

ISLAMIC BANKING EXPANSION AND DEMOGRAPHIC FACTORS IMPORTANCE: A REVIEW BASE STUDY

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Abstract

Islamic banking which is the central point of Islamic financing attempt to increase the usage of its services. Basic rules of Islamic banking are attempt to provide welfare for the society. It would be important for Islamic banks to identify their clients based on their demographic belonging segmentation. This study is an attempt to offer a new insight to Islamic banking services customers' demographic segmentation to enhance expansion of Islamic banking services usage. This study provide detailed information for Islamic banks to offer their services in better manner based on its end user characteristics.

Introduction

Islamic finance has become known as one of most recent as well as modern method of financing at the beginning of current century around the world. In particular, a business law recognized as fiqh al-mu'amalat which is structured on the basis of fairness in the entire business transactions equity, rests on entrepreneurship promotion, social justice as well as, protection of property rights, and the sanctity of contractual obligations (Ariss, 2010).

Islamic banking arrangement is known as the backbone of Islamic financial scheme has an imperative impact on mobilizing deposits and also offering financing services which consequently lead to economic growth (Sufian, 2009). Islamic banking has been organized based of five important beliefs consisting riba prohibition, prohibition of immoral industries investing excessive uncertainty (gharar), speculation, as well as risk and return sharing (Hayat and Kraeussl, 2011).

Indeed, these basic rules are known as a distinct attempt for providing welfare for the society. Islamic banking structure has a great responsibility regarding its customers and end users. In fact, this new banking system not only should consider their commercial viability undermining as well as its profit oriented justification, it must as well reflect on Islamic norms and values promoting (Akbar et al., 2012). Yet, a concealed competition exist for Islamic banks in order to provide diverse type of products (Jamshidi and Hussin, 2012).

Therefore, recognizing as well as categorizing different types of Islamic bank customers and their preferred Islamic banking services is necessary in order to provide more valuable financial services on the basis of consumers' segmentation. Moreover, Investors are looking for corporations with potential growth in the long run (Jamshidi et al., 2012a). In this regard, this paper discuss about the importance of demographic factors as an important factor for segmenting of the customers and provide a review to draw a roadmap for Islamic banks in order to convince them to give higher attention to demographic items which in turn will lead to better categorizing of their clients and offering Islamic banking services on the basis of this categorizations.

Demographic items importance

Personal characteristics of customers such as socio-demographic factors typically have been widely applied in different types of usage and adoption products studies in order to identify its potential impact on usage and adoption of diverse type of products; however, despite of this high level of attention, their impact on adoption and usage discussion are frequently conflicting (Lee et al., 2010). One of the reason for these conflicting results could be the cultural differences of investigated society since these differences could influence desires of banking and non-banking services users. However, customers' needs and requirements must be considered by Islamic banks to remain competitive in the market (Jamshidi and Hussin, 2013).

Besides, due to the low explanatory power of DoI as well as other adoption, acceptance and models, some researchers have attempted to investigate the probability of raising the explanatory power by introducing customer demographic profile in the study e.g. (Guriting and Ndubisi, 2006, McKechnie et al., 2006, Lassar et al., 2005, Lai and Li, 2005, Eriksson et al., 2005). Though, the results of these researches are conflicting with regards to the significance of the role of demographic items on decision of customers to adopt an innovation (Gounaris and Koritos, 2008).

Actually, although demographic items have predicted the new technology adoption, however it is important to note that the demographic and perception variables explanatory power is also dependent on innovation itself (Eastin, 2002). However, It seems that demographic factors are quietly powerful in explaining the adoption and usage intention of different products; possibly, diverse demographic segments own specific behavioral tendencies which are quiet habitual and consequently knowing of demographic factors' behavioral tendencies dominant is important (Wan et al., 2005).

Review of previous studies

In the previous studies related to multiple types of banking and non-banking services, demographic items have been considered as important factors and large amount of studies have considered them specifically or partially as their model of study. In this section of study we attempt to provide the most important related literature regarding demographic items and their potential impact on usage of different services.

