



Understanding the Drivers of Islamic Credit Card Selection Using TRA Model: Evidence from Khyber Pakhtunkhwa, Pakistan

Khush Dil Khan¹, Ikram Ullah Khan², Safeer Ullah Khan³

¹ Institute of Management Sciences, University of Science and Technology, Bannu, KP, Pakistan.

Email: khushdilkhann802@gmail.com

² Institute of Management Sciences, University of Science and Technology, Bannu, KP, Pakistan.

³ Institute of Business Administration, Gomal University, Dera Ismail Khan, KP, Pakistan.

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ABSTRACT

This study investigates the drivers of Islamic Credit Card (ICC) adoption in Khyber Pakhtunkhwa (KP), Pakistan by using the extended Theory of Reasoned Action (TRA) model. Particularly, the study examines the impact of subjective norms, attitude, perceived financial cost, knowledge, and social influence on ICC selection. Using a convenient sampling technique, this study relied on self-administered questionnaires that were distributed among Islamic banks' customers in Kohat and Bannu divisions. A total of 400 questionnaires were distributed, and 340 valid questionnaires were selected for the final analysis. The results from the regression analysis indicate that the factors i.e., subjective norm, customer attitudes, knowledge, and social influence have a positive and significant effect on the intentions to use the ICC, but perceived financial cost shows a negative effect on the intentions to use ICC. Among the predictors, the subjective norm was found a very influential driver to forecast the intention to use ICC. Our results provide insights to managers of Islamic banks, policymakers, and Shariah scholars to understand how to promote ICC.



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Corresponding Author's Email: khushdilkhann802@gmail.com

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1. Introduction

The Islamic banking system is based on Shariah and Islamic regulations that are governed by the Quranic wisdom. It prohibits all transactions and activities that involve interest, high speculations, and gambling (Qimar). Moreover, Islamic banking avoids all the transactions which are harmful to society in common such as tobacco selling, alcohol-related transactions, pornography, etc. (Ariff, 1988; Khan, 2010; Lewis, 2008; Schoon, 2008). According to the Islamic development bank group 2017, the Islamic banks' operations and procedures started in 1963, initiated by the local bank of Egypt in Mit Ghamr (Islamic Finance, 2016). Similarly, Islamic banks were developed mostly in Arab countries such as Bahrain, Sudan, Saudi Arabia, United Arab Emirates, and Egypt, 1970s is the era of creation and foundation of Islamic banks (Dusuki, Ali, & Hussain, 2012).

ICC is one of the services that is provided by Islamic banking to their customers. A credit card is a facility to purchase goods/services first and pay later, i.e., buying now and paying later (Amin, 2012a). Mishkin and Eakins (2006) found that credit card owners enjoy the money-less position while being able to pay through the cards. The debit cards do not offer first buy and later payment privileges. Clients use personal money on debit card while credit card provides the facility of credit provision. The ICC facilitates to buy of halal products and services on a credit basis. The ICC is governed by Islamic Shariah and Islamic regulations.

The study is unique in analyzing the effects of subjective norms, attitude, perceived financial cost, knowledge, and social influence on the intention to use ICC. According to Mansor and Che-Mat (2009) there is limited research work determining the usage of credit cards. Research on ICC is significant in promoting Islamic financial transactions between customers and banks that are more concerned with 'Halal' products. Secondly, such empirical investigations are yet to confirm in developing Islamic countries, like Pakistan. The major objective of the current research study is to explore the factors, which influence Pakistani-banking customers to use ICC. This study will equally benefit customers, managers, regulators, and academia to understand ICC and the main factors that determine the use of ICC in Islamic countries.

2. Literature Review and Hypotheses Development

2.1 Theory of Reasoned Action (TRA)

The theory of reasoned action, also known as the theory of attitude, originated by Fishbein and Ajzen (1977). TRA aims to identify the association between attitude and behavior within human action/intentions. The TRA predicts how and why an individual or group behaves is dependent on their prior attitude and behavior in humans. So, the theory says that behavior is the result of attitude, i.e., what an individual act is the outcome of his/her inner belief.

