharia law. This finding is similar with findings of Abou-Youssef et al., (2015) which indicates as religiosity has positive significant impact on usage of Islamic bank. Therefore, the hypothesis expected as *Customer religiosity level has a positive effect on customers to use Islamic banks(Ha2) is accepted.*

The regression output for Demographic characteristics used four characteristics as determinants of usage of Islamic Bank as indicated in the table that the coefficient of age is .024 and p-value is .000.This implies that keeping other variable constant, a percentage increase on age results, an increase customers using Islamic Bank service by 2.4%, and indicates that older individuals are more likely to use Islamic banks, with a significant p-value of 0.00. And, Education Level beta coefficient for Education Level is 0.004 with a non-significant p-value of 0.218, indicating that educational level may not significantly impact Islamic banking usage. The positive beta coefficient for Gender (.031) suggests that being male (represented by 1) is positively associated with Islamic banking usage, with a non-significant p-value of 1.2. The positive beta coefficient for marital status (0.080) indicates that married individuals are more likely to use Islamic banks, with a significant p-value of 0.037. Among for demographic characteristics age and marital status has shown significant relation with usage of Islamic banking service while education and gender shows a relation but not significant. This finding has shown similarity with finding of Rahmi, (2023).; and Sayani & Miniaoui, (2013) two variables of demographic characteristics (age and marital) of customers and but not similar with rest variables like educational level and gender of participants. By depending on these findings hypotheses which were predicted as *Age has a significant effect on customer usage of Jimma Town's fully-fledged Islamic banks(Ha3) and Marital status has significant relationship with usage of Jimma Town fully-fledged Islamic banks(Ha6) are supported; while two hypotheses Education influence customers' usage of Jimma Town fully-fledged Islamic banks* ***(***Ha4), and gender *has significant relation with usage of Jimma town fully-fledged Islamic Banks (Ha5)* are not supported since their impact is not significant:

The result of the regression analysis for customer awareness as a determinant of usage of IB in the table shows that, the coefficient of awareness is .209, and the p-value is 0.000. This implies that, keeping other variables constant, a percentage increase in customer awareness towards IB service results in increased customer usage of Islamic Banking service by 20.9% and statistically significant at 1%. Like the current result, Okumus et al., (2013) finding confirms that awareness has a determining power on IB financial services. They also, respond that they had heard that "the bank adheres to Islamic law and is owned by Muslims." They responded that they deposit their money there because of this belief; however, they were unaware that the bank offers current accounts, murabaha, mudarabaha, and istisna services in addition to deposit services. This demonstrates that people's knowledge of the bank's services is lacking.

The hypothesis indicated that *Having Awareness has a positive significant effect on Islamic Banking Financial service (Ha7)* is supported and the relation between customer awareness and IB usage is positive and significant.

The results of the regression analysis show that the coefficient of perceived risk is 0.024, with a p-value of 0.17, when considering perceived risk as a factor of usage of Islamic banks. The beta coefficient for Perceived Risk is positive but not statistically significant, with a p-value of 0.17. Respondents voiced varying views on perceived risk; some have asked, "*What danger will come to a house that obeys Allah's command? There is no risk of doubt, they* claim. Others express concern about liquidity, stating, "*We hear that banks in the country do not have a new rule to support interest-free Islamic banking guarantees in times of liquidity crises because the national bank lends at interest and the Islamic bank does not lend at interest, so no solution is provided*." Overall, they replied that they utilize this bank because they have no other options for Sharia-compliant banking. This demonstrates that customers are willing to pay any price for their religious beliefs. This suggests that perceived risk may have a limited impact on Islamic banking usage, as indicated by the non-significant relationship. However, the previous finding indicates as perceived risk has negative relationship with using Islamic banking service; the current study result stated as there is no significant relationship between perceived risk and usage Islamic banking services. Therefore, hypothesis predicted as *Perceived risk has a negative significant effect on Islamic banking financial service of Fully-fledged Islamic banking is rejected; and* it hasn't shown significant relationship with the usage of Islamic banking services.

