"Culture and Risk: Perception and Acceptability of Risk of Riba in Banking Among Teachers in Bahrain"

Submitted in fulfillment of degree of Ph.D.

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April 1996

ABSTRACT

The purpose of this thesis was to provide insights into the consumer's perception of the risk of Riba (the Islamic prohibition of baking interest) and its influence on consumer's bank patronage In Bahrain, the Conventional and the Interest-free banks operate side by side representing different philosophies of business and operation Selecting a conventional bank requires Muslim customers to negotiate the risk of jeopardizing religious convictions, and selecting an Interest-free bank requires customers to adjust to possibilities of loosing some of their convenience, time, services quality, and perhaps their money Specifically, this study explored the interaction of risk perception (ethical and performance) with the banking patronage and a host of attitudinal and behavioral correlates in banking among the Bahraini customers The study surveyed a random sample of customers from the population of Muslim teachers by means of Questionnaires Risks of ethical, ideological and religious nature were identified These were new risks that extended the perceived risk research Findings were reported about the public reaction to Riba as a threat and customers' concerns about it The analysis also used attitudes, beliefs and world views, worrying, sin perception, religious orientation, Riba characteristics, banking knowledge, social relations and contexts, as well as the risk handling activities to explore their influences on the perceived risks and banking patronage

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CHAPTER 1 INTRODUCTION

CHAPTER 1

INTRODUCTION

Islam is a complete way of life and the divergence between the values and the principles of Islam and other ideologies contributes to the discord between Muslims and other nations Islam is not just a religion in the limited sense of the word, it has a comprehensive message that aims at constructing the entire fabric of human life and culture in accordance with the values and principles revealed by God This religion represents an approach that strives to reconcile Muslims' economic needs and societal norms in accordance with Islamic ideals and morals Human life, in this way, is looked upon as a whole and its problems are approached in the light of the moral values and social ideals that Islam expounds

1.1. Values and Ethics in Islam:

The Quran is the first source of Muslims values and ethics The message in the Quran is constructed in the form of declarations that invite people to direct themselves to God by casting off all disbelief and skepticism The basic imperative of the Quranic proclamation is that the individual should nurture, form, and refine his or her own conscience The strengthening of conscience allows individuals to discern with increasing appropriateness the courses of action that will most effectively mirror divine attributes of justice and mercy Unless personal conscience is cultivated, there can be little hope for an ethical order

A person is considered a Muslim when the person has responded to the Quranic imperative to believe and to do right The Quran proclaims that right actions and right faith are linked Yet, the final evaluation of individual's faith and actions will occur only at the Day of Judgment Within the context of life on earth, no individual has the final power to judge any other individual Each Muslim alone has to decide what to do for himself or herself and be ready to take the consequences The speech of God in the Quran thus shapes and reshapes the consciousness of the believer who tries continually to refashion and reorder his or her thoughts and practices in the direction indicated by the teachings of Islam

Kahf (1980) had noted that Islamic rationality was founded on the ideological belief in the oneness of God, of religion, and of scriptures In accordance with this belief, human life is conceived of as a whole that is oriented towards one ultimate goal This goal is summed up in the virtue of seeking Paradise and escaping Hell by serving God, worshipping Him, and obtaining His consent This rationality does not exclude the satisfaction of human needs, and it accommodates human materialism in a parallel ethic of balance and moderation Individuals learn from Shari'ah (the Islamic jurisprudence) how to participate in the religious rituals as well as how to order personal and collective life Life is shaped in response to what God has said and is reflected in ideal human virtues, as well as the maintainance of societal, political, and economic patterns and structures of living Muslims generally assume that every aspect of their existence is lived under the guidance of God Hence, the ways humans order their lives should be made to fit the teaching of the Quran According to Kahf (1980), the guiding ethics for Muslims' behavior is dominated by general principles of belief in the last day of judgment and the pursuance of success through understanding and abiding by the wisdom of Islam In fact, the Muslim horizon extends beyond death Life before and after death is interrelated and the belief in it is associated with belief in God A consequential effect of this ethic on behavior is a dual outcome of choice One outcome concerns the immediate effect of choice on the utility gained in the present life, the other influences the outcomes of the actions expected in the Hereafter

The pursuit of wealth is permitted and encouraged but wealth is a concept made unique in Islam It is viewed as a bounty from Heaven that monetary success should be put to good and not to evil use It should not be hoarded, but earned and spent in accordance to the Islamic teachings for trade and commerce through which it can bring about satisfaction to the diverse human wants and needs The Islamic teachings encourage spending money on such ventures like perpetuation of goodness and improving communal life including the alleviation of the miseries of the poor and the needy By contrast, the Western view of success is to make money out of man which implies that the acquisition of wealth is the ultimate goal in life, (see Weber, 1958 in Viner, 1978) In Islam, success is viewed differently It is defined in terms of consent by God Virtue and righteousness can be achieved through good actions and the purification of human behavior from evil and vice Service of God and obedience to Him may be rendered by closely following the teaching of Islam in all life's avenues, Kahf (1980) Thus, the ethics of Islam promote the notion of success that corresponds with the close obedience to God's commandments to live life in a way that enriches the outcomes in the lifeafter

<u>1 2. The Banking Interest and Riba:</u>

The past decade has witnessed increasing resentment on the part of Muslims against the institution of interest as a capital cost in the management of their financial affairs in general and their banking systems in particular It may be attributed to many factors such as the rise of Islamic hyperorthodoxy, or lack of democracy, but certainly Muslim consumers have started to feel a sense of danger in having conventional banking institutions involved in their lives Banking institutions seem to have chosen to ignore the fact that they are alienating a segment of their customers and continue to operate in a changing world assuming that the past may be extrapolated to inform the future Admittedly, they may be confused since banks, for a long time, were perceived to be secure and safe places for money keeping and handling That a segment of the population began to reconsider the morality of banking operations and started having feelings of danger that threatens life and property because banks were breaking basic rules and regulations of Islam is relatively a recent phenomenon Yet, the sentiment is so strong that some countries went as far as revolutionizing their economic systems and adopted new banking methods and policies that were ideologically different from the philosophies of the conventional banking

1 3. Prohibition of Riba:

Riba, which means the predetermined return on the use of money for a period of time, has been forbidden in Islam Its prohibition is mentioned in four revelations in the Quran The first revelation emphasizes that interest on capital deprives wealth of God's blessings[1] The second revelation condemns it, placing capital interest in the same category of behavior as the wrongful appropriation of property belonging to others[2] The third revelation enjoins Muslims to stay clear of capital interest for the sake of their own welfare[3] The fourth revelation establishes a clear distinction between capital interest and trade, urging Muslim lenders to lend only the principle sum and forgo its repayment if the borrower is unable to repay[4] It is further declared in the Quran that those who disregard

[1]Quran Chapter 2, verse 276
[2]Quran Chapter 4, verse 161
[3]Quran Chapter 30, verse 39
[4]Quran Chapter 2, verse 275

the prohibition of capital interest are at war with God and his Prophet[5] The prohibition of interest is declared by the Prophet who condemned not only those who take interest but also those who give interest and those who witness the transaction, saying that they are all alike in sin Because of the close resemblance between the present institution of capital interest to the banned concept of Riba, Muslim jurists were not hesitant to condemn the practice of imposing capital interest in banking, (Ariff 1988) Islam prohibits Muslims from taking or giving interest regardless of the purpose for which loans are made and regardless of the rate at which interest is charged There have been attempts to distinguish between usury and interest and between loans for consumption and for production It has also been argued that Riba refers to usury practiced by money lenders and not interest charged by modern banks and that no Riba is involved when interest is imposed on production loans, (Ariff 1988) But these arguments have not won acceptance Apart from a few dissenting opinions, the general consensus among Muslim jurists clearly shows that there is no difference between Riba and interest, Al-(Qaradawi 1989)

1.4 Public Reactions to Interest in Banking:

Public attitudes to Riba in banking are both complex and ambivalent The Government of Bahrain perceives banking as an important sector for diversifying the state's economy, (Bahrain Monetary Agency 1994) The Agency believes that the economic potential of conventional banking is substantive and it is also argued that it could contribute significantly towards solving important economic problems in employment, income, and growth on the island Despite public support for economic development and by implication for banking, many religious, ethical, and societal concerns have been raised

[5]Quran Chapter 2, verse 279

about the practice of commercial banking, all attributed to the risks involved in the Riba related transactions The Muslim jurists and some segments of the public, in particular, have expressed their apprehension about the impact of conventional banking on the ethical and moral systems of Muslims Because of their wide diffusion and indispensability, banks are seen as capable of affecting all social classes including those which had relentlessly avoided contact with interest The banking growth and interdependence has been viewed by some Muslims to have the capacity of inflicting violations to the codes of Islamic ethics Part of these ethics prohibits the use of Riba in any transaction and by implication invite divine retaliation through the destruction and disintegration of society once the people have defied God's commandments on Riba The feeling of danger, which appears to concern the growing perception of becoming exposed to unknown risks because of Riba, has invoked Muslim jurists and orthodox Muslims to dispense calls for mitigational measures in many preaching forums A growing section of these people, fundamentally of high religious conscience and credibility have begun to question the ideological justification for banks and have started to perceive banks as a threat to their morality Islam has presented the practice of Riba as a risk to Islamic society and has informed the people to make an effort to repel it from their environment or else they would suffer the consequences of destruction and annihilation This threat, that has been depicted by and solicited by religious teachings, represents a violation not only to a pure way of life but to one's livelihood and to one's life For the individuals who reject conventional banking altogether, despite the benefits it contributes to the welfare of the people, their main reason for feeling this way is that their being and their interests have been threatened by the presence of Riba in their lives It is believed that it has the ability to cause pollution to the community's morality, to impinge upon religious values, and to be the reason for direct threats from God to the physical existence of human beings

The evolving perception of insecurity, especially among the Muslim jurists is related, at least in part, to the extension of the societal discourse which in its most radical form presents societal systems as fragile, vulnerable, and constantly under threat from irresponsible human ignorance of God's wishes, (Al-Qaradawi 1989) Banks as pollutants to the morality of the people were not perceived as so until relatively recently but the concerns are rather more familiar than they look For instance, the attitudes people have against polluting their physical environment are mirrored in attitudes against polluting their moral environment However, Riba as a source of threat, does not have visible, directly related, and causally connected consequences Its has threats that mainly arise from Quranic and narrative sources that originated nearly 1500 years ago and cautioned people against its use and consumption The attribution of so much dreadfulness to a subject is rarely a matter of objectivity even in the modern society As a consequence, one can argue that most of the peoples actions and reactions depend on their subjective perception of the evidence presented in their environment and not on visualizations of absolute representations of truth or reality For example, many of the worlds' technologies are perceived as hazardous and dangerous not because they have a recorded history of safety and accidents, but because people have resorted to believe in the potential threats these technologies may have But there is little doubt that it is only in the last three decades or so that conventional banking has been both widely and seriously criticized, by doubts and opposition, on the grounds of ethics and ideology Currently, it is easy to sense public unease on this matter signalled through the rapid diffusion of alternative banking, where public acceptance of it has been far greater than any other alternative banking option, and where conventional banking as an industry practice has been significantly affected in countries like Iran and Pakistan

It is in this context that conventional banking has been placed by sections of the public as a possible agent for societal insecurity as well as having dreaded implications for Muslims' lives in general It is not surprising then, to discover that the anxiety produced by conventional banking has fostered new banking practices and innovations such as the new breed of banks involved in Interest-free banking It is worth noting that this uprising of public religious consciousness not only is linked to changing perceptions of the consequences of adopting particular banking institutions, but also to the 'Islamization' of public opinion which has been conditioned to perceive economic, social, and political threats in the context of moral danger which can be invoked by submitting to Riba or to any other violations of the divine command or Islamic order

1 5 Ethical Patronage.

Ethics are about what is right and what is wrong in human behavior They are expressions of what people think ought to be They influence an individual's judgment and the comprehension and understanding of environmental circumstances facilitating humans' actions, (Smith 1990) For Muslims, ethics are shaped by the person's values and cultural experiences of which the Quran and Islamic culture are central in the conditioning of individual and collective behavior The term 'ethical consumption' is usually taken to refer to personal ethical considerations that operate to affect the evaluative criteria that mould the purchase decision (Smith 1990) has discussed ethical purchase behavior as part of consumer behavior He went on to describe it as people's abstinence from buying certain products or services based on ethical contentment that their consumption is morally wrong Alternatively, it could be presented as a deliberate restriction of choice in buying, e g not buying meat products for vegetarians or not buying pork products for Muslims and Jews These 'ethical behaviors' occur when ethical concerns start to affect the customer's decision to buy Ethical purchase behavior could also be viewed as an outcome of an individual's moral judgment It can result in different responses to similar products and services by different individuals who are consciously deliberating and morally questioning the rationality of the decisions behind their purchase behavior Smith goes on to explains that there is 'ecologically concerned' or 'socially responsible' consumption when consumers choose to 'go green' and buy a low pollutant petrol or prefer goods in biodegradable packaging Similarly, he explains that consumers preferring to buy the products of a unionized firm over to a non unionized firm constitutes ideologically motivated purchase behavior, refusal to buy from a firm that funds a political party is political purchase behavior, and the purchase of halal meat or the avoidance of pork products is religious purchase behavior In all these cases the behavior may be described as ethical purchase behavior Smith's opinion is that ethical purchase behavior may be practiced by consumers who feel empathetic with the social and environmental welfare of others when they embark on their purchase decisions Their decisions include forms of consumption representing their responsibility and their concerns for their physical or social environment The implications for people who allow their ethics to affect their decisions assumes that they would usually support firms that operate according to their ethics and avoid others that do business in violation of those ethics

1 6 Interest-Free Banks

Perhaps, an obvious case where ideological beliefs erect a perception that an ethical principal maybe at risk is in the choice decision that a Muslim customer makes when selecting a banking institution Islam, the religion and its teaching, denounces any exchange based on interest However, banks, as conventionally defined and operated, consider interest as an indispensable device for the operation and control of their business To abide by the teachings of Islam, a new convention of banking was invented in the Moslem business community Banking without interest provides the Muslim consumer with ideological security by endorsing the Islamic prohibition on interest and operates without it Generally, it requires that depositors or investors share in the bank's profit and loss and that these banks should restrict investments in business to these permitted by Islam and avoid soliciting business related to liquor, gambling, pornography, and any transaction that violates the principles of Islam In order to achieve this, Interest-Free banks have developed their own financial tools and instruments that fulfilll their religious obligations but within a commercial environment such as Mudaraba, Musharaka, Mudaraba, Ijarah, (see below) Some limitations on Interest-free banks operations have emerged due to the constraints on their operations and the novelty of the system Primarily, this is associated with business risks, owing to its risk sharing principles that are at a level generally higher than the levels commonly acknowledged in the conventional banking practices One dimension to these limitations is that Interest-free banks have to struggle with dealing in an international environment dominated by interest oriented institutions that see interest as the sole facilitator of capital mobility Interaction in such an environment might force Interest-free banks to either tolerate some transactions which contradict the teachings against Riba, or would have to limit their range of business to a band of transactions overloaded with risks due to the risk sharing principles This limitation in activity may restrict the investment selection opportunities more than is customary in other conventional banks To minimize such risks, Interest-free banks have taken pains to distribute funds over wide portfolios and have established reserve funds out of past profits which they can fall back on in the event of any major loss In addition, Interest-free banking requires expertise which is not always available especially in areas of long term financing such as project financing on the global scale On a wider level, there are no back up institutional structures such as secondary capital markets for Interest-free financial instruments, see Iqbal and Mirackhor (1987)

1.7. The Purpose of the Study:

As long as Interest-free banks serve a function and fill a gap in the market, they are expected to become increasingly more active in the banking industry Therefore, it seems increasingly important that we ought to know more about how and why consumers choose Interest-free banks over other conventional alternatives available to them One key to a better understanding of consumer banking behavior appears to be in the perceived risk concept that is strongly associated with the risks emitting from the inevitable presence of Riba in banking and from the difficulties customers face while interacting with Interest-free banks This study attempts to analyze the effects of perceived risk upon the selection of banks in Bahrain as well as examining the influencing factors on perception of risk and patronage of banks in the hope of achieving a clearer picture of how banks are perceived and selected Since most of the risk perception in consumer behavior research is associated with minor consequences and high frequency choice situations, this research approach deals with risks associated with the serious consequences that underlie a persons' beliefs Further, it tackles the unknown or ambiguous consequences of occurrences that are shaped and maintained by these beliefs Particularly, it is concerned with examining the ethical and performance risks to Muslims that are inherent in contemporary banking as well as the physical, psychological, social, financial, and other risks that are perceived to be associated with it It is concerned also with the public acceptability of and resistance to conventional and Interest-free banking in the strictly limited sense of the publics' perceived risks associated with banks and the publics' patronage of them

From another perspective, despite the evidence that cultural values and the related ethical beliefs influence the decision process and the closely related dimension of risk perception, little effort has been spent on systematically linking consumer's risk perceptions with a consumer's values and ethics By building on the previous indications in the literature, this thesis asserts that consumers' cultural and ethical values account for variations in consumers' risk perception and therefore their behavior It suggests that a significant portion of consumers' choice in banking is explained by intrinsic beliefs of what is good and bad The collection of these values forms a consumer's consumption ideology In some cultures or subcultures, the consumer may abstain from consuming specific goods or services because they represent a risk of violating his or her ideological values Except a paper by Delener (1990) on religious influences on the perceived risk, this type of ethical risk has not been explored before in a consumer behavior context This research attempts to address this gap by exploring the capacity of the risk perception literature to explain the ethical patronage behavior (e g Smith, 1990) of customers in relation to bank selection in Bahrain.