Numerous studies used the TRA model in different contexts; for instance, Islamic marketing context, Islamic housing, and Islamic accounting research involved the aforesaid framework. Amin, Rahman, and Ramayah (2009) applied the TRA model to Islamic accounting. Another researcher Lada, Tanakinjal, and Amin (2009) explored the TRA model in halal restaurants while Amin, Ghazali, and Supinah (2010) contextualized TRA in an Islamic personal financing. Khan, Khan, Khan, and Khan (2019) investigated Islamic personal financing using the lens of TRA.

The current study employs the TRA model due to its simplicity and rich theoretical support. The TRA model has simplicity and valid predictive power, which enable its predictability in different research contexts. The TRA declares that the subjective norm and attitude towards the usage of ICC are antecedents of performed behavior. Both factors directly affect buying behavior (Ramayah & Razak, 2008). Some human actions happened due to social influence. Similarly, the attitude of a person is a major drive that produces a favorable result for adoption, whereas subjective norms create the best environment for the customer to use ICC. In the consumption process, a person is largely influenced by customers' attitude and the society he/she live in. The first and foremost thing banks should consider is changing the customer's attitude. It will result in an increasing number of customers. Customers in Pakistan accepts Islamic products when they have a positive attitude or having some type of motivations toward them (Khan, Khan, Khan, Din, & Khan, 2020).

Islamic banks are motivated to promote the ICC as a character of social ethics. A better network among consumers means greater social influence. Past studies confirmed that attitude and subjective norm has a significant role in forecasting consumption. Amin et al. (2010) clarified that subjective norms and attitudes have a significant contribution to getting Qardul Hasana financing. His study found that there is a 68.9% variation comes independent variables. Subjective norms usually pertain to consumers' confidence either to accept or reject a product.

It leads to consumption in Islamic society. Muslim societies accept or consume halal products only, if someone deviates from the rules, he/she becomes isolated from the rest.

Several studies have reported the significance of TRA that the model rightly highlights why to opt for a particular product or system (Lada et al., 2009; Ramayah, Rouibah, Gopi, & Rangel, 2009). The theory TRA hypothesized that acceptance behavior can be determined through behavioral intentions, that is the function of a person's attitude, as well as the impact of external factors. Hence, this study aims to integrate all these models in one concrete single context. There are very limited studies that exist in the literature which focus on the impact of subjective norms, attitude together with perceived financial cost on the decision to select ICC. Especially, limited work exists on evaluating credit cards which is a significant privilege of Islamic banking.

2.2 Hypotheses Development

2.2.1 Subjective Norm (SN)

Fishbein and Ajzen (1977) explained the phenomenon of the subjective norm in their study. According to them, a subjective norm is social enforcement either to do or not to do an act. The word subjective norm is determined by the combination of one's beliefs.

H1: There is a positive effect of Subjective Norms on the intention to use ICC.

2.2.2 Attitude (ATT)

According to the prediction of the TRA, a cause of performing any activity is attitude. This factor has a significant association with engaging in any particular behavior. A person usually performs an activity and adopts behavior if his/her attitude is positive (Fishbein & Ajzen, 1977). Attitude is one of the most important predictors of behavioral intention. Therefore, it may foster the use of ICC as attitude is a key to performing a behavior. Attitude & subjective norms are significantly related to students' intentions (Amin et al., 2009). Subjective norms and attitudes are significantly associated with behavioral intention (Ramayah & Razak, 2008). Kaynak and Harcar (2001) conducted examined the relationship between consumers' attitudes and intention to use ICC. According to these findings, middle-group consumers use credit cards the most in number. It is also found that age also contributes to determining attitudes to predict credit card ownership. Hence the next hypothesis is formed for the research study.

H2: There is a positive influence of Attitude on the use of ICC.

2.2.3 Perceived Financial Cost (PFC)

Customers' belief that their bank will charge a certain amount of cash is referred to as perceived financial cost (PFC). Past literature demonstrates that perceived financial cost influence behavioral intention in a negative way. According to Yu (2012), there is a negative relationship between PFC and the use of mobile banking services. The same result was derived by other researchers (Luarn & Lin, 2005; Mathieson, Peacock, & Chin, 2001). However, Ramayah (1970) found contradictory results. He emphasized that there is no significant influence on perceived financial cost and intention to use the online banking system. Therefore, based on logic from past studies, this study draws the following hypothesis;

H3: There is a negative relationship between Perceived Financial Cost and intention to use ICC.