Customers' use of Islamic banking services is strongly influenced by their awareness of the bank's services, marital status, their level of religiosity, and age those of which have a high beta value. As a result, it is preferable for bank managers to give these factors careful thought when developing their marketing plans since doing so will enable them to draw in new business and keep hold of their current clientele. Even while they may not have as much of an impact on keeping clients, don't overlook other elements.

4.4. Discussion

This section discusses regression results and their impact on customer usage of Islamic bank services, comparing them with previous empirical findings and evidence.

4.4.1. Relationship between Relative Advantage and Customers Islamic Bank Usage

The regression's outcome demonstrates that consumers' IB usage is positively and strongly impacted by relative advantage. This indicates that the IB usage of bank customers rises by 3.7% for every unit increase in relative advantage factors. The degree of IB usage by customers is positively and significantly impacted by relative advantage, as per the findings of Mbawuni & Nimako (2017), Edilawit (2022), and Thaker et al. (2020). These findings are in line with current research. But this study's findings ran counter to Heri et al and Echchabi et al. (2014) which indicate Relative advantage does not affect customer intention to adopt Islamic banking services. This difference might be due to Indonesia is the country with the single largest population of Muslims. The study's initial premise was that customers' use of Islamic banks is favorably and significantly impacted by relative characteristics. Regression analysis results are consistent with the hypothesis.

4.4.2 Relationship between Religiosity and Customers Islamic Bank Usage

The regression's outcome demonstrates that consumers' IB usage is positively and strongly impacted by religiosity. This shows that with every unit rise in religiosity factors, bank customers' IB usage increases by 5.5 %. According to Soma et al., (2017), Abou-Youssef et al., (2015) and Mbawuni & Nimako, (2017) religiosity has a favorable and significant impact on the degree of IB usage by customers. These findings are consistent with their findings. But this study's findings ran counter to Abdul R & Duniyat I, (2022) which shows that the interest in saving in Islamic banks is not positively and significantly impacted by one's degree of religiosity. This difference this can be the result of Sharia law being in effect and the region being primarily Muslim. The study's initial premise was that customers' use of Islamic banks is favorably and significantly impacted by religiosity. Regression analysis results are consistent with the hypothesis.

4.4.3 Relationship between Demographic Characteristics and Customers Islamic Bank Usage

The regression's outcome demonstrates that customers' IB usage is positively impacted Age of respondents and the study indicates a minimal correlation between income and the use of Islamic bank services, with a p-value < 0.001, a significant relationship between marital status and the use of Islamic bank services, indicating positive relationship. This study finding supports the findings of Abou-Youssef et al., (2015); and Rahmi, (2023) This finding supports the fact that there is a relationship between demographic characteristics (age and marital status) and usage of Islamic banks, and the findings current study go against the previous survey depending on the relation between education and usage of Islamic banking services and gender and usage of Islamic banking services. This difference may be due to educational structure differences between Ethiopia and Egypt. Regression analysis doesn't support hypothesis Ha4 which predicted that Education influences customers' usage of Jimma Town fully-fledged Islamic banks and hypothesis Ha5 which forecasted Gender has a significant relation with usage of Jimma Town fully-fledged Islamic Banks; but supported Ha3 that guessed Age has a significant effect on customer usage of Jimma Town's fully-fledged Islamic banks; and Ha6 which predicted as Marital status has a significant relationship with the usage of Jimma Town fully-fledged Islamic banks services.

4.4.4 Relationship between Customer Awareness and Customer Islamic Bank Usage

The regression analysis findings show a strong and positive correlation between customer awareness about the service of IB and the utilization of such services. This indicates that bank customers' use of IB grew by 20.9% when estimating, as there is customer awareness increase of one unit. This finding is consistent with Abou-Youssef et al., (2015), Rahmi, (2023); Dwiastanti, (2015), Okumus et al., (2013), and Imran et al., (2011). But findings of Abdul J& Jasmani B. (2011), indicate as customer awareness does not contribute at all to initiating toward Islamic banking usage. This difference may be due to sample size or folks might object to sharia law. The seventh hypothesis guessed as Customer Awareness has a positive significant effect on Islamic banking financial service of Fully-fledged Islamic banking. The result of regression analyses match with the stated hypothesis. Therefore, the hypothesis of customer awareness has positive and significant impact on customers' usage of Islamic banking services is supported.