Ultimately, the purpose of the study is to initiate an exploration into the relatively ignored area of the consumer behavior of Muslims who commerce with banks and contemplate the ethical issue of Riba during their transactions To achieve this, two major objectives are drafted for guiding the investigation These are as follows

- To determine the effects that perceived risk has on the patronage of Conventional banks (C B s) and Interest-free banks (I F B s) in Bahrain

- To determine the influence of customer characteristics such as the cultural, attitudinal, psychological, social, and demographic variables on the perceived risk and on bank patronage behavior

These objectives are expected to be achieved through a research design that revolves around a risk perception peculiar to the consciousness and experience of users of the banking industry in the Arab world This industry has been chosen for its unique capacity as a source of controversy over the issues of the risk of Riba and as a source of indigenous development gain and economic growth Bank interest, however it is defined or explained, is forbidden by creed to all members of the nation of Islam It is portrayed by some as presenting grave dangers of all sorts, a source of misfortune and blows that crippled the Muslim people everywhere Nonetheless, banking flourishes as a source of growth and income for many countries in the Arab world Millions of Muslim customers see banks as routine in their daily life Most, though many may sense the guilt, can never imagine life without it Still others, who are becoming vocal as the pressure for orthodoxy increases, think that the institution of capital interest should be abolished and replaced by an Interest-free banking model that has been developed and practiced on a expanding scale over the past 30 years Besides its relative novelty which is a source of risk to some bankers, this new mode of banking does not come without dispute among the public It is well known that it operates on higher margins of risk than the conventional banks due to the financial philosophy that it advocates, and rumors about the awkwardness and twisted practices of some Interest-free banks when dealing with conventional banks are expected to circulate among consumers via social word of mouth communication

Banking is also selected as a context for this research because it is an area that has a capacity for applying risk perception theory and exploring its potential in nearly a virgin field First, banking has been uncommon as a topic for research in risk perception Banks are seen as safe places for money and the people are presumed to trust their wealth to bankers for security and protection But when examined closely, the banking experience has its share of stories of bankruptcies, malpractice, and fraud Second, the diversity of banking instruments and services, the variety of people who are entrusted to deliver these services, and the vast range of clienteles and the complex networks of banking technologies are factors that need to be addressed from the consumer point of view when it comes to bank selection routines or investment services preferences for example Third, the Arab and Muslim consumer banking situation has received insufficient concern from researchers in the consumer behavior field There is little known about how the Arab and Muslim consumer thinks and behaves Consumer behavior books and texts are packed with examples, but almost all display lack of attention to the Arab consumers' experiences and practices Thus, essential empirical data are missing and the need to investigate this market becomes appropriately justified

1.8 The Plan of the Study:

Following this overview of the problem area and statements of the research objectives, the next chapter in this thesis provides a review of the relevant literature The first part in it introduces Interest-free banking, its philosophy, and its functions The second part reviews research in the area of risk perception The third part reviews studies on values and beliefs The fourth part, examines the relevance of Cultural theory as an aid to the explanation of risk and choice Finally, the fifth part summarizes the literature on the determinants of bank selection

The third chapter begins by introducing the study's specific hypotheses and provides a discussion of the rationale behind them The chapter also presents a description of the research method, choice of research setting, sampling plan, and survey design as well as description of data gathering instrument and methods for data analysis This is aided by a schematic plan for the study variables, hypotheses, and relational analysis

The fourth chapter presents a detailed description of the study's findings, analysis, and discussion The chapter contains relevant statistical analysis designed to provide evidence to support or oppose the hypotheses A comparison between perceived risk in Interest-free banks and Conventional banks is made to determine the risk types that are influential on bank selection Also, the various components and influences on risk in banking will be analyzed, including the type and amount of risk, ethical and performance, and the relationship of bank patronage and risk perception to a host of relevant behavioral and attitudinal customer characteristics in the banking context The analysis is contained in five parts The first Part provides a description of the variables including their frequencies and percentages The second tests the hypotheses around the relationships between the perceived risks in banking and the banking patronage behavior The third Part, presents the results of testing the hypothesis concerning the customer characteristics influencing the risk perception The fourth shows the results for the hypotheses about the influences of the customer characteristics on the patronage behavior A summary is provided at the end of each part of this chapter The last part comments on the findings and the results of the hypotheses

The fifth chapter provides an overall summary of the thesis and its implications and contributions The chapter concludes by addressing the limitations of the study and suggestions for further research The final chapter is followed by an appendix and list of references

CHAPTER 2 LITERATURE REVIEW

CHAPTER 2

LITERATURE REVIEW

The preceding chapter defined the research issues and presented the objective of the study This chapter reviews the literature in the areas being investigated in this study The chapter consists of five parts The first part reviews the issues involved in Interest-free banking, thus supplying a background for the study Then, studies of risk perception and the perceived risk importance in consumer decision making are discussed Afterward, the role of values and beliefs in consumer behavior are considered Next, the relevance of cultural theory to risk and perception is presented Later, a discussion of determinants of bank selection is given to highlight the major factors that affect the process of bank patronage

2 1. PART 1· INTEREST-FREE BANKING:

Interest-free banks are a new form of banking that has emerged in the past 30 years in an attempt to abide by the teaching of Islam and in compliance with the ever increasing public sentiment in the Muslim countries As an approach, Interest-free banks are an interesting concept and perhaps have something original to contribute to the conventional ways of banking and finance It is an interesting phenomenon when tied to Islamic culture and ethics and is part of a broader concept of Islamic finance in which Muslims have incorporated their personal value system into the economic sphere based on the doctrine of Islam Bankers consider Interest-free banks a serious and constantly developing complement to conventional banking and a way for followers of Islam to invest their money in compliance with their religious beliefs, (Angell 1995)

2 1 1 Beginnings:

Moslem scholars and economists conceived of the Interest-free banking concept in the early sixties as an alternative to existing interest based banking Perhaps, the Interest-free banking idea had arisen from people's needs to assert their identity after long periods of colonization during which the local banking offering typically reflected the existing financial practices in the colonists' countries of origin, (Angell 1994) As a relatively new concept, Interest-free banks were born in the mid-1960s in Egypt However, there was an earlier Interest-free peasant savings fund that failed in the 1950's in Pakistan, (Angell 1995) But the first serious attempt to initiate an Interest-free type of banking institution took place in 1963 in peasant Egypt The success of the experiment drew hostility from the traditional banks which acted in concert to put the new bank under government guardianship A new management halted the experiment, cancelled the Interest-free operations, and operated on conventional banking systems and regulations Eventually the venture failed after four years but the bank and its philosophy was revived in 1971 under the name of Nasser Social Bank and it is still in business today, (El-Ashker 1987)

2.1.2 Diffusion:

The Interest-free banking idea spread to Saudi Arabia in 1975 with the Islamic Development Bank and to the United Arab Emirates with the privately owned Dubai Investment Bank in the same year as the first real experiment in Interest-free banking in the Arabian Gulf The Kuwaiti Finance House followed in 1978 and by 1979 had witnessed the establishment of the Islamic Exchange and Investment Corporation in Qatar and the

Bahrain Islamic Bank in Bahrain (El-Ashker 1987) Although the Interest-free banking approach originated in the Middle East, it is no longer limited to banking institutions in that area Various similar institutions around the World coexist today with the most comprehensive endeavor taking place in Iran and Pakistan where their banking systems underwent reformation to wholly convert to Interest-free banking, (Khan 1987) Today, there are a number of major Islamic institutions operating throughout the World Citibank is setting up an Islamic bank in Bahrain, while other western banks have incorporated what they call "Interest-free windows" where they provide services to their Muslim clientele according to the Islamic requirement, (Euromoney 1994) In recent years, there has been a rise in financial transactions generated by companies engaged in Interest-free banking of some sort The estimated size of the assets held by Interest-free banks in the world is around $ 65 billions although it is still relatively small representing around 1% of bank assets world wide At the current growth rate at the retail level, it should be possible for these banks and others that joined them to gain around one quarter of the total deposits in the Gulf states by the year 2000, (Wilson 1995)

2 1.3 Reasons for Interest-free banks:

Riba is a noun that comes from the Arabic verb *Yarboo* It has several meanings but the most relevant deifinition is 'to exceed' Semantically Riba means an 'excess' or an 'addition' Juridically, Riba means a predetermined excess or surplus over and above the loan capital received by the creditor conditionally for a specified period, (Afzalur Rahman 1979) Another broader definition claims that Riba is 'any excess that accrues to the owner or lender of the commodity in an exchange or sale transaction without giving in return any counter value to the other party', (Khan 1987) A transaction containing Riba holds three conditions First, a financial excess (or any advantage of value) or surplus above the principal Second, predetermination of this excess in relation to time And third, the transaction is conditional on the payment of a predetermined surplus to the creditor, (Afzalur Rahman 1979)

Islam forbids any transaction that contains Riba, and profoundly denounces those engaging in it It considers both the giver and the receiver and all those involved in processing the transaction as cursed sinners In fact, it is a sin that is considered as one of the gravest condemned acts that a Moslem may ever commit and Islam has made it a test of belief that it should be abandoned, see Gibb and (Kramers 1974) Nonetheless, any surplus over and above the capital is not considered Riba if it violates any one of the conditions stated above Accordingly, predetermined return to capital is permissible when it is linked to a variable outcome such as percentage of profits of a business entity In Islam generally and for Interest-free banks in particualr, money is not regarded as a commodity It has no price in itself and can earn money only if it is engaged in a business activity and has a return or loss which is shared by the investors or savers, and the bank itself In confirmation with the above definitions, Moslem jurists made it a case that the charging of interest as practiced by contemporary conventional finance houses and banking institutions, is an exhibition of one form of Riba that has to be abandoned and replaced by an Islamic acceptable alternative

Religious belief and religious values play a role in all facets of the Muslim's life, and it is probably the religious motive that moves people in the direction of Interest-free banks These banks may contain an element of social involvement that many may not understand Among non Muslims, this may seem odd because, in the Western World for example, separation of church and state or separation of religion and economic and social activity is an arrangement that dominates in these cultures But in the Muslim society, those separations do not exist and Interest-free banks give Muslim individuals an opportunity to practice religion through investing money according to Shariah In effect, complying with religious belief in Interest-free banks means introducing a value system and ethics into the economic sphere For example, Muslims cannot invest in, or purchase, things which are considered prohibited by their religion, like alcohol or pork products In this sense, Interest-free banks are not much different from following any other ethical business practice Western institutions that operate an ethical policy could probably understand the basis of Interest-free banks Since they also operate a number of ethical funds, financial investors are willing to engage in a few of many transactions permitted by some ethical stance For instance, in the United Kingdom, there are a number of firms who invest in only ethically acceptable products, for example Mercury Provident, The Ecological Building Society, The Cooperative Bank and others, (Smith 1990) The difference is that Interest-free banking is a form of ethical or value laden finance that is in alliance with spiritual activity Acceptance of Interest-free banks may come from what is presented to the believer by the Book It is a discipline with its own rules and its own values that follow the Islamic law

2 1.4 Underlying Concepts of Interest-Free Banking:

Islamic socioeconomic guidelines that allowed for Interest-free banking and were of particular relevance to business in general asserted that investors engaged in productive and legitimate activity, that does not involve pure speculation, are entitled to a reward for the risk they undertake They maintain that any form of Riba, or interest, defined above, is prohibited and any liability that results from investing in the loan is borne by the lender and not by the creditor, (Khan 1987) In order for business transactions to take place under these constraints, unique types of instruments and contractual agreements were incorporated from medieval Islam Others were created by contemporary bankers to accommodate the complex financial demands of the investor Most of them were based on profit and loss sharing among the contract participants These instruments fall into two categories One is profit and loss sharing contracts The other represents contracts that are based on commercial enterprising, a non profit and loss sharing form The following discussion provides a brief explanation of each type

2.1.5 Interest-Free Banking Operations and Practice:

The Interest-free banking acquires funds from equity capital as well as from customers Its major distinction, apart from interest, is that it treats some deposits as if they were shares by offering customers mutual fund like packages but would not guarantee the nominal principal value By contrast, as Holden (1986) points out, conventional banks keep the title to the asset portfolio and they would guarantee the nominal value plus a return as determined by the interest rate Moreover, Interest-free banks are required to abstain from dealing in prohibited commodities and services, and to conduct legitimate business according to the regulations of the religion Many bankers hold the opinion that Interest-free banks do not represent typical banking practice because Interest-free banks are fundamentally different in the way they employ funds Instead of making the money of its customers available for loans that are essentially risk free, the bank is required to involve in search, appraisal, and deployment of funds in sound investments on behalf of the customers By playing the role of agent, the bank participate in the investment as an investor or a merchant and effectively takes and accepts the risk of loss as part of its business A look into the bank's sources and application of funds should facilitate the understanding of how it conducts its affairs Interest-free banking acquires funds through two main sources, equity and deposits

Equity Capital Is the capital paid by the shareholders of the bank Shareholders include the founders as well as the general public

Demand Deposits (equivalent to current accounts) These are funds made available by the customers to the bank by holding non-Interest earning deposits They are payable in full or in part upon customer's request without notice The bank holds them as Interest-free loans concessioned to be used in bank's operations In case of losses, however, the bank is held liable and depositors are entitled to full compensation, (Afzalur Rahman 1979) and (El-Ashker 1987)

Saving Deposits These funds are deposited by customers and are available for withdrawal without notice Some banks require that a minimum is maintained in these accounts They are entitled for a share in bank's profits although the return is not fixed or predetermined It varies with bank's profits and return Losses are not debited to them and their nominal value is guaranteed on customer's request Cheque books are not provided for cash withdrawal Customers need to present withdrawal slips during a bank's working hours to access their funds, (Afzalur Rahman 1979) and (Bashir 1982) ATMs can and have been provided for the withdrawal of limited sums of money

Investment Deposits These accounts are offered to customers who wish to earn a return on their deposits The deposited sum is held in an investment portfolio that is determined by the bank's management along with the rest of the bank's capital It has a prefixed maturity of six months to three years specified in advance in an investment contract The deposits keep earning return, that is usually calculated on monthly basis, as long as they are not withdrawn till the end of the period Customers usually cannot access their money before maturity, but once withdrawn, given a prior notice, they forgo their share in profits This share is calculated according to profit-and-loss-sharing ratio that considers the amount deposited and the duration by which they are committed The longer the period the higher the ratio, (El-Ashker 1987) and (Bashir 1982)

It is from these investment and saving sources that the Interest-free banks get their deployable funds The Interest-free banks employ the funds from these accounts into their operations beside what is available to them from shareholders It can use the money available from current accounts only if it is willing to be held liable in cases of failure to produce the money on demand Cases of such are witnessed in situations of crisis, financial or otherwise, that lead to panic withdrawals or from large losses that accrue from unprofitable business

2 1.6. Application of Funds (Profit and Loss Sharing Contracts):

Lending in return for interest is Islamicly inapplicable to loans to customers Instead, the Interest-free banks use Musharaka, Mudharaba, Murabaha, Ijara, and Ju'alah as means for making funds available to customers for long term investments These are described briefly below

Musharaka It is a partnership in which both the bank and the customer pool their capital in a business venture Another possibility is the participation of the bank in an existing enterprise by means of capital contribution Any losses or profits are shared jointly among the partners The distribution of profits is subject to a contract between the parties and losses are shared according to capital contribution The variations on the theme are many One form is that each party contributes an equal share of capital and holds an active role in the business All parties participate equally in sharing the losses or profits A slightly different form is the unequal contribution of capital and therefore unequal participation in returns Holding stocks in companies could still exhibit another variation on this theme, (Afzalur Rahman 1979) and (Khan and Shahrukh 1987)