Wong et al. (2010) conducted the study in Australia to identify important factors which influence using of e-banking between academic staff, the result of study showed that age (29 and below it), high income level and post graduate qualification of respondents influence their willingness to

use e-banking while respondents with diploma and lower income level are unwilling to use e-banking.

These results are partially consistent with a study of Gan et al. (2006) in which considered large number of household in New Zealand to identify important choice criteria for e-banking. Their study showed that people with age group of above 56, people with high school level of education and respondents with high level of income are less willing to select e-banking in their daily banking activities while the gender of respondents did not have any effect on their decision to select and using e-banking.

However, Agarwal et al. (2009) considered different age group among e-banking customers in India and the using frequency of this product among them; they pointed out those customers who are in age of 31-45 years using e-banking services most frequently. The authors discussed the reason may be due to that person of this group are more technologically savvy and consequently more comfortable for using this banking service.

Even in studies connected with the usage intention of retail self-service checkouts, demographic factors have been applied (Lee et al., 2010). The study tried to show direct and indirect impact of demographic factors (age, gender, education and income) on level of usage for retail self-service checkouts among different users of this service; surprisingly, it was proved that none of age, gender, income and education did have significant direct linkage with the usage intention of self-service checkouts in retail stores while gender (women) had an indirect influence on usage of these services through technology anxiety and men are more willing to use through technological innovativeness. Age, education and income level also had indirect linkage with usage intention through technology anxiety, technological innovativeness and need for interaction.

Some part of these results are in contradicted by study of Lassar et al. (2005) in which association of demographic factors (age, education and income) of college campus students in three different universities of United States and continuance usage of online banking were examined. According to the end result of study, online banking adoption and usage by customers wasn't influenced by neither age nor education of respondents while education level had a momentous positive connection with adoption and usage of online banking. In another study in Finland which was conducted by Pikkarainen et al. (2004) by distributing a questionnaire among bank customers, it was detected that only income level had positive relation with usage of online banking while both age and gender were not significant predictor of usage in study among demographic items concerning Finnish bank customers.

In a related study to context of internet usage and adoption, older adults (50-81) years old in China and the influence of demographic items (age and gender) on usage intention and adoption of the internet was looked into by Pan and Marsh (2010). Outcome of study illustrated that odd of male for adopting internet was higher than females among these Chinese older adults. Concerning age of respondents, this item had negative impact on adoption of internet by older adult respondents.

Adoption and intention to use of third generation of mobile communication system which is called 3G among Chinese mobile phone customers has been studied by considering the demographic profile (age, gender and education) of respondents as one of the predictor variables of study by Chong et al., (2011). Among these three demographic items, only respondents with higher educational levels China are more likely to adopt and use 3G. In other words, age and gender of these Chinese mobile users did not have any significant connection to likelihood of adopting 3G services from them.

Islamic banking and demographic items

Banking structure improvement can influence economic growth (Jamshidi et al., 2012b). Identifying the behavioral tendencies of varied clients will be important for Islamic banks, since they are in their first stages of their development and consequently needs to consider these items in order to increase their growth by offering desire banking services. Because of cultural, religious and social factors, men and women bank customers could be differentiated (Ahmad et al., 2010).

Meanwhile, gender is an important variable and measure in marketing researches (Haque et al., 2007) and therefore it would be vital for Islamic banking and financial service providers to know them, comprehend them and use them in order to design appropriate gender specific strategy (Haque, 2010). Therefore, some of related studies which have focused on the connection between Islamic banks and demographic items have been discussed as well.

Usage of Islamic products and services and its association with demographic factors of bank customers in context of Bahrain was explored in a study by Metawa and Almosawi (1998). Analyzing the data of study could reveal that there is significant linkage between older age group (35-50 and above) with usage of current account, age (25-50) and usage of ATM cards in Islamic banks.