4.4.5 Relationship between Perceived Risk and Customer Islamic Bank Usage

The findings of the regression analysis show there is slight correlation between perceived risk and the using Islamic banking services usage. However, the previous finding indicates as perceived risk has negative relationship with using Islamic banking service; the current study result stated as there is no significant relationship between perceived risk and usage of Islamic banking services. Therefore, the hypothesis predicted that Perceived risk has a negative significant effect on Islamic banking financial services of Fully-fledged Islamic banking is rejected; and it hasn't shown a significant relationship with the usage of Islamic banking services. Therefore, the hypothesis that perceived risk has a negative and significant impact on customers' usage of IB is not supported.

Table 13 Variable conclusion

Hypotheses	Accepted at 5%	Not Accepted at 5%
Hα1. Relative advantage has a positive significant relationship with Islamic banking financial service usage	✓	
Ha2: Customer religiosity has a positive effect on customers to use Islamic banks	✓	
Ha3: Age has a significant effect on customer usage of Jimma Town's fully-fledged Islamic banks.	✓	
Ha4: Education influences customers' usage of Jimma Town's fully-fledged Islamic banks.		✓
Ha5: Gender has a significant relation with the usage of Jimma Town fully-fledged Islamic Banks.		✓
Ha6: Marital status has a significant relationship with the usage of Jimma Town's fully-fledged Islamic banks.	✓	
Ha7: Having Awareness has a significant effect on usage of Jimma town's fully-fledged Islamic Banking service.	✓	
Ha8: Perceived risk has a significant effect on usage of Jimma town fully-fledged Islamic Banking service.		✓

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

This chapter summarizes the study's principal results and recommendations. The study intended to evaluate the Determinants of Islamic banking usage in Jimma Town, Oromia Regional State, Ethiopia. We used both descriptive and inferential statistics to analyze questionnaire data.

5.1 Conclusion

The study aimed to assess determinants of Islamic Banking usage in Jimma town. For the achievement of the study, the collected questionnaire was analyzed 8 hypotheses quantitatively and qualitatively. The study's findings descriptive analysis indicate respondents' mean of Age 36.5 years, the mean of relative advantage is 4.17, the mean of religiosity is 4.224, the mean of awareness is 3.9, and 2.1846 mean of perceived risk.

Regression analysis suggests that relative advantage is one of the factors of Islamic bank usage, and the results show that relative advantage has a considerable and statistically significant impact on Islamic bank usage. In addition to relative advantage, age, marital status, religiosity, and awareness are others determinants of Islamic Bank usage in which both are substantial and statistically significant impacts on Islamic bank usage. Hypotheses "*Perceived risk has a significant effect on usage of Jimma Town's fully-fledged Islamic banks, Education influences customers' usage of Jimma Town's fully-fledged Islamic banks, and Gender has a significant relation with the usage of Jimma town fully-fledged Islamic Banks*" were not accepted in this study since they have a positive impact on the usage of Islamic Bank.

Additionally, coefficient evaluations were conducted to demonstrate how the independent variable (Relative advantage, religiosity, age, awareness, and marital status) influences the dependent variable (Islamic bank usage), the result revealed that Islamic Bank usage is more dependent on awareness, marital status, religiosity, and relative advantage than other variables.

Qualitative analysis shows that customers in Jimma use Islamic banks for saving money, economic participation, and economic development. They adhere to Sharia law, pray, fear Allah, and believe in Mohammed. However, some of them are unaware of bank services rather than saving money and fear about liquidity risk.

5.2 Recommendation

Based on the conclusion of your paper, here are some recommendations for practical implications or further research:

- It would be better if Islamic banks in Jimma Town promoted the perceived relative advantage of their services over traditional banks.
- It is good if Islamic banking organizations create personalized marketing strategies that highlight the religious factor (religiosity) and ethical ideals in order to attract consumers who appreciate these qualities.
- It is better if Islamic banks improve awareness campaigns and financial literacy initiatives to educate customers on Islamic banking products and services, addressing any misconceptions or anxieties regarding Sharia compliance and financial risks.
- Further research should expand the sample size, explore socio-cultural factors influencing Islamic banking usage, investigate financial literacy's influence on Jimma Town's population, and examine customer satisfaction and loyalty towards Islamic banks.