Typically, the customer approaches the bank in order to get finance for a business opportunity such as imports, exports, contracting, etc The bank after careful scrutiny of customer's perspective, enters in a limited liability partnership agreement for a fixed period of time Both parties participate in combining their capital in varying proportions The customer manages the business while the bank supervises the operations and provides guidance if required Otherwise, the bank is a silent partner in this contract The customer receives remuneration for his management services from the profits This is set in advance in the partnership contract The rest of profits or losses are shared in proportion to respective capital participation There exist Musharaka contracts with either constant or decreasing participation where the participation of the bank decreases over time The bank keeps the profit share of the customer to pay back the capital contribution A variation of the concept is the Participation Term Certificates A transferable instrument similar to bond certificate that allows participation in project's equity by purchasing them They have a maturity period and guarantee a share in the returns The share is calculated according to corporate profits However, Participation Term Certificates holders are liable for losses if corporate reserves are not sufficient enough to cover them, (El-Ashker 1987)

Mudharabah. It is formally a silent partnership arrangement with a clear distinction between the capital provider and the entrepreneur who controls the management of the project It allows for investors or entrepreneurs to meet in a business partnership with contracts based on profit and loss sharing whereby the investors contribute the capital and the entrepreneurs contribute their expertise and labor The profit from the business operations are shared by both parties according to a predetermined percentage However, in cases of losses, the investor bears the burden of loosing part or all of his capital and the entrepreneur is not compensated for his effort and labor, (Khan 1987) In banking, the bank offers its services as a manager of capital and invites deposits from the public The customers are offered a variety of fixed term instruments like investment accounts and share with the bank the risk of operations In the case of current accounts, the bank assumes the risks alone, but does not share profits with depositors In investment, the bank issues certificates which entitles the holder to share in the profit of the activities being undertaken by the investment company This can be specific to a single project, or a general share in all activities The duration can be for a fixed date, at fixed intervals, on call, etc , (Wohlers-Scharf 1983)

Mudharabah is usually used for short term financing Banks participate with relatively small investments in this mode for financing trade and commerce as well as small scale crafts It works like Musharakah (see above) excepts that the bank finances the operations in full as a direct investment The customer or partner provides his work, management, and expertise and holds full authority over the business The bank neither interferes nor participates in running the operations as this invalidates the contract However, the bank has the right to check the accounts of their customer's business at any time in order to ensure that the customer is adhering to the contract's conditions The profits are shared on mutually agreed terms, usually a fixed percentage of profits The bank and customers are free to renegotiate the percentage at any time The customers' share is mostly determined by complexity and magnitude of work, expertise, and experience The bank remains liable for losses, (El-Ashker 1987)

2 1 7. Application of Funds (Non Sharing Contracts):

Murabaha· In this arrangement one party possesses the goods by purchasing them from a second party and resells at a higher price to a third party whereby payment is made due on deferred lump sum or installments It is merely a resale with a specification of a gain while payment is made on installments A variation happens when the buyer pays in advance and the seller delivers on an agreed future date, (El-Ashker 1987)

In Murabaha, Interest-free banking solicits its business by providing deposits for the general public to finance their needs using any one of the instruments described below or a combination of them On Murabaha basis, a bank can buy and resell tools, raw materials, machinery, spare parts, real estate, etc , thus earning a profit on the markup In these types of transactions, once customers agree that the bank finances are required, the bank buys the goods from the source, hence acting as a middleman who effectively possesses the goods, and resells them to the customer at a marked up price The customer agrees to pay in deferred lump sum or installments and the title of goods is transferred to him at once or when last installment is paid The buyer has the choice to refuse honoring the purchase made on his behalf for legitimate reasons relating to goods' specification, quality, delivery, damage, etc The price once set in advance cannot be altered even if late repayments occur To cover itself against late payment, the bank usually increases the markup and offers a rebate against prompt payment The rebate is not granted if payments are not made on time

Ijara: Is a rental financing or leasing that works typically as it is practiced universally whereby the bank aquires equipment or buldings and makes them available to the client on a straight forward rental basis The exception is that the hire price is fixed in advance for the lease period and may not be allowed to fluctuate with time A variation on this scheme is the lease-purchase financing whereby the payments are made towards the intention of transferring the ownership of the asset to the lessee at the end of the lease period by paying installments into a saving account, (El-Ashker 1987) Under the Ijara agreement, the bank owns the machinery or equipment and hires it out to the customers on rental terms Furthermore, the customers can enter into a contract of leasing with the option to buy the asset at the end of the term The bank can also sublease to customers assets owned by a third party

Ju'aleh. Is a service charge contract in which one party purchases the rendering of services of another party for a specified charge or commission, (Khan and Mirakhor 1990) For the banking services, the bank renders them for a commission or a fee All fee based services including the issuance of letters of credit, letters of guarantee, the transfer of funds, taking agency on behalf of the client, financial consulting, safe deposits, accepting bill of exchange, etc , are conducted under the provision of Ju'alah

These instruments are classical and by no means exhaustive The variation on them is unlimited as long as it corresponds with the jurisprudence of the Islamic prohibition against interest and deception The Interest-free institutions have used them in different capacities with varying degrees of success in both domestic and international banking

2 1.8. The Profit and Loss Sharing procedure:

The customers, especially those with investment accounts, expect a return on their deposits that is based on the banks' philosophy of sharing in the profits and losses This is determined by an agreement they enter into acknowledging their wish to invest their deposits in banks' operations The agreement specifies that the bank retains remuneration for managing the funds as well as participation in the profits, or losses Management charges are deducted from the realized revenues after accounting for overheads Depositors get their predetermined share in the returns according to a prescribed procedure that assigns different weights to different types of deposits and maturities A longer term deposit gets a higher weight and therefore a higher share The net profits after the management charge are distributed to both depositors and shareholders The bank guarantees the nominal value of invested deposits in case of zero profits The shareholders get nothing in return On the other hand, losses are absorbed from the bank's reserves The pooled capital of customer's funds and bank's equity is reduced by the amount of loss if reserves are not enough to account for it The remainder of capital is retained to customers' accounts, (El-Ashker 1987)

2.1.9 Summary·

Interest-free is a banking concept based on the ideology that interest is prohibited in Islam The Moslem bankers and economists mobilized the concept of profit and loss sharing to replace the traditional Interest-based banking system They invented new financing instruments and modified old ones to suit the new idea Instead of earning interest, lenders of money share in both the profits and losses of the borrower's enterprise In Islamic finance, institutions have three main sources of funding They can be funded through equity financing, in which the lender and borrower share ownership and agree to share in profits and losses They can hold transaction deposits which work like checking accounts, where the bank holds the depositor's money without interest although the bank may charge a fee of some sort And most important, they can have investment deposits in which the borrower's return depends on the success or failure of the investment Some transactions are based on general and limited partnerships in which leasing has become a central feature in doing business Short term, low risk transactions are quite popular in Interest-free banks because they minimize losses, provide higher turnover and therefore higher profitability The financial tools that are traditionally used by Interest-free banks are several of which instruments like Mudharaba, Musharaka, Murabaha, Ijara, and Ju'alah are among them The common denominator among these is that loss and profit from operations are shared among customers and banks according to a predetermined percentage formula

2.1 10 The Business Risks in Interest-Free Banks:

Although the Interest-free banks idea has received an increasing acceptance, this practice consists of uncertainty of returns as well as, at least in theory, the risk of loosing the principal for the customer Risk exposure is an element inherently built in Interest-free banking system Interest-free banks treat deposits as shares, the principal is not guaranteed, hence, customers face a risk that is higher in Interest-free banking than that in its conventional counterpart The risk stems from the uncertainty of return to saving deposits The monetary returns to Interest-free banks customers' deposits are not predetermined or fixed beforehand The customer actually faces the possibility of three outcomes as a return to his or her investments First, there is the possibility of a positive return, or profit from banks' operations Second, there is the possibility of negative return, or loss that reduces the customer's deposit Third, there is the possibility of no return at all which is practically a negative return given that an investment opportunity was forgone elsewhere Be it a return or a loss, uncertainty is compounded by the fact that losses are born exclusively by the bank which passes it to the customers in instances of loss in Mudharabah financing for example And unlike the conventional banks, Interest-free banking guarantees full repayment of these accounts, and accruing "Interest" therefrom, only in the condition of realization of profit Theoretically, there is no security from any agency and the client would not know in advance what return he or she would earn at the end of the business period The termination of a predetermined interest rate from transactions causes this uncertainty to occur Interest-free banking makes direct equity investments in business enterprises Furthermore, variation in return to its investments immediately follows the efficiency by which these enterprises are managed The failure of an enterprise to generate returns or delay payment does not automatically allow for charging interest or capturing enterprises' assets and proceeding for solvency This practice is routine and straight forward against failure to repay in the system of conventional banking however Other issues contributing to this uncertainty include operating problems found in Interest-free banking environment such as risk of finance failure due to possible venture failures, liquidation of investment contracts before maturity, or even to decline honoring Murabaha contracts after merchandise have been obtained on behalf of a customer Likewise, other uncontrollable elements pose problems and operate as sources of uncertainty including the lack of similar financial infrastructure that can help in instances of excessive liquidity, lack of trained personnel specialized in methods of Interest-free banking and finance, higher cost of transaction due to project auditing and heavy bank involvement and monitoring, the lack of affirmative business law based on the Islamic doctrine of Shari'uh, and the shortage of investment opportunities that involve minimal risk to investors, (Iqbal and Mirakhor 1987) These same problems contribute to the creation of another dimension of uncertainty which is the variability of a positive return, once profits have been achieved that could differ periodically according to fluctuations in economic and business activity

2 1.11. The Business Risk in Conventional banks:

The business of a conventional banks consists of borrowing money and lending it back to the public, (Wilson 1986) They attract deposits by giving interest, and charge interest on the credit they advance to others The profit they make is mainly determined from the difference of amount of interest they charge less the amount of interest they grant to deposits Their customers are protected from exposure to risk of loosing part or all the principal They do not face the uncertainty of undetermined and uncertain rate of return to their deposits Nonetheless, the risk of bankruptcy is universal and is faced by all banks including the Interest-free banks When the risk involved in lending materializes in losses, e g , bad loans or default payment, conventional banks absorb it by treating it as an income loss from operations On the other hand, the customer is only partially protected from bank bankruptcy through the various deposit insurance acts and legislation So, the variability of Return for Interest-free banks and the participation in the profit or loss of the bank activity is certainly the major difference between an Interest-free bank and a commercial conventional style bank In the commercial conventional banking, business thrives on actually trading money In Interest-free banks money can not be traded because money is not regarded as a commodity

<u>2.1 12 Other Concerns:</u>

To some Muslims there is probably a fair amount of skepticism and doubt whether Islamic institutions truly comply with Islamic requirements, not only in form, but also in substance as well For instance, there is a similarity between charging of mark ups and fees in Murabaha contracts and charging of interest in Conventional banks There is also a perception that there is a limited number of Islamic instruments into which funds can be invested because there is a concern that there are not enough places to put those funds This has increasingly involved Interest-free banks in recycling capital into international markets and has raised controversial issues regarding the screening of western equities for Islamic acceptability, (Angell 1995)

2 1.13 Conclusion:

This discussion has reviewed the concept of Interest-free banks and its operations including the operating risks involved in their practices It has also shown that customers have to contemplate a moral issue pertaining to the fact that Muslims ought not to involve themselves in Riba related transactions This review has unfolded a case where the consumer behavior in banking selection can be scrutinized for the effects of risk perception because Interest-free banks can carry an explicit operating risk and the Conventional banks may provoke ethically unacceptable practices Interest-free banks customers have to deal with interrelated dimensions of uncertainty when they elect to deposit their money with these institutions For the uncertainty of financial outcome, the client should expect to share in whatever the results of the banking activity The client, can either expects a loss or a profit Within this context, customers are not entitled to a fixed return on their deposits and therefore are viewed as being subjected to a higher level of risk than customers of conventional banking So it seems appropriate to investigate the customer's perception of performance and ethical risks that are involved in the selection decision and patronage of a bank in Bahrain and how that perception affects customers patronage behavior Risk perception has a long standing tradition in consumer behavior literature But less research was done on consumers other than that in developed nations, (Yavas and Tuncalp 1984) A loss of validity is inevitable once one generalizes the findings of this research to other countries Moreover, the phenomenon of Interest-free banking diffusion has invited little attention from a consumer behavior perspective which make the subject increasingly interesting to explore especially in the context that consumers are increasingly accepting Interest-free banking, despite the view that they should shy away from situations of risk, (Runyon and Stewart 1987) The issues concerning the perceived risks and the effects bearing on them are reviewed in the second Part of this Chapter

2 2 PART 2. RISK PERCEPTION IN THE CONSUMER BEHAVIOR:

This part tracks the rise of the idea of perceived risk, its definition, and measurement It explores the relevant research contributing to its advance including research on risk types and sources of influence as well as examining the work on risk reduction methods Also, it traces the cultural effects on consumer behavior that includes the influences of cultural values and effects on expectations, attitudes, benefits, importance, and patronage

2.2 1. Background:

The dictionary defines risk as the exposure to the chance of injury or loss (Webster's Encyclopedia Unabridged Dictionary of the English Language, 1989) Risk can be applied to nearly every action of which the consequences are known with uncertainty Einhorn and Hogarth (1985) have noted that decisions under uncertainty involve known probability distribution of outcome occurrences while decisions under ambiguity can only rule out some of the plausible probability distributions The perceived risk in consumer behavior discipline has been conceptualized as consisting of two components, uncertainty and consequences In this context, uncertainty is a subjective probability that an event is going to happen, (Cox 1967) Accepting a risk may involve selecting an alternative from among many in which the consequences of the choice could leave the person in a worse position than if the person had selected otherwise or had not selected at all The basic concepts behind the definition are the uncertainty or the probability of choice outcome occurrence in combination with the gains or losses (consequences) of each possible outcome Uncertainty and consequences mean different things to different people The probability of events are entirely in the eye of the observer and are not properties of the world Two observers of a situation can in principle assign different probabilities of being true to the same statement about it, either because they interpret what they see differently or have different background information, (Feather 1982) According to the nature of the choice situation, the person's background experiences and personality, and the person's social context and setting, people differ in their recognition and assessment of the information available to them These differences make people have different perceptions of the world and therefore their evaluations of the consequences and uncertainty of their decisions are subjective, (Ben 1981)

Consumers feel varying intensities of vulnerability in the decision to purchase a particular offering when encountering a purchasing situation Bauer (1967) was the first to introduce the concept of perceived risk to the field of consumer behavior He expressed that actions of the consumer produce consequences which cannot be anticipated with anything approximating certainty and some of which are likely to be unpleasant He recognized that purchase of products involves a certain amount of risk that includes both economic and social consequences and suggested that perceived risk could explain a host of consumers' behaviors including brand loyalty, prepurchase deliberation, information search and, opinion leadership among others

Since its introduction, the concept has continued to occupy an important role in the study of consumers and their buying behavior Taylor (1974) claimed that the concept was pivotal to the domain He went further to propose that the concept was a suitable alternative theory for explaining consumer's decisions to purchase different products and brands Taylor and Hugsted (1979), suggested that the perceived risk was also a candidate for a possible central theory of marketing They assumed that perceived risk conceptualization in choosing among alternatives might also produce anxiety close to the sense of tension, discomfort, or sometimes fear Taylor (1974) proposed a theoretical structure of risk perception for which the basic premises of the model was that a consumer facing a decision experiences uncertainty about the outcomes, possible failures, and uncertainty about consequences Combined with the amount at stake, the consumer feels a degree of anxiety, either state anxiety or enduring anxiety, that is specific to a given situation Given that anxiety is uncomfortable, consumers try to ease sources of tension in the buying situation and develop strategies to reduce the risk associated with it. To test these propositions, he then suggested an outline for implementing the theory to include measures of self confidence in relation to choice of the product category, measuring the perceived risk in product category choice, measuring the type of losses associated with product category, measuring the perceived risk in brand choice, measuring preferences for various risk reducing strategies, and measuring the approximate size of groups of consumers with common characteristics in the perception of risk, self confidence, and preferred risk reducing strategies

Since risk has traditionally been viewed as the product of two factors, the consequences of a purchase combined with the degree of uncertainty involved in attaining the desired outcomes, the consumers' concerns stem from two elements First, the consumer may be concerned that the choice made will or will not meet his or her goals Second, the consumer may be worried over the consequences in case of product's failure to meet the desired goals It is presumed that the consumers' perceptions of increased amounts of risk inhibit their abilities to make purchases Ultimately, the consumer's reaction is to reduce state of anxiety that is felt through handling the perceived causes of risk This could be manifested in the form of either seeking more information to reduce uncertainty about decision outcomes or reducing the amount at stake, or both As a result, the consumer ends up more likely purchasing the product that minimizes the perceived risk