2.2.4 Knowledge (KNW)

Consumers need various types of information when they decide to purchase any product or service. Such information might help them to take the best decision and confirmation of getting the product at the lowest price (Rogers, 2003). If the customers do not have sufficient knowledge or are well-informed, they cannot form ideas about how to buy or use particular mobile services (Gholami, Ogun, Koh, & Lim, 2010; Manickam, 2014). A research study conducted by Howcroft, Hamilton, and Hower (2002), found two important factors i.e. awareness and service attributes which they considered the most significant for any customer to accept any product or service. For that reasons, we can assume that:

H4: There is a positive influence of Knowledge of ICC on the intentions to use ICC.

2.2.5 Social Influence (SI)

According to Venkatesh, Morris, Davis, and Davis (2003), social influence is the process when a person is influenced by the behavior or opinion of society whether intentionally or unintentionally. The suggestions of referents are important to the users of any system and could become the basis for how they feel about a certain system. It may include peers, friends, family members, relatives, and others, which might affect consumers' decisions. Close friends, when suggesting a useful product, is an influential factor in purchasing and using a particular product. A positive relationship exists in past studies explaining social pressure and usage behavior. So, we conclude the following hypothesis:

H5: There is a positive relationship between Social Influence on the intention to use ICC.

2.3 Theoretical Framework

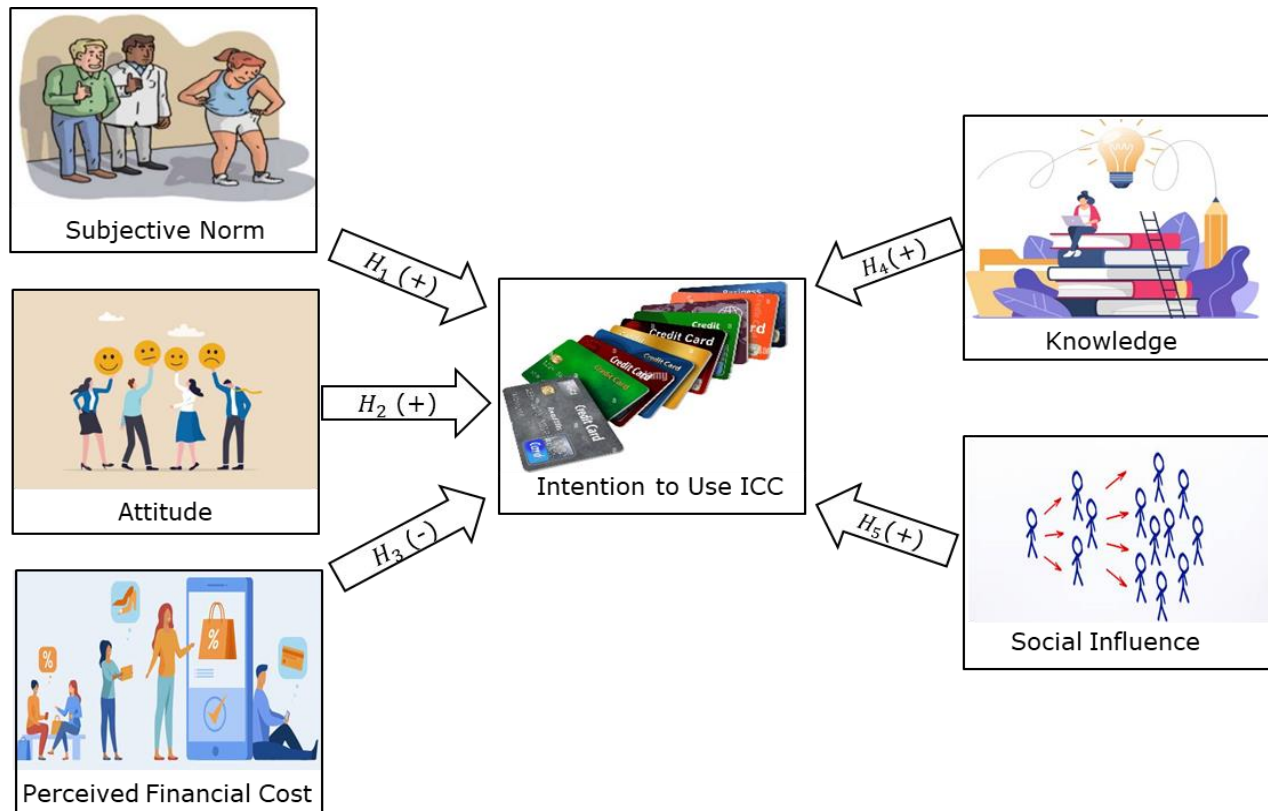


Figure 1: Theoretical Framework of the Study

Source: (Ali, Raza, & Puah, 2017; Amin, 2012a; Fishbein & Ajzen, 1977; Jamshidi & Hussin, 2016, 2018; Johan, 2015)

3. Methodology

3.1 Sample of the Study

There are 7 divisions and 25 districts in Khyber Pakhtunkhwa (KP) province, Pakistan. The study used the southern region of KP for data collection where two divisions (Bannu, Kohat) were selected. The current study uses a convenient sampling technique and valid data for estimation were used. Kohat division consists of districts Hangu, Kohat, and Karak. While the Bannu division consists of districts Bannu and Lakki Marwat. The data for analysis was collected only from Islamic bank customers in these districts.

3.2 Data Collection

The current study employed primary data and a self-administered questionnaire using a five-Likert scale that was distributed among Islamic bank customers. The questionnaire consists of questions based on dependent and independent variables adopted from different previous studies (Al-Somali, Gholami, & Clegg, 2009; Amin, Rahman, Sondoh, & Hwa, 2011; Pikkarainen, Pikkarainen, Karjaluoto, & Pahnla, 2004; Rahman, Asrarhaghghi, & Rahman, 2015; Ramayah & Razak, 2008; Yusoff & Masri, 2013). The data collection process was very ethical and all the respondents were informed of the sanctity and confidentiality of their responses. They willingly participated in the data-giving process and they were informed of the purpose of the research study.