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APPENDECIES

Appendex-1 English Version Questionnaire

Jimma University
College of Business and Economics
Department of Accounting and Finance
Questionnaires Used for Data Collection

Dear Respondent, first of all, I would like to thank you for your willingness to participate in this study. The questionnaire is designed to collect the necessary information to research the “Determinants of Islamic banking financial service: the case of fully-fledged Islamic bank branches in Jimma town”. The study is conducted for the partial fulfillment of the requirements for the degree of Masters in Accounting and Finance at Jimma University. The main objective of this research is to investigate the determinants of Islamic banking services usage and all your answers will be used for this purpose. So, please answer each question genuinely since your genuine responses are quite vital for the success of this study. Finally, I would like to confirm that all the information you provide in this questionnaire will be strictly confidential and will be exclusively used for this research purpose.

Thanks in advance!

PART ONE - DEMOGRAPHIC INFORMATION

Please provide the appropriate information by placing a (√) in the bracket provided to represent your answer.

1. Age:
2. Gender: a. Male b. Female
3. Education Level:
4. Occupation:
5. Monthly Income:
6. Marital Status:
7. Religion:
8. How many times do you participate in religious activities (e.g., prayers, religious gatherings, reading religious books and the like)?

To which Fully-fledged Islamic banking offering financial services you are associated with?

i. Hijra ( )
ii. Ramis ( ) iii. Zamzam ( )

9. How long it takes to access the nearest branches of full-fledged interest free bank from your home ____________________?
10. For how long have you been a customer of your associated fully-fledged Islamic Bank? i. Less than 2 years ( ) ii. 2 – 5 years ( ) iii. Above 5 years ( )
11. Which Islamic banking account you are associated with?

I. Wadiya Amana (saving account) ()

II. Qard (current account) ()

III. Mudaraba (investment account) ()

IV. Murabaha (markup sales) ()

V. Istisna (Leasing) ()

PART TWO- DETERMINANTS USAGE OF ISLAMIC BANK SERVICE

This part is divided inn to five sections, in each section some statements indicate what determines the Islamic Banking financial services usage that you intended to fill. In this part as your agreement with the statement circle alternatives as:

"1" for Strongly Disagree "2" for Disagree "3" for Neutral "4" for Agree "5" for strongly agree.

Section 2. 1: Intention to usage Fully-fledged Islamic banking Financial service

Dependent Variable						
Usage level of Fully Fledged Islamic Banking Financial Services						
		ALTERNATIVES				
S.N	**QUESTIONS**	**SD**	**D**	**N**	**A**	**SA**
AL 1	I have a strong interest to involved in Islamic banking service.	**1**	**2**	**3**	**4**	**5**
AL 2	I have a strong interest to involved in Islamic Banking products and services.					
AL 3	I prefer Full-fledged Islamic Banking financial service due to its compatibility with Sharia guidance.					
AL 4	I maintain good relationship with Islamic Banking service.					
AL 5	I trust the operation of Full-fledged Islamic Banking financial services as like fully operate according to Sharia and it makes me accept the service.					
AL 6	I accept Full-fledged Islamic Banking financial services due to its use of Islamic Branding that promotes Islamic values and morals.					
AL 7	I believe my relationship with Islamic Banking is for investment support					

Section 2:2: Perceived Relative Advantage

Independent Variable
Perceived Relative advantage

R.N	How do You agree with	SD	D	N	A	SA
1.	Islamic banks offer more competitive and attractive services compared to conventional banks.					
2.	I believe that using Islamic banking services provides me with financial benefits.					
3.	Islamic banks are more convenient and efficient than conventional banks.					
4.	Using Islamic banking services aligns with my financial goals and values.					
5.	The transaction costs associated with using Islamic banking services are reasonable and justified.					
6.	I consider transaction costs as an important factor when deciding to use Islamic banking services.					

Write additional comment you have on relative advantage________________

Section 2:3: Perceived Risk

R.N	How do You agree with	SD	D	N	A	SA
1.	I feel that using Islamic banking services involves higher risks compared to conventional banking.					
2.	I have fear about the security and reliability of Islamic banking services.					
3.	I believe that Islamic banks as not stable and trustworthy as conventional banks.					
4.	Sharia-compliant financial products are perceived to be more risky than conventional financial products.					