2 2 2. Definition of Perceived Risk:

The dominant approach to the concept of perceived risk in consumer behavior is that of Cox (1967) He took the initiative to present the amount of risk as a function of two factors The first factor included the amount that would be lost if the consequences of the purchase were not favorable This in turn is a function of importance of the goals to be attained, the seriousness of the losses that may occur for not fulfilling the goals, and the amount of resources devoted for accomplishing the goals The second factor was relevant to the individual's feeling of uncertainty, i e subjective uncertainty, that the consequences will be unfavorable This concept formulation was close to early developments in psychology brought by the expectancy x value and field theories that dominated the motivation research, (Atkinson 1964) Such examples of consequences that could turn to be unfavorable included not gaining exactly what the individual is trying to gain, paying a penalty for making that gain, or loosing the means that were used for making the gain

Most researchers adhered to the same variables to investigate perceived risk, i e , degree of uncertainty and nominated consequences Others, like Bettman (1973), substituted importance for consequences Bloch and Richins (1980) defined Importance as the extent to which a product has the power to influence a consumer's cognition, affects, or behaviors relating to the product, or the extent to which the product possesses the quality of having evident value to the consumer, either in a particular situation or as a general case Vincent and Zikmund (1976), in exploring the relationship between situational factors and perceived risk, measured the consequences dimension in terms of how important it would be to avoid those consequences Peter and Tarpey (1975) also treated the consequences factor of risk in terms of importance of consequences to the individual if the consequence occurred Dunn, Murphy, and Skelly (1986), who examined the relationship between perceived risk and the branding of supermarket producers, identified the consequences dimension as the importance of loss too Yet some researchers, like Bettman (1975), felt that the concept of risk still needed some refinements Others, like Stone (1984) felt that the early scholars provided a somewhat inadequate or ambiguous definition of risk Basically, it has been advocated that risk, as a concept used in the perceived risk literature, was defined by its operationalization through uncertainty and consequences While some researchers see nothing wrong with this, others think that risk should have been defined separately as a construct, like attitudes for example, before attempting to operationalizing it For example, Engel et al (1990) reported that risk was more than just uncertainty about outcomes They defined it as a personal expectation that a loss will occur This definition accounts for uncertainty and explicitly assumes that a negative consequences, a loss, is the source of risk

The multidimensionality of the perceived risk concept has been validated by several studies in the field of environmental hazards For example, Goszczynska et al (1991) explored in four countries the factors upon which people base their judgments to characterize the various types of risks they perceive in the environment The study identified two main factors that explained about 72% of the total variance of the measures They were labeled as "unknown risk" and "dread risk" which could easily be translated to uncertainty and consequences respectively These labels were invented earlier by Slovic et al (1980) who explored how various groups of people perceived different range of activities, technologies, and substances By means of factor analysis, they found that peoples' perceptions of hazards characteristics were reducible to two or three factors They called the first factor the "unknown risk" which referred to risks unknown to the exposed or science, unfamiliar, and involuntary The second factor was called the "dreaded risk" that underline the risk severity, dreadfulness, and catastrophic potential

The perceived risk was also modeled as inherent and handled risk, (Bettman 1972). Inherent risk is the latent risk a product class holds for a consumer. Handled risk is the amount of conflict the product class is able to stimulate when the consumer selects a brand in that product class. When no information is available, both types of risks are the same. When the consumer obtains information about a brand or develops a loyalty to it, handled risk becomes lower than inherent risk for that product class. Therefore, handled risk is assumed to include the effect of information, the effect of risk reduction process, and the degree of risk reduction provided by similar buying situations. The importance of the brand choice to the consumer and the variation in perceived product quality both contribute to the change in inherent risk. The importance of the purchase depends on the degree to which the buyer wants a brand of satisfactory performance. The consumer's ability to make a decision rule depends on consumer's perception of the quality distribution over the brands in the product category. Inherent risk changes with consumer's perception of higher quality of the product class and with the size of acceptable brands in the evoked set in terms of quality. So, the higher the variation in quality of the products and services, the more difficult it would be for the consumer to develop a decision to buy.

2.2.3. Types of Perceived Risks:

Consumers may experience different risk consequences when embarking on a purchase decision. However, risk that is not perceived will most probably not influence consumer behavior. Jacoby and Kaplan (1972) recognized five types of perceived risks. They identified them as financial loss (not getting best value for money), performance loss (a product that does not work or function as it should do), physical harm (a purchase that could result in injury, health or safety harm), psychological loss (the product may not fulfill self concept needs), and social risk (unfavorable social consequences like embarrassment felt when the purchase is not socially acceptable) They found that the five types of consequences explained about 74% of the variance in overall perceived risk Performance risk was found to explain more variance than the other risks for twelve different products They further suggested that the overall perceived risk is a function of all the risk types put together Two more risk types were explored by others Roselius (1971) pointed to inconvenience or loss of time and effort associated with a purchase experience that was not favorable, while Zikmund and Scott (1973) referred to the future opportunity lost or risk of forgoing the opportunity to find a better deal in the future

These risk types were validated and cross validated by Kaplan, Syzbillo and Jacoby (1974) who cross validated the Jacoby and Kaplan (1972) study The results of the risk ratings were close to the main study They concluded that the overall perceived risk could be predicted adequately with the five types of consequences, that performance consequences are most predictive of overall perceived risk, and that similar types of products possess similar risks

Some of these risks are more identified with certain products or services than others For example, durable experience goods like electric appliances are identified with financial risk Non durable experience goods such as detergents or shampoos are related more to physical risk And psychological risk is connected more to search goods like dresses or plates Another example was provided by Garner and Thompson (1985) who found that the consumers' ranking of perceived physical risk in the medical profession came on top of all the other perceived risks In a parallel study, Garner and Garner (1985) found that the ranking order of a similar set of risks types was different in the accounting profession where the perceived financial risk was ranked first

2 2.4 Measurement of Perceived Risk:

Cunningham (1967) kept the definition of Cox (1967) and operationalized the risk contents stressing that consumer's reaction to it exists only if it is perceived by the individual He undertook a study of 1200 housewives concentrating on low price, frequently bought items sold in supermarkets The three products selected for the study were headache remedies, fabric softener, and dry spaghetti He measured the perceived likelihood of consequences occurrence by asking "Would you say that you are very certain, usually certain, sometimes certain, or almost never certain that a brand of headache remedy (or fabric softener, or dry spaghetti) you haven't tried before will work as will as your present brand?", (Cunningham 1967) He also asked the housewives to evaluate the dangers involved when they buy headache remedies, fabric softener, and dry spaghetti He measured the consequences by asking "We all know that not all products work as well as others Compared with other products, would you say that there is a great deal of danger, some danger, not much danger, or no danger in trying a brand of headache remedy (or fabric softener, or dry spaghetti) you never used before, (Cunningham 1967)

The potential answers ranged from almost never certain to very certain for the likelihood dimension, and from a great deal of danger to no danger for the consequences dimension Cunningham then combined the answers to the two questions by multiplication in order to construct the index for perceived risk The index was constructed in a such a way that the person who was never certain and perceived a great danger would receive a score of one And the person who saw no danger and was certain about it would receive a score of 16 Cunningham (1967) then classified respondents on high, medium, and low risk perceivers according to the score range that extended from 1 to 16 Cunningham built his scale on the assumptions that consequences and certainty are equally weighted and the gradations are spaced equally on both scales As for the results of the study, he found that headache remedies were perceived as the most risky, dry spaghetti as having low risk, and intermediate risk was associated with the fabric softeners

Deering and Jacoby (1972) provided another methodology for measuring the concept They asked the respondents to rate each one of the products on a set of questions The questions were designed to measure decision consequences, decision uncertainty, and the degree and type of purchase goal fulfillment involved The measures were then combined into one measure to rank products by risk classes Dunn, Murphy, and Skelly (1986) studied the concept as a function of the probability of a loss occurring times importance of the consequences associated with that loss The result was summed for all types of risk foreseen as connected with the product or brand to produce an overall measure of the perceived risk Another methodology in the behavioral decision research literature that is commonly applied to the measurements of risk of new technologies, (physical risk mainly), uses psycho-physical scaling and multivariate analysis to produce quantitative representations of risk attitudes and perceptions This approach seems to identify similarities and differences among groups with regard to risk perception and attitude In such studies, subjects make decisions about the general riskiness of a diverse set of hazards that may include up to ninety technologies or hazards The subjects then relate these judgment to several characteristics that have been shown to account for their perceptions Such risk characteristics may include risk voluntariness, knowledge, chronic effect, dreadfulness, severity, immediacy of effect, etc This line of research has become to be known as the psychometric paradigm for studying the perceived risk

Using a similar approach, another study applied conjoint analysis and multidimensional scaling procedures for the measurement of perceived risk in the product category Using the paired comparison judgment of 120 pairs of sport cars' profiles, Havlena and DeSarbo (1991) measured the overall perceived risk by asking the subject to answer the question Which of the two sport cars is riskier to buy? They also measured the six type of risks found in the literature i e performance, financial, safety, social psychological, opportunity, and time loss as well as the overall preference for each pair They ultimately obtained a metric and multidimensional operationalization of overall perceived risk for each pair The study also allowed measurement of the effect of specific product attributes on perceived consumer risk within the product category

<u>2 2 5. Consumer Risk Handling:</u>

Most people are subjectively rational in that they behave logically in view of what they believe to be true Peoples' judgments about the risks they come across in their daily life do not always correspond to the actual levels of risk as assessed by objective measures of risk like the frequency of experts' record of accidents for example, (Slovic, et al 1980) People usually define problems in terms of their perception of the environment by bringing into the situation their experiences and fears, their personalities, and their cultural values and hopefully try to solve the problems according to how they best view the threats

The consumer's reaction to uncertainty about outcomes and consequences is revealed mostly in risk reduction strategies The premise underlying perceived risk is that consumers will tend to make risk minimizing decisions based on their perception of risk It is necessary for them to manage it in order to make a choice When consumers perceive a risk, they are motivated to reduce it to a tolerable or acceptable level If the risk surpass the level of tolerance desirable, the consumer tends to seek reduction methods The level of acceptability varies among individuals according to the importance they assign to the benefits forgone, strength of their motivation, the accessibility to a substitute, ability to deal with a certain loss, and the likelihood and seriousness of loss Roselius (1971) considered that the consumer could follow one of the following basic ways to resolve his or her feeling of risk First, reducing perceived risk by either decreasing the probability that the purchase will fail, or by reducing the severity of real or imagined loss (amount at stake) if the purchase fails Reduction in the amount of risk felt can be attained by either reducing the amount at stake, or/and increasing certainty that the consequences would be favorable and a loss will not materialize The amount at stake could be reduced by either reducing the goal which the individual hopes to gain, or reducing the penalties that might be incurred when failing to make the gain, or reducing the means by which the gain is to be made, (Cox 1967) On the other hand, certainty about consequences could be increased through seeking new information and/or drawing from past experiences Nonetheless, most consumers try to reduce their feeling of uncertainty rather than reducing the amount at stake Research in consumer's risk handling persistently advocated that the consumers first reaction to uncertainty is to launch a search for more information assuming that greater information should lead to less perceived risk Second, shifting from one type of perceived loss to one for which the individual has more tolerance (i e from a financial loss to a social loss for example) Third, postponing the purchase and fourth, making the purchase and absorbing the unresolved risk, (Urbany, et al 1989) Dowling and Staelin (1994) introduced acceptable risk as a moderating variable between the perceived risk and the use of the risk handling activities They defined acceptable risk construct as the largest value of product specific risk at which the person would not require more information They suggested that a product specific perceived risk can effect the intensity of the use of risk reduction strategies like the search for information They noted that the influence was dependent on an acceptance value below which the product specific perceived risk had little effect on the reduction behavior

The same study found that the use of various shopping activities was positively affected by the expected benefit of the activity in reducing the perceived risk They also noted that a person's ability or inability to absorb a monetary loss in a purchase was a good determinant of the risk handling activities

The strategies used to reduce perceived risk are mostly strategies to reduce uncertainty It seems that reducing uncertainty is a preferred mean for handling perceived risk, (Cox 1967) The strategies could be summarised as reliance on past experience or on the experience of others, seeking information, taking precautionary measures, choice avoidance, goal avoidance, or delegating the buying responsibility to others who are competent, (Cox 1967) However, consumers will usually deal with risk different ways These 'styles' are a function of the dominant personality and buying goals, the cognitive needs and styles, and the degree of buying maturity and experience, (Cox 1967)

Consumers use at least eleven types of risk relievers according to Roselius (1971) who identified them as Buying endorsed products, loyalty, buying major brands, buying tested products, buying from dependable and reputable stores, trying free samples before buying, buying on money back guarantee basis, buying products that have been tested and approved by official bodies, shopping around to compare brands and stores, buying the most expensive model, and relying on word of mouth by seeking advice about the product Disliked relievers included testing the product by independent parties and purchasing the most expensive model

According to Stem and Lamb (1980), the nature of consumer's perception of the importance of each alternative risk reduction method is based on reliability and ease of accessibility of the method It is also affected by the extent of purchase and usage experience consumers have with the product Their study found that users of snow skies rated reliability significantly more important than did non users, and users without purchase experience rated reliability significantly more important than did users with purchase experience Also, the study demonstrated that users perceived shopping to be more reliable than did non users and higher perceived reliability was placed on store image among those without purchase experience However, since risk perception and risk reduction are situation specific, it is hard to generalize the results

Brand loyalty as a mean for reducing risk involved was proposed by Bauer (1967) and was supported later Roselius (1971) found that brand loyalty and buying the major brand of a product were the most important relievers for social, financial, physical, loss of convenience, and loss of performance types of perceived risks

Buying from a dependable and reputable store comes as a second best reliever Hisrich, et al (1972) held the opinion that consumers who are high risk perceivers are more store loyal than low risk perceivers and that consumers trust the store they recognize for good quality goods when they buy unfamiliar brands They asserted that it is possible that the risk in the product is transferable to the store that sells it. Therefore, the store becomes a product of sorts and becomes prone to risk handling strategies However, such transfer of risk is more likely for products low in brand identification

Bauer (1967) suggested that company image had a dominant influence on consumers in situations perceived as involving high risk Prasad (1975) reported that when consumers experience high social risk in buying a symbolic product, a gift for example, the purchase considerations were more likely to be affected by store image or store prestige than under situations of low social risk Others have found that consumers purchasing from specialty stores perceived less risk and tended to place more importance on the product whereas shoppers from department stores perceived more risk and placed less importance on the purchases, (Dash et al 1976)

The influence of others has a role in confirming the accuracy of the decision and resorting to it happens when one lacks sound basis of judgment, (Bauer 1967) Generally, the greater the perceived risk, the greater the importance of personal influence Some studies found that word of mouth was influential in reducing feeling of risk, (Cunningham 1966) and (Arndt 1967) Lutz (1973) added that customers who perceive higher risks in a purchase situation were more likely to emphasize direct observation, discuss the problem with others, and seek all types of information in general and prefer personal sources of information in particular Midgley (1983) suggested that the personal sources of information were preferred in situations where social risk dominates the purchase decision His deduction was that sources of interpersonal information were stressed according to the nature and degree of risk associated with the purchase decision When the buying decision involves high performance risk, the individual expands his sources of information and prefers word of mouth and opinions of independent sources, e g consumer reports However, when the perceived risk is slight or moderate, consumers are likely to use seller dominated sources of information, (Cox 1967), and buying on trial basis becomes the often used strategy, (Lutz and Reilly 1973)

Prepurchase deliberation and consideration of past experience are longer when the risk perceived is higher or the purchase is novel to the consumer As the purchase is repeated and consumers gain experience deliberation declines and consumers strengthen their loyalty towards the brand making the decisions less risky, (Sheth and Venkatesan 1968) On the other hand, impulse buying is viewed as a way by which a consumer rushes through the decision process with rapidity to suppress thinking of the possible consequences, (Bauer 1967)

Bauer (1967) also postulated that advertising had a role, to some consumers, of spreading confidence in buying decision Other research, for example Boze (1987), demonstrated an inverse relation implying that high risk perceivers are less likely to look for information in advertisements

Greatorex and Mitchell (1994) studied the relationship between loss types and the use of risk relievers They gathered data on four loss types and fourteen risk relievers for twenty four products and services Their findings revealed that the risk reduction activities employed could not match with the loss types in a consistent way for all the products and services They concluded that the relationship between the loss types and the risk relievers was product specific and could not be generalized