There was also a significant connection between income level and usage of current account as well as investment account and significant positive relation existed between high level income respondents and usage of money/order draft services provided by Islamic banks. Additionally, it was observed that there is significant positive association between level of education (well educated respondents) and usage of current account as well as ATM cards provided by different Islamic banks in Bahrain.

This result seems to be consistent with studies of Ahmad et al. (2010). Actually, they collected the data from 720 respondents which were conventional or Islamic bank customers. Their study proved that male customers were more eager to Islamic banks while females were more inclined toward conventional system. In addition, young and mature age group customers (25-34) are more willingness to use Islamic banks while young group consumers (18-24) are more willing toward conventional banking method.

These results were partially in contrast to a study which was conducted by Ahmad et al. (2008) in context of Malaysia. Actually, they collected the data by distributing a questionnaire among Malay Muslims in Lembah Klang, Kuala Lumpur. The study outcome concluded that Malay respondents prefer Islamic banking (both Islamic banks and Islamic banking schemes) for men and women (both genders) and all age groups of study except for those people who are at the age between 40 to 49 years old.

In another study by Dali and Rais (2006) perception and choosing criteria of Islamic credit card holders in Malaysia was investigated. The study used online questionnaire and 137 completed questionnaires were used to analyze the perception and preference of customers in regards to Islamic credit card. The results of the study indicated to differentiate on Islamic credit card and conventional credit card from the respondents' point of view.

In addition, it was demonstrated that most of Islamic credit card holders are with the university education level while most of conventional credit card holders are with postgraduate education levels. Further, the majority of Islamic credit card users were between 20 to 30 years old while

the majority of conventional holders were 31 to 35 years old. Finally, the study pointed that Islamic credit card is getting more popular in credit card industry.

The vast literature on demographic factors (age, education, gender and income) declared that these demographic items have an important effect on the adoption and usage of different products, services and innovations even in context of Islamic banking services. These factors have also been tested regarding adoption and usage of Islamic credit card, although the number of these studies has been few (Mansor and Che Mat, 2009, Dali and Rais, 2006, Amin, 2012) and more importantly, partially conflicting results have been achieved in these studies. The below table indicate to summary of these studies which indicated to the importance of demographic items regarding the acceptance and usage of Islamic and non-Islamic banking services.

Construct	Related Studies	Islamic banking studies
Demographic factors (Age, Education, Gender, Income)	Adoption of e-banking (Wong et al., 2010, Gan et al., 2006, Agarwal et al., 2009),	Usage of Islamic banking products and services (Metawa and Almosawi, 1998)
	Adoption intention of retail self-service checkouts (Lee et al., 2010),	Islamic banking services preference (Ahmad et al., 2011, Ahmad et al., 2008)
	Adoption of internet and online banking (Lassar <i>et al.</i> , 2005; Pikkarainen <i>et al.</i> , 2004)	Islamic credit card usage and selection (Mansor and Che Mat, 2009, Dali and Rais, 2006, Amin, 2012)
	Adoption of internet (Nayak et al., 2010, Pan and Marsh, 2010)	
	Adoption intention of 3G (Chong et al., 2011)	

Conclusion and recommendations

As it was discussed, Islamic banking improvement has encouraged the potential benefits of its services for end users. Therefore, it would be necessary to know more about these clients which use Islamic banking services in order to satisfy their Shariah as well as banking needs. This study focus on demographic differences of customers and the segmentation that they belong as well as their preferences.

More future studies is needed in this area to create more comprehensive roadmap for Islamic banks to know their customers and their preference on the basis of their demographic characteristics. This is consistent with recommendation of Jamshidi and Rezaei (2012) to consider the demographic factors regarding the acceptance and usage of Islamic banking services. It will enhance the Islamic banks to improve their banking services and facilities on the basis of these segments which in turn will lead to expanding the usage of Islamic banking services and in general Islamic banking system.

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