Write risk you fear regarding to service you collect from the bank______________________

Section 2:4: Customer Awareness

R.N	How do You agree with	SD	D	N	A	SA
1.	I am knowledgeable about the various services and products offered by Islamic banks					
2.	I understand the principles of Islamic finance and how they are applied in Islamic banking					
3.	I am aware of the benefits and advantages of using Islamic banking services.					
4.	I receive sufficient information and updates about Islamic banking services					
5.	I know all about Islamic Bank account(saving, current, murabaha, mudarabaha, istisna)					

Section 2:5: Religiosity

R.N	How do You agree with	SD	D	N	A	SA

1.	I believe that Allah (God) helps me by obeying his guide and praying 5/day are influenced to use Islamic banking services					
2.	In my personal life, religion is very important, So using Islamic banking services is important to me due to my faith and values					
3.	The Prophet Muhammad (peace-be-uponhim) is the role model for me therefore using interest bank is haram for me					
4.	Islamic banks provide a platform for me to practice my religious beliefs in my financial dealings.					

Section 3: Additional Comments

- Do you have any additional comments or suggestions regarding the determinants of usage of Islamic banks based on the statements above?

Thank you for completing this questionnaire. Your participation is greatly appreciated.

Appendex-2 Afaan-Oromo Questionnaire

Yuunivarsiitii Jimmaa

Kolleejjii Bizinesii fi Diinagdee

Muummee Herregaa fi Faayinaansii

Gaaffiiwwan Odeeffannoo Walitti Qabuuf Dhiyaatan

Kabajamoo Deebii kennitoota, hunda dura, qorannoo kana irratti hirmaachuuf fedhii waan qabaataniif galata guddaa qabdu. Gaaffiin kun murteessitoota tajaajila faayinaansii baankii Islaamaa qorachuuf odeeffannoo barbaachisaa ta’e walitti qaba: dhimma dameelee baankii Islaamaa guutuu ta’an magaalaa Jimmaa keessatti. Qorannoon kun kan gaggeeffamuuf Yuunivarsiitii Jimmaatti digrii lammaffaa Herregaa fi Faayinaansii argachuuf ulaagaalee barbaachisan gartokkoon guutuuf. Kaayyoon qorannoo kanaa inni guddaan murteessitootni itti fayyadama tajaajila baankii Islaamaa qorachuu yoo ta’u deebii keessan hundi kanaaf kan oolu ta’a. Kanaafuu, milkaa’ina qorannoo kanaaf deebii dhugaan kennitu baay’ee barbaachisaa waan ta’eef, maaloo gaaffii tokkoon tokkoon isaa dhugaadhaan deebisi. Dhumarratti, odeeffannoon gaaffilee kana keessatti kennitan hundi iccitiin kan qabamuufi kaayyoo qorannoo kanaaf qofa kan oolu ta’uu isaa mirkaneessuu barbaada.

Baayyee Galatoomaa!

Kutaa 1: Odeeffannoo Xiinummataa

9. Umrii:
10. Saala: a. Dhiira b. Dhala
11. Sadarkaa barnootaal:
12. Hojii:
13. Galii Ji’aa:
14. Haala Fuudhaafi Heeruma:
15. Amantii:
16. Guyyaatti yeroo meeqaaf sagantaalee amantii hirmaattu? (e.g., Saalata/Kadhata, walitti qabama sagantaa amantaa, Dubbisa Qur’aanaa/kitaaba amantaa …)
17. Baankii kam fayyadamtu?
18. Yeroo hammamiif maamilaa baankii guutummaatti tajaajilaa Faayinaansii Isilaamaa kennutti fayyadamte?
19. Herrega (account) kam fayyadamtu? A. Wadiya Amana (Saving) B.Qard (Current Account) C.Mudaraba (investment Account) D. Murabaha (Markup sales) E. Istina (Leasing)

II. Kabajamoo Deebistoota Gabaajeewwan kun Baay'ee walii hingalu (BWHG) (1) fi BWG (Baay'een walii gala (BWG) kan jedhu akka ergaa dubbisaatti mallattoo sororsuu fayyadamaa.