Mitchell and Boustani (1994) showed that risk perception and risk reduction varied according to the purchase decision process Their premise was that the amount of risk and the shopping activities adopted to reduce it were different in prepurchasing and post purchasing phases They concluded that risk reducing activities were used in the prepurchase phase to reduce the uncertainty of the purchase outcome, while they were employed to reduce the consequences of a less than satisfactory purchase, an actual loss, in the post purchase phase

Gabbot (1991) noted that the evidence supporting the search for information was contradictory The literature suggested that reduced search rather than increased search might be associated with perceived risk On the other hand, the use of product cues in situations of perceived risk, especially in situations like the second hand market, to estimate the product characteristics was an inappropriate consumer response to the perceived risk because it might increase the probability of negative outcomes for the consumer who solely relied on them

Urbany et al (1989) adopted measures for the pre-purchase uncertainty and administered them on a sample of appliance buyers Their data indicated the presence of two general types of uncertainty Knowledge uncertainty (uncertainty regarding information about alternatives) and choice uncertainty (uncertainty about which alternative to choose) In exploring how each of these uncertainty dimensions was related to search behavior, they found that choice uncertainty appeared to increase search but knowledge uncertainty had a weaker and negative effect on search

<u>2 2 6. Sources of Influences on Perceived Risk:</u>

The risks perceived by the consumer are generated by external and internal factors The external factors relate to aspects found in consumer's buying situation or environment like the characteristics of the product and service, the seller's features, or the context of the purchase situation The internal factors consist of the psychological cognition and traits that shape the individual's personality Additionally, perception depends a great deal on personal factors such as motivation, need-value system, cultural environment, experience, etc Furthermore, the individual's physiological, emotional, and experiential characteristics have a powerful impact on the person's view of the conditions in the environment A discussion of these influences is examined as follows

Perceived risk varies with the mode of buying situation Spence, Engel, and Blackwell (1970) showed that buying by mail is perceived as of a higher risk situation than buying from a store or from a salesman Similarly, buying through the use of telephone is perceived riskier than buying directly from the store despite the convenience telephone shopping seems to provide, (Cox and Rich 1964) Prasad (1975) found that risk perceived while purchasing from department store is higher than specialty store for certain goods Yavas and Tunculp (1984) provided another example by comparing supermarkets and traditional groceries outlets They found that patronage of a grocery store (supermarkets vs traditional outlets) correlated with perceived risk among shoppers for groceries in Saudi Arabia

Customers perceive specific risks in certain product or service class The amount of risk customers perceive varies with product category, (Cunningham 1967) Some suggested that it is possible to classify products on the amount of risk consumers attach to them, e g high, medium, and low risk products, (Zigmund and Scott 1977) Risk perception depends on stimulus factors, i e the nature of the product's cues presented have a strong bearing on whether something is perceived and how it is perceived, (Robertson, et al 1984) For example, services have unique attributes of intangibility, simultaneity of production and consumption, and non standardization that are not shared in common with products, (Zeithmal, et al 1985) Hence, Guseman (1981) found that services are perceived as inherently riskier than products

Quality of product or service has an effect on perceived risk too Bettman (1973) explained that consumers perceive more risk when the variation among the options is high or distinct Bettman's (1973) discussion of this point was criticized by Stone (1981) on the basis that it is intuitive to think the opposite, i e the higher the perceived variation in quality the easier the decision would become The rationale behind Bettman's explanation was that consumers had higher certainty in their ability to make a selection when expectation of outcomes of all alternatives is similar because of their close proximity on quality, (Boze 1987)

Confidence in specific buying situation is an important variable in risk handling For example, Hisrich et al (1972), who conducted a study on store selection, reported conclusions supporting the hypothesis that the greater one's general self confidence or self esteem and the stronger the specific self confidence to choose a store, the lower the person's level of perceived risk in selecting that store These results are consistent with the notion that purchase decision confidence enhances the certainty about the outcome and about consequences in buying Confidence also enhances an individual's judgment about certainty of correctly defining the consumption problem or goal and finding the best solution to it, (Cox 1967) Low confidence generates higher risk perception within the consumer and higher confidence has the opposite effect Through experience and gathering of information, the individual gets to develop confidence in purchasing a given product Generally, consumers with high degree of purchase confidence view a purchase decision as exhibiting lesser anxiety, (Spielberger 1972)

Involvement in purchase situation or store selection can affect a consumers decision making in many ways One of them is by influencing the extent of risk perceived in a purchase Involvement is considered a motivating drive in consumer behavior Antil (1984) presented it as a strong motivation of highly perceived personal relevance of a product or service in a particular context As such it determines the intensity and focus of thinking and feeling extended by a consumer towards the selection of an option Factors influencing level of one's involvement in a purchase situation are several Engel, et al (1990) suggested the perceived risk in the situation, needs and values, and social pressures could all or in part build certain level of involvement within the personal cognition It holds a positive relationship with the uncertainty perceived in the purchase and the importance assigned to risk in the decision, (Venkatraman 1989) Enduringly involved consumers have a greater ability to handle risk as compared to instrumentally involved consumers Enduring involvement refers to the long term, on going concern with a product that is motivated by the utility a consumer derives from it and/or by the desire for knowledge and expertise about the product Instrumental involvement is the degree to which the consumer is motivated to avoid the negative outcomes of product purchase, (Venkatraman 1989) It follows that the consumer will act passively or actively according to his or her state of stimulated involvement when confronted with the alternative options

Some risk perception is related to the concept of width categorization, that is a person's tendency to view the world in either a broad or a narrow sense Narrow categorizers are presumed to be high risk perceivers who foresee more types of risks They tend to be reluctant to adopt new products for example Broad categorizers, however, have a wider tolerance for risk and tend to be low risk perceivers They have a tendency to anticipate lower number of risk types and show more willingness to try new products, (Donnelly, et al 1973)

Taylor (1974) placed anxiety in a central position within the model of risk taking in consumer behavior He asserted that the consumer behavior was a problem of choice and every choice problem would incorporate some element of anxiety Fischer (1970) reasoned that anxiety arises with the confrontation of choice among alternatives that do not guarantee their final outcomes The combination of uncertainties about the choice consequences could create unpleasant, discomforting and sometimes intolerable tensions for the person

Dogmatism, locus of control, and arousal seeking are qualities related to the level of personal cognitive categorization that was found to influences the perception of risk by Mazis and Sweeney (1973) They reported that individuals high on dogmatism preferred products that had high social risk They also found that the people who were externally controlled preferred products that had high economic risk Arousal seeking tendency as a measure of risk propensity is associated with perceived risk, too Among other personality traits, Zikmund and Gann (1976) found that only arousal seeking tendency varied over clusters of consumers who were tested for their differences in risk perception

Personal expectations, attitudes, product attribute importance, and product benefits are also variables related to the risk perception concept in the decision making process Expectations coincide with the uncertainty element in the function of risk perception Product importance corresponds to the consequences side of this function and is influenced by the benefits a person attaches to it. The benefits conform to the ability of a product or a service to arouse a valance like in an expectancy-value model of behavior and attitudes determine the risk propensity in the individual as a risk taker or a risk rejecter, (Atkinson 1964) Stone and Bottom (1995) studied the relationship between the perceived risk and attitudes in buying personal computers They found that the perceived risk had a significant influence on the attitude construct to the point of influencing attitude formation

In general, decisions made by people on which type of activities to avoid or to approach because of the activities association with desired or undesired consequences are in many ways based on value judgments about which type of hazards are most serious and worthy of being avoided and about which activities have the greatest potential for producing welfare for individuals and society Values and beliefs have an important role in determining peoples' decisions to choose what relevant information about risks to attend to and in classifying additional knowledge required as relevant or irrelevant to the situation The determination of what consequences are important to accept or to avoid and the relevant knowledge about it are decisions that embody intrinsic moral, cultural, and religious values that have controversial assumptions mainly about what is worthwhile about life, (Blomkvist 1987) Alternative choices sometimes involve trade-off between the choice of life style for probable economic benefits Such choices that imply weighing of values of ways of life and ideologies against economic welfare are ultimately matters of values that encompass subjective evaluation Calculative objectivity in knowing the consequences alternatives would not help much in resolving the conflict people have about them In particular, certain attributes of what is perceived as risky like the potential harm to a wide sector of the society, the dreadful effects, and involuntariness of exposure make some risks more serious than risks that are not perceived to have these attributes Oglethorpe and Monroe (1994) linked the perceived health and safety risks of consumer products with six evaluative criteria of risk controllability, risk availability (ease with which the risk incidents are recalled), risk catastrophic potential, immediacy of effect, dreadedness, and loss reversibility They concluded that factors like recallability, controllability, dreadedness, reversibility, and catastrophic potential could influence the person's probability of loss and the risk outcome severity as well as the perceived risk as a separate concept On the other hand, choices that provide different types of benefits such as economic security are perceived and valued differently by people Such equating of risks or benefits with different attributes is a value loaded matter for most people, and for many others, beliefs determine that some circumstances of harm should be avoided than others, (Nozik 1981)

To summarize, risk perception is a multidimensional and subjective construct that is central to the theories of decision making It has consistently been operationalised by combining the negative consequences involved in a choice situation with the consequences' probabilities of occurrences It arouses amounts of anxieties which urge the consumer to initiate a risk reduction process The literature has identified several risk reduction methods that include seeking information, relying on past experience, avoiding the purchase, relying on government or expert endorsement, loyalty, seller reputation, refund guarantees, word of mouth, and extensive shopping These remedies help in relieving several types of perceived risks that include the financial loss, performance loss, physical damage, social and psychological losses, time and convenience losses, and the opportunity lost Studies have shown that these perceived risks vary depending on several factors that include the nature of the buying situation and the consumer's familiarity with it, the attributes of the offering and its quality, the buyer self confidence, personal involvement, anxiety, dogma and width categorization, attitudes and expectations, the risk characteristics, and personal values and beliefs

In the context of the current research, the representation of the subject matter under investigation is broached in the moral mentality of the people that leads to ethically questioning the individual behavior of selecting a bank In the absence of historical information on the occurrences of mishap causally connected to the threat of Riba, the rewarding course of inquiry might be impeded in people's values and beliefes about themselves and the environment surrounding them rather than the availability of or search for information To evaluate the values effect on consumer behavior, the following Part reviews briefly the relevance of values to behavior and perception in general

2 3. PART 3· VALUES AND BELIEFS.

Research on beliefs and values has been a potential source for explanation of decision and behavior Schiffman and Kanuk (1987) stated that beliefs consist of a large number of mental representations that reflect a person's knowledge and evaluations of objects in the environment The tradition of the inquiry into the prediction of consumer behavior has suggested that beliefs are determinants of person's tendency to act in a certain manner Beliefs were incorporated into various models of behavior such as in the expectancy-valance theory of attitude formation In this framework, beliefs are regarded as expectancies that a specific behavior leads to certain consequences, (Fishbien and Ajzen 1975) In expectancy-value models, values are frequently considered as representations or determinants of the magnitude and direction of valance Typically, a person's values act on his or her decision by extending a positive or negative affection towards the object or event and therefore makes it desirable or undesirable to pursue an activity In this context, values have a similar effect of motive They are different from the physiological drives such as hunger in that they have a long term affect on the person They persist before, during and after the behavior takes place In effect, values operate as long term motives, (Howard 1989) Other research suggests that values are end states and actions are means for realizing them, (Pitts and Woodside 1991) In general, values interact with decisions to buy and the implication of this interaction on the consumer behavior has many facets that will be explored below

2.3.1. Concepts and Definitions of Values:

Many definitions of values are offered throughout the literature Values have been equated to needs, beliefs, motives, standards, equivalent to what is desirable and what is not, indication of what ought to be, etc A frequently re-occurring specification is that values are abstract ideals, positive or negative, representing a person's beliefs about modes of conduct and ideal terminal modes, (Rockeach 1968) Others, prefer viewing values as consisting of beliefs about what the individual considers right, fair, just, and desirable, (Posner and Munson 1979) The most widely cited definition in values research, and in other disciplines such as in the study of consumer behavior, has been the definition proposed by Rockeach (1973) He describes the meaning of a value as an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence He proceeds to define a value system as an enduring organization of beliefs concerning preferable modes of conduct or end-states of existence along a continuum of relative importance Values hold a central position within the total belief system of the person They provide indication about how good a particular broad group of activities and objects are for the individual, (Howard and Woodside 1984) Activities that lead to an exciting life may appeal more to the values of one person than activities that exemplify a comfortable life for instance

Values are viewed differently from attitudes Theodorson and Theodorson (1969) defined an attitude as an orientation toward certain objects, persons, or situations that results from the application of a general value to objects or situations Howard (1989) noted that values serve the function of providing guidelines as about how the individual ought and ought not to behave In contrast to attitudes which are numerous and revisable, values are few in number and difficult to change and get accepted by most members of the particular culture to act as a guide for socially appropriate behavior

The definition of values, according to Rockeach (1973), has two components The first represents the terminal values which are enduring beliefs about preferable end-states of existence They control the preference for behavioral outcomes The second is the instrumental values that refers to enduring beliefs about preferring specific modes of conduct that correspond to the terminal values These are more closely linked to behavior Other research has elaborated on Rockeach value classification Vinson, Scott and Lamont (1977) for example, pursued this research from a consumer behavior perspective and considered categorizing values into three levels of abstraction They were referred to as global or generalized personal values, domain-specific values, and descriptive and evaluative beliefs The global values were very centrally held and enduring beliefs that guid action and judgment across specific situations and have high salience in important evaluations and choices The domain specific values intermediate between the global values and the beliefs about product attributes They are acquired through experience and specific situations or domain of activities, be it personal, social, religious or other experience encounter A close examination of domain-specific values can show that these values are approximations of customers expectation as to what attributes they want a product or service to have For example the authors gave this list in their article Products should be durable, long lasting, reasonably priced, non polluting, etc The third category of values is less centrally held and object specific They coincide with the concept of beliefs or attitudes toward a product or a brand The authors stressed that these values interact and are by no means separated or unconnected They also suggested that people have dozens of global values, hundreds of domain-specific values, and thousands of products' specific evaluative beliefs

Kluckhohn and Strodtbeck (1961) anthropological study on values in five cultures confirmed hypotheses about human reactions to problems that had the potential of determining human value orientations They proposed that value orientation was a complex of patterned and ranked principles, resulting from the transactional interplay of three distinguishable elements of the evaluative process - the cognitive, the affective, and the directive elements, which give order and direction to human acts and thoughts as these relate to the solution of human problems In their view, human nature may assume three basic orientations Good, evil, or a mixture of both Man to nature relationship could take the form of Man is subjugated to nature, man is in harmony with nature, or man is dominating nature And the time orientation may be focused on The past, the present, or the future Accordingly, every person has a patterned value orientations that is rank ordered as part of one's personality The nature of the rank order is greatly influenced by the individual's culture and thus variations in value orientations among people are expected as long as cultures are different

2 3 2. Influences and Effects of Values·

Rockeach (1973) explored the possibility of a causal relationship between values and satisfaction Oliver (1980) suggested that satisfaction can be viewed as a confirmation of expectation Prakash (1984) found a significant relationship that connected personal values and product expectations The relationship was causal in nature in the sense that expectations were consequences of values Prakash (1984) study examined the correlation between values and the expectations about how a product should perform for groups of whites and blacks Assuming that ethnicity affects personal values, whites were found to be different in their value orientation from blacks when probed about expectations concerning clothing and television sets For instance, whites were motivated by two main values while considering T V purchase, i e personal and social orientation, and internal and external gratification. For blacks, the significant motivating values were competence and morality In considering clothes purchase, whites expectations were aroused primarily by aesthetic values like 'world of beauty' and 'world at peace' On the other hand, blacks' expectations were stimulated by morality and competency Consequently, potential differentiation among consumers in terms of their product expectations could be derived based on their value systems

Values underline consumer attitudes that influence consumption and its related behavior such as product type and store patronage In this view, attitudes per se do not effect behavior, rather it is the influence of values that inflict the affect on behavior indirectly Some argue that the studies which have correlated attribute importance and patronage behavior to demographic variables like age or education level for example have missed the issue Age, for example, seems to effect attitude But this is because people of different generations hold different values So, the obtained correlations were specific to the values that shaped an attitude structure of an individual Becker and Connor (1982) demonstrated this connection between personal values and attitudes on one hand, and attitudes and the subsequent behavior on the other The authors used Rockeach value survey to measure respondents' terminal and instrumental values of furniture buyers Attitudes were measured by scaling of price sensitivity Behavior was operationalised by store patronage The authors reported a significant difference between two groups of customers on basis of price sensitivity (the attitude) and value orientation In general, the price-sensitive group evaluated higher the self-constructiveness rather than self-expansiveness values (honesty, obedience, politeness), the social rather than personal orientation values (national security, world at peace), the outer-directedness rather than inner-directedness values (politeness rather than courage and independence), and religious morality rather than competence values (salvation, clean, forgiving, helpful) Turning to the attitudes-behavior relation, the study reported that the majority of the price sensitive group (82%) shopped at discount furniture stores which confirms the hypothesized relationships