3.3 Research Model

The regression model of these studies is as follows;

$$y = \alpha + \beta x + \varepsilon \tag{1}$$

The above regression model where (y) is the dependent variable (Intention to use ICC) and the term (α) represents intercept. In the regression model, X is the explanatory variable ("Attitude, Subjective Norm, Perceived Financial Cost, Knowledge & Social Influence"), while β represents the coefficient of the regression. The study's basic functional model is as follows:

$$IICC = f(SN, ATT, PFC, KNW, SI) \tag{2}$$

The above-explained regression model, which is used in this research, is given below:

$$IICC = \alpha + \beta_1 SN_i + \beta_2 ATT_i - \beta_3 PFC_i + \beta_4 KNW_i + \beta_5 SI_i + \varepsilon_i \tag{3}$$

Where,

- IICC = Intentions to use ICC
- ATT = Attitudes
- SN = Subjective Norm
- PFC = Perceived Financial Cost
- KNW = Knowledge
- SI = Social Influence
- ε = Error Term

3.4 Estimation Techniques and Data Analysis

The collected data from the research study were put into the Statistical Package for Social Sciences (SPSS) software for removing missing values and outliers. To investigate the relationships in the proposed model, PLS structural equation modeling (SEM) was employed. PLS brings together CFA, which is the main component for analysis and regression, it projects the

structural model and measurement at the same time (Hair, Anderson, Tatham, & Black, 1998). To run PLS estimation, we employed "smart PLS (3.0)", the powerful software, representing an updated analysis tool, thereby giving better results in measures and identification of relationships (Barnes, 2011). According to Tamjidyamcholo, Gholipour, Baba, and Yamchello (2013) PLS software can form a formative model for the newest measures. Also, PLS needs very few requirements to verify a framework. Therefore, to evaluate CFA and structural model the current research study used smart PLS 3.0.

4. Results and Analysis

4.1 Common Method Bias (CBM)

As the whole data gathered from respondents having almost the same attributes and at the same point in time, the research may be vulnerable to greater CBM (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Our current research study examined CBM by employing a single-factor Harman's test. The study designed five scale models for each measure, while the first factor is 42.6% of variation i.e., less than 50%. Therefore, CBM is not a serious issue in this research.