Hammam itti walii galta?	BWHG	WHG	HB	WG	BWG
Fayyadamaa Baankii Isilaama					
Tajaajila baankii Islaamaa keessatti hirmaachuuf fedhii cimaa qaba.					
Oomishaalee Baankii Islaamaa irratti hirmaachuuf fedhii cimaa qaba.					
Tajaajila faayinaansii Baankii Islaamaa Guutuu qajeelfama Shari'aa wajjin kan walsimu waan ta'eef nan filadha.					
Tajaajila Baankii Islaamaa waliin hariiroo gaarii qaba.					
Hojiin tajaajila faayinaansii Baankii Islaamaa guutummaatti seera shari'aatiin akka hojjetu nan amana tajaajilichi akkan fudhadhu na taasiseera.					
Tajaajila faayinaansii Baankii Islaamaa Guutuu kan fudhadhu sababa itti fayyadama Islamic Branding kan gatii fi safuu Islaamaa guddisuudha.					
Hariiroon ani Baankii Islaamaa waliin qabu deeggarsa invastimantiif akka ta'e nan amana					
Bu'aa Birqabaa					
Baankiin Islaamaa tajaajila dorgomaa fi hawwataa ta'e dhiyeessa					
Baankiin Islaamaa Baankii idileen irraa baayyee mijataafi afoolla'aa kan hin taanedha					
Tajaajila baankii Islaamaa fayyadamuun faayidaa maallaqaa naaf argamsiisa jedheen amana.					
Tajaajila Baankii Islaamaa fayyadamuun koo galma diinagdee ani hawwuu fi safuusaan kan wal simedha.					
Baasii daddabarsa maallaqaa olaanaa ta'uun tajaajila baankii Islaamaa fayyadamuu irraa na duubatti deebisa.					
Tajaajilli baankii Islaamaa baasii xiqqaa kan qabuu fi maallaqaaf bakka gaarii kan kennu ta'uu nan amana.					
Tilmaama Balaa					
Fayyadamni Baankiin Islaamaa baankii idilee fayyadamuura balaa qaqabsiisa jedheen yaada					
Nageenyaa fi amanamummaa tajaajila baankii Islaamaa irratti yaaddoo qaba.					
Baankonni Islaamaa akka baankota idilee tasgabbaa'oo fi amanamoo ta'uu dhiisuu danda'u jedheen amana.					
Oomishaaleen faayinaansii seera shari'aa guutan oomishaalee faayinaansii idilee caalaa balaa guddaa akka qabanittan hubadha.					
Hubannoo Maamilaa					
Tajaajila fi oomishaalee adda addaa baankonni Islaamaa dhiyeessan irratti beekumsa qaba.					
Qajeeltoowwan faayinaansii Islaamaa fi akkaataa isaan baankii Islaamaa keessatti hojiirra oolan nan hubadha.					
Bu'aa tajaajila baankii Islaamaa fayyadamuun qabu nan hubadha.					
Waa'ee tajaajila baankii Islaamaa odeeffannoo gahaa fi odeeffannoo haaraa nan argadha					

Waa’ee tajaajila baankii Islaamaa odeeffannoo gahaa fi yeroo yeroon jijjiirama jiru irratti argachaan jira.					
Amantiif iddoo kennuu					
Amantiin koo murtoo tajaajila baankii Islaamaa fayyadamuu irratti dhiibbaa cimaa qaba.					
Bu'uura Amantaa fi duudhaa koo irraa kan ka’e tajaajila baankii Islaamaa fayyadamuun anaaf barbaachisaa dha.					
Tajaajila faayinaansii fi oomisha yeroon filadhu dhaabbata Shari’aa kabajuufan dursa kenna.					
Baankonni Islaamaa walitti dhufeenya maallaqaa koo keessatti amantaa koo akkan shaakalu waltajjii naaf ta’u.					

Qabxiile armaan olitti ka’aan irratti yaada dabalataa yoo qabaattan nuuf hiraa.

1. Bu’aa Birqabaa
2. Tilmaama Balaa
3. Hubannoo Maamilaa
4. Amantiif iddoo kennuu