Values are a further source for the importance a consumer places on benefits offered by a product or a brand Howard (1989) mapped the values and preferences of liberal versus traditional students from two different geographical and cultural regions in the United States The results showed that subjects had preferences towards car attributes that were consistent with their value makeup Each group held values and attribute preferences that were different from the other At the brand level, it seemed that instrumental values determined the criteria for the choice decision At the product level, it appeared that terminal values defined the choice criteria and therefore the choice direction Vinson, et al (1977) believed that consumers with different value systems were bound to differentially evaluate product attributes, thus leading to variations in their preferences for products and brands

Other research demonstrated that customer's values exercised their influence on customer's preference for product's attributes through the intervention of application consequences or product benefits For example, Olson and Reynolds (1983) studied the consumers' cognition contents and hierarchy towards various products They used a free elicitation approach to obtain verbalized responses in order to draw a means-ends chain structure of respondents for a product category A group map of cognitive structure was obtained through laddering techniques that traced the product attributes to the value system of the individual They showed that the benefits a customer obtained by putting the product into use determined the importance of the attributes On the other hand, the value system of the individual shaped the priority levels of the benefits that were used for inferring judgments on the worth of the attributes

2 3 3. Values and Culture:

Research in consumer behavior has established the existence of relationships between culture and values but despite the evidence that cultural values could account for some of the variation in risk perception, few and attempts have been made to investigate these possible linkages Scattered efforts considered this relationship indirectly Some looked into the effect of cultural values on decision making Others pondered the importance of risk perception within theories of personality But few assumed that a direct relationship could exist between these two concepts

Within the models of consumer behavior, culture and its affects are considered central to the behavioral process These models try to provide holistic theoretical explanations of the mechanics and interactions of the constructs that proceed and result in the behavior of the consumer They attempt to give comprehensive answers to why and how consumers act as they do in the market place They emphasize some aspects of consumption behavior and overlook others depending on the beliefs and assumptions that each model presumes about the nature and the function of man In the Howard and Sheth (1969) model, culture is included as an exogenous variable They defined it as consisting of traditional ideas of certain attached values In their view, it consists of patterns of behavior, transmitted from member to member and from generation to generation by the means of symbols It has also been considered as a conditioner of elements of action and therefore it affects motives, brand comprehension, attitudes, and intentions in the model It further provides the buyer with socially appropriate motives, provides facts about the merits of the product before the purchase, and provides reassurance after purchasing the product Culture is specifically shown to indirectly affect choice criteria through its influence on consumers' motives In Engel, Kollat, and Blackwell (1968), culture is assumed to provide values, meaning, and ideas that helps the consumers in the processes of communication, interpretation, and evaluation It is grouped with the environmental influences that are assumed to effect the decision stages of need recognition, search, and evaluative criteria Nicosia (1966) refers to culture when he starts explaining interpersonal relations in the environmental variables In his opinion the interpersonal relations are significant as a source of norms, values, information, influence, and persuasion He also refers to them as a part of the consumer inherited attributes such as race and religion

All these models assume that culture directly or indirectly affects the decision and the subsequent actions of the consumer In reality, culture is a container of values and norms that extend meaning to all facets of life not excluding products and services in the market place, (McCracken 1988) Wind (1967) defined culture as the pattern of all arrangements, material or behavioral, which have been learned and shared by the society as the traditional ways of solving the problems of its members Consumption undoubtedly occupies a substantial part of human activity and peoples of different cultural backgrounds or heterogeneous subcultures may be expected to develop different ways to solve their consumption problems Various researchers have contemplated the effects of the cultural components on consumer behavior An attempt to trace the cultural relation to risk perception and the variables associated with it is made in the rest of the discussion

Research by Verhage et al (1990) compared risk perception in three consumer nationalities of different ethnic cultures and found that customers were not similar in their risk perception The nationalities involved were those of Netherlands, Turkey, Thailand, and Saudi Arabia. Each nationality differed from the other in the degree of perceived risk. Further, it found that risk reduction strategies, (brand loyalty in this case), differed by nationality and were not similarly applicable to the risk reduction behavior of the respondents

Some other studies examined the effects of religion as a cultural factor on risk perception in decisions to purchase durable goods For example, Delener (1990) suggested that religion and religious orientation may be significant in predicting the perceived performance risk in consumer purchase decisions The notion behind this thesis is that self confidence, as a personality trait, is related in the literature to risk perception Anxiety is also used frequently to explain the perceived risk concept Both confidence and anxiety are explained by differences in religious background The study contemplated that non-religious individuals are more inclined to choose high risk moods It proposed that religious individuals tend to perceive higher risks in purchase making and argued that religious individuals are more conservative and more dogmatic and therefore inclined to be narrow categorizers Catholics, in comparison to Jews, are more likely to be sensitive to potential negative consequences of the purchase It went further to recommend that segmentation on basis of levels of religious orientation could help advance marketing programs

In another study by McDaniel and Burnett (1990), religious values were accounted for in explaining some retail store patronage They suggested that a positive relationship existed between religious commitment and the importance placed by an individual on department store evaluative criteria dealing with product quality and product assortment Furthermore, a negative relationship existed between religious commitment and the importance placed by an individual on customers' evaluative criteria dealing with the availability of credit Although these hypotheses were not confirmed due to strict decision rule that were used, the results were found to be in the hypothesized direction and it showed that religious commitment was significant in explaining the importance consumers place on sales personnel friendliness and assistance

2 3 4 World Views and Risk Perception·

Although not within the field of consumer behavior, a review of literature compared candidate theories that were raised to account for the perception of risk The theories considered were based on the premise of knowledge (People perceive things to be dangerous because they know them to be dangerous), on the premise of personality (Individual differences in personality are correlated to their perception of risk), on the premise of economics (The affluent aspire to interpersonal harmony such as closer social relations and better health so they fear risks in the environment), on the premise of politics (Struggle over risk is struggle over clashing interests), and on the premise of culture (Individuals choose what to fear and how much to fear in order to support their cultural world views and ways of life) It concluded that the most influential variables for explaining people's risk perception were the cultural biases, specifically, the worldviews or ideologies mandating deeply held values and beliefs that define patterns of social relations The cultural biases were approximated in this study to measurements of personal value dispositions of egalitarianism, hierarchy, and individualistic ways of life Egalitarianism stands for the support of equality, sharing and brotherhood, elimination of poverty, shifting taxes to the burden of the rich, and concern with abuse of science and technology Hierarchy evolves around patriotism, law and order, strict ethical standards, centralization, and concern about lack of discipline among the youth Individualism supports a free market, economic growth as a key to quality of life, profit as prime motive for work, less government regulations, and wealth as reward for economic effort among others The study argued that worldviews also shape the image of institutions that disseminate information about risks in the environment When institutions are trusted, it follows naturally that the knowledge they provide is accredited, (Wildavsky and Dake 1990) Other studies confirmed that risk perception and preferences were predictable given the individual differences in cultural biases This line of research is an extension of work poineered in cultural anthropology that tries to provide cultural explanation of perception and acceptability of risk It has generated considerable interest since its inception by Douglas (1970) who argued that religious rituals could serve a cleansing function against the cultural pollution in the primitive societies Douglas argued that making certain items like food, for example, a taboo worked as support for their moral codes to create order and justify and support their relationships within their communities In later work, she provided an intellectual medium for connecting her anthropological ideas to focus on technological hazards and risks in the contemporary society, for example Douglas and Wildavsky (1982)

In conclusion, values are defined as abstract concepts responsible for personal beliefs about the world and how the world is conducted or should be conducted They are few in number but underline preferences for alternative ways of living The dominant classification is that values are terminal and instrumental Another line of research classifies them in three categories Beliefs about the human nature, beliefs linked to human interaction with the world, and beliefs related to past, present, and future episodes of events Research on consumer behavior has witnessed applications of, as well as variations on, these specifications like categorizing values as global, evaluative, and domain specific The emphasis in consumer behavior is on values' roles as determinants of choice of products and services as well as outlets for segmentation and positioning Moreover, values were investigated in relationship to their affect on a number of factors such as satisfaction, expectations, attitudes, and the amount of importance attached to benefits and the danger of specific threats Values are also determined by cultures, ethnicity, and religions Other research on risk perception describe values as world views that are central constructs for the evaluation of risks These formulations claim that people of different social ties and pressures withhold different contexts of values and world views Peoples' differences on their world views determine the representation, assessment, and perceptions of risks The following discussion presents the world views and the main themes of Cultural theory

2 4 PART 4· THE SOCIAL CONTEXT AND WORLDVIEWS·

In exploring a market, it is obvious that one is not considering a uniform construct but rather a context of different cultures The consumers within each culture have similar ways of life, beliefs and values, and perhaps respond similarly to marketing stimulus Although there is scope for differentiation within groups, the enduring need for keeping and enhancing social communication guarantees that societal influences operating on the individual induce a significant degree of uniformity of conduct This uniformity within society brings with it an opportunity to segment markets Hence, it is important to appreciate the processes that shape society and culture in general and the various market segments in particular This review of Cultural theory and its elements examines the relevance of the theory to the consumer behavior discipline It presents the model with a social component as well as its related values and world views It traces the model's effects on needs and preferences as well as on risk perception

2.4 1. Cultural Theory:

Douglas (1982) argues that people in various social contexts (patterns of interpersonal relations) prefer different beliefs They relate to and appreciate what they can understand and comprehend And that depends in large part upon their social context She argues that within any particular society there exist four sub-cultures Each, by having its own values, produces variations in pattern of life The four sub-cultures she identifies are based on beliefs and values that correspond to two dimensions in the social context of group conformity and group cohesion She constructs these dimensions in a way that cultures can be classified according to whether or not they are strong or weak along these two dimensions Her typology emerged from a need to compare cultures historically and geographically Her classification was intended as a tool for classifying cultures in a pursuit for understanding how people perceive and negotiate their environments An expanded version of her theory was undertaken by her colleagues as a way to understand how people rationalize and reason with their lives and how they behave the way they do in life situations in general It eventually became known as the Cultural Theory, for example (Thompson, et al (1990), Schwarz and Thompson (1990), Gross and Rayner (1985), Douglas (1982))

Cultural theory gives a framework (grid-group) within which differences in cultures and worldviews may be related and explained The framework analyzes how social structure (the four typologies of possible cultural entities) generate and shape the experiences that are compatible with particular values and beliefs The members of each cultural typology relate and respond to the opportunities and constraints in their lives in a way consistent with the grid-group interaction They do it by seeking sense in generating relevance within the scope of alternatives that are made available by their social context in a way that is captured within their positions on the grid and group interaction

2 4 2 The Grid Dimension·

The grid dimension describes the extent of constraints or prescriptions imposed on the individual It measures the degree to which the person is bounded by "a set of rules which engage him in a reciprocal transactions", (Douglas 1970, pp ix) It emphasizes the degree to which a culture dictates its mandate and order upon its members and determines or defines the relevance and suitability of their behavior It determines "the degree to which an individual's life is circumscribed by externally imposed prescriptions The more binding and extensive the scope of the prescription, the less of life that is open to individual negotiation", (Thompson, et al 1990, p 5)

In strong grid cultures, grid implies that rules of conduct prevail over the behavior of the individual They become strict and explicit conventions The individual has little space to exercise personal judgment and discretion In such an environment, status and its corresponding behavior considerably respects gender, age, or kinship symbols and relationships It is apparent by the extent to which it establishes a standard for behavior At the strong end of the grid, personal interaction and individual's negotiation with the environment is regulated by an "explicit set of institutionalized classifications", (Douglas 1982, p 192), which for example, necessitate the separation of the sexes or races in some cultures

A weak grid culture, on the other hand, is characterized by free interaction among individuals and an insignificant constraint on behavior People interaction takes place on the parallel of free market negotiations There are no preset rules of conduct The freedom to pursue personal goals is minimally constrained by any rules of regulation The individuals tend to mediate their way by concentrating on needs' satisfaction opportunities

2 4 3. The Group Dimension:

The group dimension refers to peoples' strength or weakness in their devotion and dedication to the group life It is "defined in terms of the claims it makes over its constituent members, the boundary it draws around them, the rights it confers on them to use its name and other protections, and the levies and constraints it applies", (Douglas 1982, p 192) It refers to "the extent to which an individual is incorporated into bounded units The greater the incorporation, the more individual choice is subject to group determination", (Thompson, et al 1990, p 5) People conformity to the group involves the extent to which they are limited in contemplation and behavior by their trust to the group

Cultures strong on the group dimension tend to place sacred emphasis on family and tribal organization Here, foreigners entry into the group is not welcomed raising members awareness of the group's boundary Everything the individual does counts on and involves the group Members in an environment of this sort tend to share resources and outputs And they are inclined to be forceful in their subjection of membership to group life pillars such as marriage and kinship A weak group, on the other hand, is characterized by blurry and undefined boundaries Whatever the individuals do, they do it on their own It occurs when loyalty to the group is not secured and when the individual has the independence in expanding personal association and affiliation with any coalitions or refuse to couple with any one at all Thus membership solidarity is weak The loose individual usually lacks the protection that otherwise would be provided for members when conditions are harsh

2 4 4 Grid and Group Analysis.

These two dimensions when combined together produce at least four ideal models of culture that support four different ways of life Each culture is identified with a distinctive ideology that contains a pertaining set of relative meanings, values, and beliefs that glues the individuals together and provides the rationale for their interaction with the environment The essence of this type of modeling is that the people prescribing to a position in the social context share a similar way of life and a way of thought, (Douglas 1982) Hence, the individual's choice may be profiled by a person's status on the person's relative group commitment and the group control that may correspond to it

Cultural theory puts it that a position on the social map, as depicted by grid-group analysis, is supported by a social context that belongs to a specific cultural biases, i e shared values and beliefs Each position induces a coherent set of cultural biases that differ from other positions These biases span across a variety of values and beliefs that touch upon the various aspects of life situations such as preferences and tastes and how to go about defining them, the idea of nature and how to respond to it, perception of needs and resources and making ends meet, the perception of risk and what invokes a risk, matters of responsibility, blame, envy, and apathy The theory states that different cultural biases produce corresponding social contexts and social contexts reproduce their cultural biases Each is essential for the existence of the other There is no social context without cultural biases and cultural biases cannot meaningfully exist without a social context, (Thompson, et al 1990)

<u>2 4 5. Cultural Biases Specific to the Views of the Environment:</u>

Each social organization of people in this classification advocates different cultural biases about how the world is put together, thereby influencing the people's perception of and engagement with the surrounding environment For instance, people may have four views about nature Nature benign, nature ephemeral, nature perverse/tolerant, and nature capricious

Nature benign is a view that perceives nature as an entity of a kind and has favorable qualities to the exploiter The ability to sustain misuses and abuses is a quality built into it As portrayed by a ball in a basin, the ball " will always return to the bottom of the basin" however it is knocked, (Thompson, et al 1990, p 26) Actions to exploit the environment should turn favorable results for most of the time Nature Ephemeral is an opposite view to that of Nature Benign The world is seen as a fragile habitat The utilization of its resources should proceed in a very delicate and cautious manner It is a "terrifying and unforgiving place and the least jolt [to the ball] may trigger its complete collapse", (Thompson, et al , 1990, p 26) The idea of Nature Perverse/Tolerant holds that the world is of a tolerable capacıty to the moderate actıons However, chaotıc conducts may endanger ıts tolerabılıty and lead to malfunctıon of the system Nature ıs forgıvıng, but ıs " vulnerable to an occasıonal knockıng of the ball over the rım", (Thompson, et al , 1990, p 26) People holdıng the vıew of a Nature Caprıcıous thınk that the world ıs unpredıctably random Its reactıons to exploıtatıon are ırregular It may produce favorable results at tımes and ınflıcts harm at others", (Thompson, et al , 1990, p 27) Each one of the four cultures on the grıd-group typology ıs contended wıth one of these conventıons of nature So Nature Benıgn ıs the myth that readıly recommends ıtself to the competıtor, Nature Perverse/Tolerant ıs the hıerachısts's myth, Nature Ephemeral ıs the myth that belong to the egalıtarıan, and Nature Caprıcıous ıs the myth to the fatalıst and the helpless, (Thompson, et al , 1990)

2 4 6 Needs and Resources:

The theory asserts that the four vıable ways of lıfe, produced by varıous combınatıons of cultural bıases and socıal contexts that can be traced on the grıd-group map, have a determınıstıc effect on the perceptıon and management of needs and resources Needs and resources are determıned by moral constraınts Moral here means "the avaılabılıty of reasons acceptable for others to adoptıng and sustaınıng a [needs-resources managıng] strategy", (Thompson, et al 1990) Hence, five strategıes are avaılable to humans Each ıs justıfied by a unıque vıew of the envıronment that preserves a partıcular way of lıfe Each settles upon the ındıvıdual accordıng to hıs socıal context that endorses certaın behavıors and ınvalıdates others To Cultural Theory, the constraınts on behavıor (choosıng a way to manage needs and resources) are located ın the ways of lıfe, and not ın the needs and resources themselves In order for one to understand the ratıonalıty of a strategy over the other, one needs to carefully examıne the way of lıfe or the culture that ıs beıng supported by that partıcular strategy The justification for needs, resources, and their reconciliation depends on the extent of support each management strategy contributes to a chosen way of life Behavior is said to be rational or irrational only in relation to the way of managing needs and resources

Making allowance for the cultural construction of needs and resources, the interaction among people causes some to have more and others to have less freedom in operating which strategy The "more freedom [the individual] enjoys, the more malleable his needs and resources become, and depending on what he finds he can and cannot do with them, he will quickly find his way to the particular need and resource managing strategy that enables him to make the most of his predicament", (Thompson, et al , 1990, p 43) So, Cultural Theory suggests that needs and resources are socially malleable That is to say that they can be controlled and configured within a set of possibilities Each is distinct from the other by a set of moral constraints that presumably match and support the different world views, (Thompson, et al 1990)

2 4.7 Preferences·

Cultural Theory says that individual preferences come from involvement with others Preferences and tastes can be explained by the beneficial consequences they provide for people's interaction and their social relations, (Thompson, et al 1990) Their derivation from ways of life can evolve either by putting preferences and ways of life in a means-end system This way people may draw preferences from ways of life they endorse or through emerging as unintended consequences of attempting to organize social life in a certain way In this, preferences materialize to support certain social relations and eradicate others letting people bias their preferences to the choices that match their ways of life Unconscious of its force, peoples' involvement in a community produces cultural biases of shared meanings and moral conventions that shape preferences and influence behavior By the same token, preference for risk, blame, envy, scarcity, economic growth, apathy, can be, more or less, explained by the function those preferences serve for the individual's way of life, (Thompson, et al 1990) A profile of each typology of culture is presented next to illustrate the structure of this framework

2 4 8 Weak Grid-Weak Group:

Where the grid dimensions in its weak end joins the weak end of the group dimension, a culture of individuality and autonomy thrives This culture is free from both group and role attachments It allows for maximum option to enter into relationships since the person is relatively free from the control of others People's maneuver and interaction is subject to mutual negotiations However, individualists may exert command over others as a form of manipulation and authority to maintain their culture This culture tends to see the world as a skill-controlled cornucopia that justifies and encourages experimentation It views human nature as a permanently self seeking and self loving entity This view may lead its bearer to pursue the good of the self, manage the human nature rather than alter it as it is felt unchangeable, expect conflicts among themselves as they compete for their self-interest, and approach others from the point of their benefit They hold the view that the world's bounties are plenty They are however available to those who can exploit and manage by shrewdness, competence, and skill, (Schwarz and Thompson 1990)

2 4 9. Strong Grid-Strong Group:

The converse type of culture is a position where grid and group dimensions meet end to end at their strongest positions This creates an intensely regulated and closely held group where loyalty is honored and hierarchy is respected The members of this social context are very conscious of the strong boundaries around themselves enforced by strict prescriptions providing for their identity and the exclusion of others Authority is granted to individuals according to a hierarchy of roles so that members can control and be controlled by other members in the same group Hence, respect for seniority and rank established by age or merit is closely observed This culture states that nature is bountiful within limits, that trial and error is admissible given that it is supervised and monitored by group experts, and that people are born bad but they can be reformed by the proper institutions. Such a bias can cause them to be heavily engaged in the regulation of societal activities, to increase institutional constraints to protect the greater interest of the group, and to choose to manage their resources but not their needs They perceive their needs as socially ordained and hierarchly patterned by group prescriptions They have a narrow scope to alter their needs So, they try to mobilize their resources As individuals, they have little effect on this goal, but as a collectivity, they can "increase their share of the cake as long as they do not overtake the group above them", (Thompson, et al 1990, p 45) Their preconception of nature assumes that nature is manageable if handled with care That is they can reap its benefits but within limits that are entrusted to experts' judgments

2 4 10. The Strong Group-Weak Grid:

The integration of strong group relations and a weak grid of regulations delineates a social context of egalitarian culture The quest for equality is the guiding truth in such a culture This concept creates a community that lacks definite authority characters and leads by consent Members dislike rules of conduct because they worry much that rules may differentiate among people Thus, roles are vague and the group has few regulations for controlling the individual Therefore, conflicts and problems emerge because of critical lack of control Punishments or conflict settlements frequently take the forms of expulsion from the group community Members perceive the world as a fragile place strictly accountable for all actions interfering with its systems Consequently, they object to experimentation and encourage forbearance They accept that humans are born good That peoples' receptivity to change makes them vulnerable to corruption by the influence of evil institutions Beliefs and biases of such a nature persuade their observants to embrace certain preferences and attitudes like preference to a sectarian non-coercive and cooperative community life that pursue the good of the group who perceive resources to be fixed and few They will try to reinforce their strategy on others because they presume that others may abuse the fragile systems and may render resources obsolete, a catastrophic end for everyone For their behavior to be rational, "nature cannot be viewed as a cornucopia, it must be perceived as strictly accountable", (Thompson, et al, 1990, p 44) By defining their world in such terms, people would tend to share and distribute in a way that reinforces the beliefs of equality

2.4 11. The Strong Grid-Weak Group:

The social structure that is composed by a blend of a loose group boundary and strong control produces a culture of individuals subjugated to a firm rule of subordination Individuals here perform as they are instructed and are not entitled to receive the privileges or securities of group membership They are not joined in viable network of social relationships Therefore, they are powerless in inflicting change in their cultural situation, they are put in hierarchical structures However, they do not participate in the process of decision making that goes with it They maintain that nature is a lottery-controlled cornucopia and accordingly it is unpredictable Their destiny is determined by luck and not skill Competence, and learning change no one's fate This fatalistic view makes them act with skepticism of others and form relations that are usually enveloped in distrust and doubt They manage neither their needs nor their resources This is virtually survival by coping Its root stems from the realization that the individual does not command control over his environment This attitude corresponds to a worldview that sees nature as a lottery-controlled cornucopia. And to justify this attitude, the individual accommodates himself in a fatalistic orientation

Examination of social structure and cognition may also be traced in the other fields like social psychology For example, Asch (1952) suggested that lack of experience or information makes the person susceptible to the influence of the group members who are perceived as trustworthy or knowledgeable The need for conformity to a group's style or seeking the group's acceptance and approval is likely to result in the adaptation of group behaviors In other instances, making a decision as to what to consume reinforces or weakens the group boundaries by emphasizing the distinctiveness of the group culture of shared values and beliefs Morgan (1986) suggested that group interaction may produce a shared knowledge structure, and group judgment and choice develop as a result of urging members to meet the expectations of other members in the group On group cohesiveness, Witt (1969) showed that the more cohesive the group, the greater the brand choice similarity for conspicuous products In another study, Reingen, et al (1984) found that brand conformity depended on the types of social relation (roommates, friends) and social structure (social ties between members in the group) as well as types of products It found an association between group cohesiveness and member's brand choice

To sum up, Cultural Theory attempts to explain that there are four encountered patterns of social context The ego-focused networks, the egalitarian-bounded groups, the hierarchical nested groups, and the involuntary exclusion from the organized cultures Cultural theory argues that values and beliefs in a combination with patterns of social relations form four different ways of life These forms are sustained on a grid and group schema Grid refers to the extent to which life is constrained by social structure Group refers to the extent of life incorporation into clearly bounded social units The combination of the dimensions produces four cultures of hierarchy, individualistic, egalitarianism, and fatalism Each typology is distinct from the rest by a unique set of values and beliefs about the world and the environment Specific world views fit specific cultures Each culture fosters its unique ideologies and functions to support its relevant world views The belief that the world is a benign place belongs to the individualistic culture The world viewed as an ephemeral entity is embraced by the egalitarian culture hierarchies belief that the world is perverse/tolerant place, while the fatalists hold the view that it is capricious and random The world views support certain interaction of social relations and both would extend justification to distinct perceptions and actions These differences shape peoples' perceptions of problems and risks as well as their preferences and approaches to solutions and remedies

<u>2 4 12. Benefits of the Model:</u>

Cultural Theory postulates that there exists a limited number of ways of life that share distinctive patterns of values and beliefs supporting distinctive patterns of social relations This number is restricted "by the number of patterns that can be formed from social relationships, (Thompson, et al 1990, p 98) The benefit of this methodology is that it holds the capacity of producing classification from predetermined dimensions rather than derived, in an ad hoc manner, from observations This is rather an important issue in the theory and application of consumer segmentation For example, lifestyle research has produced a wide variety of consumer lifestyles that are inconsistent and sometimes conflicting, (Anderson and Golden 1984) This is partly due to the lack of theory that explains the interaction of the variables and the results produced by lifestyle instruments In typical studies of lifestyles, the researcher bears the burden of piecing together the details of AIO's results in a rationale consistent with statistical applications and personal judgment However, the framework furnished by cultural theory makes it relatively possible to rationalize the interconnection of the data and the variables of lifestyles studies in a framework that is consistent and decisive Another advantage is that it advocates a functional explanation of preference to approach or avoid risks and hazards That is basically to say people behave in certain ways in order to generate certain consequences that support their particular perceptions of life Its advocation of rationality rests on the assertion that human actions are undertaken to generate consequences that are suitable to support a favorite ways of living

This theory of cultural typology may appeal to the many facets of the field of consumer behavior Ultimately, it could be used as a means for mapping consumers' lifestyles in terms of the different worldviews and their corresponding values, adapted to the process of socialization, employed in research on the patterns of risk perception, and applied in the analysis of attitudes of consumerism towards the activities of the market place The theory has identified distinctive values and beliefs that fit within the social context of each of the four ways of life, that is the hierarchical, the individualistic, the egalitarian, and the fatalists Particularly, it refers to beliefs on the construction of nature, beliefs on how to reconcile needs and resources, and the preferences that are derived from these beliefs in connection to tastes, risks, envy, apathy and the like Many of these values have a consequential effect if examined from a consumption perspective The theory's representation of the possibilities of the human social intercourse allows one to draw an image of the expected values and beliefs that fit into the four combinations produced by the interaction of the group and grid dimensions Inhabitants of each way of life justify rationality of choice and action in their life course in general according to the values emerging from their social context The values applicable to a particular cosmology support the way of life of its adherents in a way that extends meaning and reason for explaining alternative perceptions of reality and their subsequent behaviors

2 5. PART 5· DETERMINANTS OF BANK SELECTION:

The purpose of this Part is to review the the perceived risks in the selection of banks The underlying determinants of bank selection could be equated to the consequences part in the perceived risk model formulation Consequently, the customers are persumed to contemplate, in their selection or in their patronage, the possibility of facing a loss due to banks' failures to meet the minimum requirements of customer's acceptability Any occasions involving such failure can pose risks to the consumer Hence, this review is provided to understand the important factors in bank patronage in general, and in Interest-free banks in particular It also examines influential factors on bank selection that include elements of culture, service, and convenience

The selection of a bank is dependent on service and convenience factors as well as on culturally related effects According to Evans (1979), the service related variables included factors related to temporal aspects of time designations and pressures, the portfolio of services, and the bank policies regarding the deposit of funds and the procedures of issuing loans The convenience factors were noted to include the bank's social and physical environment The social elements were identified to include features like hours of operations, facilities for money deposits and withdrawal, and waiting queues The physical factors included mainly the proximity of the location to the customers Kaynak (1986) confirmed these reports in Canadian banks and reported that an ideal bank was perceived to be fast and efficient, conveniently located, adopting adequate hours of operations, friendly, and have competitive rates and terms Lydenberg (1984) identified cultural influences on customer bank selection which concerned the bank awareness and sensitivity to the specialized needs of different customer segments

Reese and Santon (1984) suggested that further efforts should be made to identify and respond to specific segments within the larger racial or ethnic groups In research designed to study the financial needs of the minority groups, Reese and Santon observed that these groups represented heterogeneous segments They identified two segments within the black customer market that were classified according to their orientation to service or convenience importance This research emphasized the need for further studies to understand the financial requirements of minority groups in order to promote better services and delivery systems

Mckeighan (1984) examined the contributing factors to bank profitability which were found to include facilitated access to credit, personalized account and investment monitoring services, and customized services designed to retain narrow but profitable segments of customers like the wealthy ones Sharlit (1985) focused on the responsibility of banks to make available consultency services to customers to enhance their economic welfare The primary goal of the bank-client relationship, Sharlit maintained, was the provision of services which would help customers identify and prioritize their financial problems and develop options for solving them

Elmer (1985) concluded that financial services like unlimited checking, use of ATMs, travelers' checks, automatic payment of bills and mortgages, and getting information on investments were the primary basis for the selection of banks by the customers The research emphasized that segmenting the market into specific groups and selling the services in packages consisting of bundles of services that suited the different segments was an efficient way to deliver financial services Berry (1980) noted that in successful marketing of service packages, banks could make financial services more attractive by enhancing the overall appearance of the interior and exterior of the bank buildings, offer competitive prices, provide services that appear more tangible to the customers, and constantly design innovative delivery systems that maintain flexibility in response to changing consumer demands

In investigating the determinant attributes for bank selection, (Anderson, et al 1976) concluded that convenience was the dominant determinant of patronage for many customers On the other hand, they revealed another segment of the market that was identified as consisting of customers who attached greater importance to bank image and financial considerations rather on convenience Graham (1981) explored the importance of time as a convenience factor Customer sensitivity to the quality and length of time spent on completion of financial transactions was noted as an element of importance in customer's bank selection

Hood and Walters (1985) confirmed that convenience of bank location constituted a strong factor in the selection of a bank The participants in their sample also emphasized that recommendation by someone, or the bank's image and reputation were of prime importance in their selection They also found that customers maintained loyalty to their banks while patronizing others for more favorable interest rates or loan facilities and placed high emphasis on fast and courteous service They favored the use of information from advertising and expected the banks to provide professional financial advice whenever required

DeMoubray (1985) cited that the provision of financial services to customers required, most of all, trust and confidence Accordingly, staff-customer relationships and intimate awareness of customer's needs was described as of more importance in the long run to the growth of the bank than emphasis on speed and flexibility of service The assurance transmitted to the customer by ways of providing services in a manner that inspire trust and security enable banks to maintain loyal relationships with customers and obtain new business through personal references and relationships In agreement with this, Berry, et al (1984) observed that credibility of banks was the key to long term relationships with customers regardless of size, location, or type of customers served Bayus (1985) concurred with DeMoubray (1985) on the relative importance of personal references in bank selection Word of mouth was found to be the most important reason given for choosing a bank by the majority of respondents The importance of positive impression by important others whose opinions was valued was emphasized as well as recognition that satisfaction among customers will bring more clients

An important factor contributing to the lack of confidence in banks by some customers was the communication barriers that existed between banks and customer groups, (Staats, et al 1985) Another factor that had constituted the major barrier to effective communication was customer resistance to change In order to overcome it, it was recommended that banks acknowledged its existence and be willing to invest in programs to educate the customers on the benefits associated with the changes evolving in bank services Also reported to represent important hindrance to communication between banks and their public was the tendency for individuals not to pay attention to the communicated messages Lack of trust in banks was likely to contribute in confusing the issues and communication To remedy this problem, it was suggested that professional attitude and conduct facilitated by proper knowledge of financial services be maintained by personnel charged with direct contact with the public An awareness of the expectations of the target customers was noted to be pre-requisite to the establishment of successful communication

Tan and Chua (1986) examined the influence of location convenience, interest rates, courteous personnel, and the influence of family and friends ties on consumers' selection of banks in Singapore They reported that social ties had stronger influence than the other variables and the customers were more susceptible to the advice from friends and family The second most influential factor was bank personnel courtesy and the desire to have quality interaction with personnel was emphasized Although other researchers had found that bank location to be an important criterion, in this study location failed to show up as an important factor

Laroche et al (1986) examined the major factors and services considered most important in the process of selecting a bank Services relating to checking accounts were considered more important than saving accounts Location convenience, speed of service, and factors relating to the competence and friendliness of bank personnel were considered as the most influential elements

Erol and El-Bdour (1989), who investigated the attitudes of bank customers to Interest-free banks as well as the importance of the patronage factors, reported that the majority of Interest-free banks customers gathered their information about the banks through contacts with relatives and neighbors In considering motives for patronage, the researchers found that religious reasons were not reported by customers as important which contradicted the prevailing understanding about Interest-free banks patronage Also, bank expansion by opening new branches was not a prime reason for encouraging patronage and service usage Moreover, they reported that customers criticized Interest-free banks for their inefficient and inexperienced personnel

Haron et al (1994) sampled Muslim and non Muslim customers in Malaysia. The objective of their study was to determine the bank selection criteria and how customer difference was due to religious background They found a lack of significant differences in the selection criteria between Muslims and non Muslims Another finding was that all customers valued their time highly and expected to receive efficient and fast service The interior comfort and the elaborate premise design was not much appreciated by the customers, at least as a selection determinant They also noted that a large minority of bank customers could not understand the differences between the Interest-free banks and the Conventional banks although they were in competition for more than a decade in the Malaysian banking market

Banks' major mission is to act as depository intermediaries that facilitate the transfer of funds from depositors to borrowers Some of their important functions include the attraction of deposits, the extension of credit, the provision of trust services to customers, financing international trade, acting as a safe repository for valuables, and the offering of financial planning services (Graddy et al, 1985) In this capacity, they provide services that are difficult to evaluate by the consumers before or after acquiring their services This difficulty in evaluation can be traced to the lack of solid service attributes which consumers can see, feel, or touch Researchers recognized these attributes in services in general as the intangibility effect Banking services are also heterogeneous and difficult to standardized rendering each service encounter as a unique experience that is different from any other encounters depending on customers' expectations and competence of bank's service providers Customers also lack credence due to their deficiency in professional knowledge and skill to the evaluate the banking services or the banks' personnel (Zeithmal, 1981).