4.2 Measurements

Following the guidelines of Hair et al. (1998), we used CFA to assess the measurement model for the research. The study evaluated the questions' items of each variable to assess their convergent, discrimination, and content validities. Throughout this method, the researcher eliminated several items based on their weak item-to-total relationships. Composite reliability, Cronbach's alpha, average variance extracted (AVE), and convergent validity were evaluated, and reported the values of component loading (See Table 2). The results of the CFA show that all factors loadings are above 0.7 except two items for perceived financial cost, one item for knowledge, and another one for social influence, so following Khan et al., (2018) those four items, PFC1, PFC2, KNW3, and SI4 were deleted. The threshold levels for composite reliability, Cronbach's alpha, and average variance extracted are respectively 0.7, 0.7, and 0.5 (Nunnally & Bernstein, 1978). Table 2 shows, the composite reliability and Cronbach's alpha value which are above 0.8, and all constructs of AVE are above 0.7. So, the outcomes show a sound convergent validity.

Discriminant validity represents whether the constructs' measures are distinct from those of other constructs. For the measurement of discriminant validity, the study employs two distinct methods (Gefen & Straub, 2005). For getting the comparison between constructs and their square root of AVE, this study assessed the discriminant validity (Fornell & Larcker, 1981). As shown in Table 3, the AVE square roots are higher than the correlations between constructs, therefore representing good discriminant validity.

So, to make sure that multicollinearity does not exist, we checked the variance inflation factors and tolerance values of the independent variables (Mason & Perreault Jr, 1991), if the value of the variance inflation factor (VIF) is low then 10 and tolerance values are higher than 0.1, it means that there is no multicollinearity. The results of the data show that the values of VIF range from 1.098 up to 1.264, thus showing no multicollinearity issue in this study.

4.3 Structural Model

We tested the hypotheses relationship using PLS after getting a satisfactory level of reliability and validity of the measurement model. Table 4 shows the analysis results of the smart PLS 3.0 on the dataset. Statistical Package for Social Science (SPSS) 21 was used to obtain correlation and initial descriptive statistics (Khan et al., 2018). Table 1 shows demographic information regarding the respondents' gender, age, and education level. There are 278 male respondents and 62 female respondents out of the total 340, which makes 81.8% and 18.2%

respectively. Age-wise the respondents are divided into four groups, 21-30 respondents, totaling 102 in number, which makes 30% of the total sample.

The group of respondents age 31-40 consists of 110 respondents, which is 32.4% of the total. Similarly, the age group from 41-50 consists of 111 respondents which is 32.6% of the total respondents. The age group of more than 50 years consists of 17 respondents, which is 5% of the total sample. Based on education level the respondents are divided into four categories, which are shown below. There was no respondent in the whole sample having an education level of high school or below, the respondents had a diploma were 4 which makes up 1.2% of the total sample. Respondents having bachelor's degrees were 98, which is 28.8% of the total sample. Similarly, postgraduate respondents were 238, which is 70% of the total sample.

The study results, as shown in Table 4, indicate that the Subjective Norm ($\beta=0.157$, $p < 0.001$) has a positive and significant effect on the intention to use ICC. The current study results are similar to the previous studies (Amin, 2012b; Amin et al., 2009; Lada et al., 2009; Ramayah & Razak, 2008). In our results, the subjective norm is a very influential element to forecast the intention to use ICC. In addition, the subjective norm can require high attention and motivate the use of ICC. Another second contributing element in this research study is Attitude. The results from table 4 show that Attitude ($\beta=0.272$, $p < 0.001$) has a positive and significant effect on the intentions to use ICC. These results are in line with the previous studies (Amin, 2012a; Amin et al., 2009; Lada et al., 2009; Ramayah & Razak, 2008). This outcome indicates that the positive attitude of the customers can increase their intentions toward ICC usage. This outcome shows that intentions to use ICC may increase whenever the attitude of potential consumers changes (Amin, 2012a).

The third factor of this research is Perceived Financial Cost ($\beta=0.032$, $p < 0.01$) which has a negative and insignificant impact on the intentions to use ICC. This result is similar to Amin (2012a); Luarn and Lin (2005); Yu (2012) outcomes. The negative relationship suggests that the more perceived financial cost has more probability of chances that customers restrain their intentions to use ICC. Amazingly, this negative relationship of perceived financial cost is insignificant, which is aligned with the findings of Ramayah (1970) research study. The possible goal is that ICC is an emerging phenomenon and is still in the initiation stage in Pakistan having a few clients that have experienced the ICC facility. The result of table 4 reveals that Knowledge has a positive and significant effect on the intention to use ICC where ($\beta=0.128$, $p < 0.01$). Previous studies show that knowledge is an important factor that changes an individual choice of a particular product or situation (Pikkarainen et al., 2004). This is pertinent to mention that customers who know any product are more likely to use ICC.

The fifth factor in this research model is Social Influence. The results from table 4 suggest that Social Influence ($\beta=0.21$, $p < 0.001$) has a significant and positive impact on the intention to use ICC. Among the influential factors, social influence is one of the strongest elements and approves the result of earlier studies (Kijisanayotin, Pannarunothai, & Speedie, 2009). Bank customers when evaluating services, highly give importance to others' opinions (Alaiad & Zhou, 2014). According to the theory of social influence, the method by which customers of a bank get suggestions from others in using ICC is known as compliance. Therefore, policymakers and practitioners should offer different kinds of incentives i.e. membership promotion and rewards, etc. for the initial adapters in order to promote services to friends and families. Furthermore, one of the vital aims of the ICC policy makers is that they should build reputation for getting best ideas.

Religion affects powerfully in determining the usage intentions of the ICC (Amin, 2012b). As a result, in the Islamic mode financial transactions are purely based on Islamic and Sharia rules. This suggests that consumers view the costs associated with ICC as reasonable and trustworthy. Due to this point, customers may ignore perceived financial costs.

Table 1
Demographics of the Respondents

Demographics	Frequency	Percentage
Gender		
Male	278	81.8%
Female	62	18.2%
Age range		
21-30	102	30.0%
31-40	110	32.4%
41-50	111	32.6%
50 or above	17	5.0%
Educational level		
High school or below	0	0%
Diploma	04	1.2%
Bachelor's degree	98	28.8%
Postgraduate degree	238	70.0%

Table 2
Result of the Confirmatory Factors Analysis (CFA)

(Constructs)	(Items)	(Loading)	(Cronbach's alpha)	(Composite reliability)	(Average Variance extracted)
Subjective Norm (SN)	SN1	0.742	0.868	0.904	0.654
	SN2	0.73			
	SN3	0.864			
	SN4	0.87			
	SN5	0.827			
Attitude (AT)	AT1	0.815	0.925	0.941	0.726
	AT2	0.874			
	AT3	0.87			
	AT4	0.828			
	AT5	0.856			
	AT6	0.869			
Perceived Financial Cost (PFC)	PFC3	0.878	0.978	0.98	0.926
	PFC4	0.964			
	PFC5	0.95			
	PFC6	0.956			
Knowledge (KNW)	KNW1	0.916	0.918	0.948	0.859
	KNW2	0.918			
	KNW4	0.946			
Social Influence (SI)	SI1	0.936	0.908	0.938	0.792
	SI2	0.935			
	SI3	0.939			
	SI5	0.73			
Behavioral Intention (BI)	BI1	0.904	0.959	0.97	0.89
	BI2	0.952			
	BI3	0.961			
	BI4	0.957			

Note: Significance level of all factors $p < 0.001$

Table 3
Correlation among the Constructs

(Constructs)	(AVE)	(C.A)	1	2	3	4	5	6
1. Attitude	0.726	0.925	0.852					
2. Behavioral Intention	0.89	0.959	0.405	0.944				
3. Perceived Financial Cost	0.926	0.978	0.321	0.319	0.927			
4. Knowledge	0.859	0.918	-0.226	-0.049	0.057	0.962		
5. Social Influence	0.792	0.908	0.252	0.369	0.307	-0.002	0.89	
6. Subjective Norm	0.654	0.868	0.297	0.332	0.239	-0.166	0.33	0.809

Note: Each construct's diagonal elements are the square root of the AVE. The Pearson correlations are displayed behind the diagonal.

Table 4
Results of the Hypothesized Structural Model

Variables	Original Sample	Mean	Std. Dev.	t- Stat.	Prob.
SN -> BI	0.157	0.162	0.053	2.946	0.003
AT -> BI	0.272	0.267	0.058	4.706	0.000
PFC -> BI	0.032	0.036	0.058	0.553	0.581
KNW -> BI	0.128	0.135	0.071	1.799	0.072
SI -> BI	0.21	0.203	0.066	3.199	0.001

5. Conclusion

The main purpose of the current research was to check customers’ intention to use ICC. The study analyzes five independent variables i.e., attitude, subjective norm, perceived financial cost, knowledge, social influence, and one dependent variable “intention to use ICC”. The current study gathered data from 340 Islamic bank customers in the southern area of Khyber Pakhtunkhwa, Pakistan. The tool used for data collection was a survey-based questionnaire while multiple regression analysis techniques and Structure Equation Modeling (SEM) were used to get the results. The results from our regression analysis confirmed that subjective norm has a positive influence on the intention to use ICC. It was also found that attitude is an influential factor in the ICC selection decision having a positive and significant impact on the intention to use the ICC. The research study found that perceived financial cost has a negative relationship with the intended usage of the ICC. The remaining two variables “knowledge” and “social influence” have a significant and positive impact on the intended usage of the ICC. The findings of the current study are similar to previous studies which fortifies the importance of this study.

5.1 Theoretical Implications of the Study

The demand for Islamic financial products is increasing day by day and customers are developing their intentions to use them, therefore Islamic banks provide a variety of products to their customers. Offering Islamic goods and products enhances the market share and business of Islamic banks. To strengthen this user behavior, the policymakers, and the Islamic bank high-ups desire to recognize and know the factors, which motivate customers towards Islamic credit facilities. To this end, the TRA model provides more in-depth insight into the factor that influence customer intention. Other factors also exist while reviewing the past literature, which predicts customers’ intention to use ICC products. Some of the factors that affect the customers' choice criteria involve awareness, trust, security, religiosity and perceived risk, etc. The current study employed two major variables taken from the TRA model as a person’s attitude and subjective norms while three external factors i.e. knowledge, perceived financial cost, and social influence. According to the objectives of the study, we suggested a framework to predict customers’ intention to use ICC.

5.2 Practical Implications of the Study

The results of current research provide significant insights to the managers of Islamic banks. Policymakers and Sharia scholars can also get benefit from knowing how to trigger customers’ intentions toward using ICC. The study also assists marketing managers to provide the best strategies to offer ICC to users or customers. Regarding the practical application of the research, if the Islamic bank targets subjective norms and consumers' attitudes, it will improve customers' intention toward Islamic banking products or services. In this regard, managers and policymakers of Islamic banks should identify and understand the social behaviors and good or bad attitudes of the customers towards Islamic banking products. Furthermore, the institution should enhance consumer attitudes and social influence. The banking managers and strategies should design the right promotional tools clarifying the benefits of Islamic banking products that will ultimately lead to more intention. Islamic banks should formulate a policy of awareness of Islamic financial products and services through social networks and using digital marketing

activities. The customers should also be clear about hidden charges (financial charges) to motivate their positive attitude towards Islamic financial products.

5.3 Limitation and Future Research Direction

The research sample used in this study was limited to 340 respondents thereby and it is suggested to include more respondents from different backgrounds in future studies. This research is specific only to the southern region of Khyber Pakhtunkhwa province, Pakistan. Therefore, more caution should be used while applying its result because it cannot be generalized to other regions or groups. Future research can focus on large areas to get more robust results. The cross-sectional nature of this study also limits the scope of the study, indicating further research using a longitudinal design to be more robust in analyzing the acceptance of Islamic banking products. The research has taken a limited number of variables, other researchers may take other variables/ factors like religious aspects to clarify and check the relationship to the use of Islamic banking products.

Authors Contribution

Khush Dil Khan: study design and concept, literature search, data collection, drafting
Ikram Ullah Khan: critical revision, incorporation of intellectual content
Safer Ullah Khan: data analysis, data interpretation

Conflict of Interests/ Disclosures

The authors declared no potential conflicts of interest w.r.t the research, authorship and/or publication of this article.

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