These characteristics contribute to the arousal of a perception of risk in the banking services Risks are amplified by problems associated with banking operations and personnel that include fiduciary and fraud risks Banks provide fiduciary services by acting as agents or personal representatives of their customers Banks', or banks' personnel, violation of their role as prudent agents can cause financial losses or legal liabilities to their customers Frauds represent losses that could occur from dishonesty, deceit, or misconduct of proper financial and banking practices

The previous review of the literature on bank selection serves to emphasize the important elements of customers' experiences with banks The research has identified as important factors like bank location, efficient services, competitive rates, competent and friendly personnel, adequate working hours, etc The possible failures of banks to provide their customers with satisfaction on these elements and customers' lack of skill to assess srvice provisions will undoubtedly arouse a sense of risk if the outcomes turned out to be contradictory to the expected By viewing the problem from this perspective (although no encounter with studies on the perceived risk in banking took place during the review) the customers are expected to encounter risks like errors in bank statements, loss of time, delayed and inefficient service, and incompetent staff among others, which may lead directly or otherwise to negative consequences like financial and time loss, psychological or social effects like embarrassment or distress Another point of interest is that the literature suffers from a lack of attention to the Interest-free banks and their role in the banking scene from a consumer behavior position The available research effort on Interest-free banks concentrated mainly on bank selection criteria by comparing Interest-free banks with Conventional banks in two countries, Jordan and Malaysia. So the present study, in accord with the previous literature will try to adopt the perceived risk concepts to the situation of Interest-free banks in Bahrain to eradicate this gap

2 6. REVIEW SUMMARY and STUDY'S QUESTIONS:

The previous review of the literature has pointed out that risk is central to the decision making process It is a multidimensional construct and the elements of risk perception are the uncertainty and the consequences of a loss It influences many attitudinal and behavioral correlates in the consumers' shopping experiences Of particular importance are the values and beliefs dominating the social context of the person Values and beliefs shape the views a person have about the World, nature and society They may have a potential to explain people's differences in risk perception The review of the important factors in bank selection has shown that most of the elements considered important in the selection decision were either related to the bank services or to the expectations of service performance Loss of time or convenience, financial returns, and bank competence were primary concerns that were revealed by most studies For Interest-free banks, religious considerations were not significant in bank selection and the Muslim clients were expected to assign similar importance to the selection criteria as the non Muslim clients implying that deliberation related to the moral philosophy of the bank was not a determinant factor However, ethical banks, like the Interest-free banks, have emerged capitalizing on a niche in the market by appealing to customers who highly value their societal ethics

An intimate knowledge of the customer requires businesses to obtain information concerning patronage factors They should know which dimensions in their offerings are important and how they affect customers' decisions and the subsequent choice In the banking environment that incubates Conventional banks and Interest-free banks, the aim of the bank, in order to compete effectively, should be to determine the attitudes of bank customers toward the banks and understand the bank characteristics as the customers perceive them This research concentrates on the ramifications of the ethical and moral concerns in banking selection and how these concerns differ among groups of customers with different backgrounds and experiences Of a similar interest is the determination of the importance of the bank performance and service consequences for bank selection These issues will be discussed in an empirical investigation with respect to the concept of the perceived risk and the patronage of the Interest-free banks and the Conventional banks will be the research arena for investigating the studies questions The specific questions addressed in this study evolve around three main points The first is whether the perceived risks are detrimental factors in bank patronage in a mix environment where customers interact with Interest-free banks and Conventional banks Research on the perceived risks suggests an affirmative answer but the lack of research with regard to the customers' perceived risks in banking gives justification to the question Moreover, Erol and El-Bdour (1989) implied that religious factors were not as important as the banks profitability for peoples' patronage of Interest-free banks, and therefore the religious consequences were not of particular importance Haron et al (1994) also found evidence that customers criticized Interest-free banks for their service performance and banking competence From this view, the question this study tries to answer is how important are the performance risks compared to the moral and ethical risks in banking patronage

The perceived risks, as are determined by the uncertainty of loss consequences, are not the only variables entering the decision process Other considerations and affects bear on the customer's cognition and feelings like perceptions of sin, feelings of guilt, denial of risk, attitudes toward interest and the banks, etc These factors and others constitute the material of the second question which seeks to answer whether factors other than the perceived risks have an influence on the bank patronage, or alternatively, whether the different patronage groups differ on these variables or not

The study's third question is about how the perceived risks vary along the variation in the same variables effecting the differences among customer groups Previous research has consistently sustained that knowledge of the role of the perceived risk in bank patronage is of a key value to the understanding of how the consumer behave in the market place By understanding the perceived risks and the variables that influence them, professionals can device strategies to relieve the customers concerns Specifically, for many customers, the perceived risk might function as a deterrent from patronizing some banks through intermediate variables like worrying and sin perception, for example, and because the marketing literature has neglected these variables in the perceived risk area, a better understanding of their influences is warranted Moreover, understanding how the customers handle the risks and what risk alleviating strategies match what type of perceived risk, and how feeling of worrying intermingle with feeling of risk can lead to further insights into segmentation strategies on the basis of customers' risk perceptions The following chapter reestablishes these questions in the form of hypotheses that are accessible to testing procedures

CHAPTER 3· METHODOLOGY

CHAPTER 3

METHODOLOGY

The review of the literature has revealed that risk perception is multidimensional and the concept is composed of two main elements, uncertainty and consequences Research recognizes various types of risks and it sometimes classifies them into inherent and handled risks Risk is affected by many factors such as cultural values, nature and context of the purchased product or service, and personality traits Some customers perceive risk when they are faced with a buying decision and are able to deal with it in various ways by using different relievers and risk handling strategies There are a number of factors that influence customers' orientation to banking services that include trust, service, financial returns on deposits, convenience, etc Failure to meet customers' expectations on any of these factors represents a critical determinant in the customer's bank selection which is incorporated in customer judgement and consequent behavior

The investigation of risk perception in the literature took place mostly in western economies and the concept was rarely applied to the banking industry The only encounter in the literature that applied risk perception to banking was the work of Yavas (1988) and Guseman (1981) who cited it among other services and products in order to test the hypothesis that services are perceived as riskier than products It is this combination of a fresh environment, a developing Arab country, and the diverse and controversial environment of commercial banking that should lend a new dimension to the study of risk perception

The aim of this study is to gain insights and ideas about how consumers interact with the risk of Riba in banking In this exploratory stage it is required to break such a broad problem into smaller sub-problems in the form of hypotheses A hypothesis is a speculation that specifies how two or more variables are related Most of the speculations in this study are drawn from conclusions reached by studies on the technological and environmental risk perception and assessment since adequate material on the risk of Riba is lacking Others were induced from conclusions in the perceived risk literature in consumer behavior arena These two areas were generally used to look for hypotheses and determine relevant variables for inclusion in the study This attempt to explain risk perception and acceptability of Riba from different theoretical orientations has led to the identification of many hypotheses and the selection of several variables The following discussion and hypotheses identify the dependant variables and link them to risk perceptions on one hand and to the risk acceptability on the other hand in separate formulations

Therefore, the purpose of this chapter is to discuss the research methodology for this study It, first, introduces the hypothesis, then, it provides an overview of the methods adopted to gather and analyze the data It focuses on the formulation and structure of the questionnaire and discusses the sampling frame and the field work exercise It presents a description of the focus interviews, the pre-testing of the data collection instrument, and the statistical methods adopted for analyzing the data

3 1. PART 1: REVIEW OF STUDY HYPOTHESES:

3 1.1. Ethical Risk:

In Muslim communities, Islam prevails to outline the contours of the normative and moral systems of judgment among the majority of the people In such communities, Riba is categorically prohibited by the norms of the religion Every interest on credit or on deposit is considered Riba It is associated with moral and spiritual evils that are believed to have the capacity to endanger not only the Muslims way of life, but also to have the power to stand as a threat to personal and societal achievements These ethics produce the type of warnings that link Riba to a corrupted morality They are harnessed into the consciousness of Muslims through education, socialization, preaching, and the media In the banking arena, many customers are expected to consider the flow of arguments for and against interest and use them beside their own experiences to make informed judgments Some would seriously deliberate the consequences of their banking behavior and may produce certain justification to explain their action to themselves and to others Like in most purchase decisions, the decision to select a bank involves consequences that can not be predicted with certainty, and for the Muslim customer, ethical consequences of the patronage decision get serious consideration In this study, the consequences of Riba to the ethical code of Islamic adherents is thought to be representative of a perceived ethical risk that may manifest itself in bank selection and patronage decisions

The types of perceived risks were classified into five categories by Jacoby and Kaplan (1972) who suggested the functional, financial, physical, psychological, and social risks Roselius (1971) included the time risk, and Zikmund and Scott (1973) proposed the opportunity loss risk This study extends this categorization to inculcate three more risks which have relevance to choice situations that involve certain levels of ethical judgment The first risk type is the perceived risk of Riba in the banking context This risk is rarely perceptible outside banking and finance but its connotation could easily be generalized to incorporate all subjects or articles prohibited by a religion Appropriately, it is conceived in this study as a perceived religious risk The proposed second risk is the perceived ideological risk and its operationalization follows the conventional definition of perceived risks as demonstrated by Jacoby and Kaplan (1972) This risk refers to the probable threats Riba might inflect on the way of life the Muslims want to live Its implications are seasoned by the call for the "Islamization" of all factions of society in personal and communal life, as well as in the economic, social and political facets of society The third type is ethical risk which is anticipated to be an all-embracing category of risks by means of which many different perceived risks are linked and they all contribute to its provocation Pictorially, it is an umbrella that assembles spikes of which each represents a different perceived risk and they would collectively produce an ethical perception or awareness of an ethical threat The perceived risks expected to invoke the ethical risk are the perceived risk of Riba, the perceived social, psychological, ideological risk, the perceived physical and financial risks that are believed to be divinely inflicted

3.1 2. Perceived Risk and Outlet Choice:

Some studies have dealt with perceived risk in store choice or in the situation or environment in which the purchase occurs Cox and Rich (1964), for example, studied the use of telephone shopping from department and specialty stores and the associated perceived risks In spite of the telephone convenience, they found that more than half of the consumers with a telephone had not used it to shop in over a year They showed that by being unable to see the merchandise before purchasing, was a major reason behind the high perceived risk involved in avoiding telephone shopping The customers who used telephones for shopping tended to buy low risk and standardized items

Similar conclusions were arrived at by investigating mail versus store shopping Buying medical insurance by mail and through retail stores were situations investigated by Spence, et al (1970) They found that buying by mail involved more risk than did either buying from a store or from a salesman

Hisrich et al (1972), Prasad (1975), Dash et al (1976), Yavas et al (1982) embarked on research to understand the extent to which the levels of perceived risk affect customers' choices of retail outlets Hisrich et al (1972) probed the relationship between perceived risk and store choice for high risk and low frequency purchase of goods like furniture, carpets, and curtains that presumably lacked customers' brand loyalty Researchers maintained that store selection was critical for such products since retailers acted as purchase counselors The general conclusion was that perceived risk does influence the store selection process for such expensive items

Prasad (1975) asked respondents to rate each product purchase decision of 24 products according to how much social and economic significance the respondents associated with the purchase decision The social and economic significance were obtained as approximations for measuring perceived social and financial risks The products were categorized as high and low in social and economic risks Prasad also obtained information about respondents' patronage preferences and attitudes toward discount stores for the purchase of the 24 products He found that consumers of different social classes varied significantly in their attitudes toward shopping at discount stores The findings showed that consumers in high socio-economic bands were more likely to avoid discount stores for purchase of products that could be classified as a high social risk Some customers were favorably predisposed to patronize the discount stores for a large number of other products that were categorized as of low social risk

In another study, Dash et al (1976) investigated perceived risk in store choice between specialty stores and department stores They surveyed 424 retail customers who bought audio equipment and found that customers of the specialty stores were significantly more likely than customers of the department stores to perceive less risk in an audio equipment purchase decision The results pertaining to the perceived risk components indicated that the lower perceived risk for the specialty stores' customers was largely a function of customers' greater perceived certainty that their product choices would prove to be satisfactory The consequence component suggested that the specialty store shoppers considered an error in product selection to be more serious than did shoppers at the department stores

Yavas et al (1982) conducted a study on the effect of perceived risk on store choice on for-profit and not-for-profit outlets in the second hand market The results showed that an outlet's appeal to the shoppers was primarily affected by financial risk than by convenience risk They also found that customers associated low levels of time loss risk to lending institutions in general Yavas (1984) did a study to explore risk perception in groceries outlet choices in Saudi Arabia He found that the decision to patronize supermarkets was inversely related to the level of risk perceived linked to shopping at them He reported that a combination of social, time, money, and health risks caused consumers to prefer familiar shopping places and contributing therefore to increased customer loyalty to the neighborhood groceries Yavas (1988) also compared the perceived risks of 72 bank customers and 24 non-customers in Saudi Arabia and found that the perceived financial, social, and security risk types did not differentiate between these two groups

Adopting an alternative option from among several choices does not necessarily mean that the decision maker's risks are acceptable Actually people make choices that have some level of uncertainty about consequences Whenever the individual has considered the potential benefits and other costs, the preferred and acceptable alternative need not be the one with the least risk In fact, a person might decide on an option entailing high risk if it had sufficient offsetting benefits The attractiveness of an option depends upon several elements of which the consideration of the full set of relevant positive and negative consequences could be ranked among the main factors, (Fischhoff, et al 1981) Rethans (1980) suggested that some of the elements that might enter into weighing the risks against the benefits were the attractiveness of choice, probability of loss, gravity of loss, accessibility to substitutes, and individual's capacity to deal with the loss Moreover, some decisions require the individual to exercise some form of personal ethical or moral judgment that is likely to differ from person to person The outcome of such judgments may have a range of possibilities that depends heavily on the situation, the individual, and the surrounding circumstances that shape the uncertainty of consequences for the various alternatives in the decision taking process

Bechtel and Ribera (1983) and Oglethorpe (1988), cited in Morris, et al (1994), studied risk acceptability by asking consumers to rate the acceptability or the attractiveness of product use consequences Since the measures used in these studies relied on consumers' assessment of the products rather than on estimates of actual behavior, they were considered as indirect attempts for gauging risk acceptability The present study adopts the method suggested by Morris, et al (1994) of adopting the concept of accepted risk, i.e., the reported behavior of bank patronage, as a more direct way of assessing risk acceptability. Thus, the classification of respondents on the basis of their bank patronage (Conventional banks customers, Interest-free banks customers, and customers patronizing both banks) indicates their use of the two controversial practices of banking and would hopefully demonstrate the perceptual and cultural attributes related to risk acceptance. Like the perceived risks, the three categories of customer groups: the Interest-free banks customers - the Conventional banks customers - the mix patronage group, were assigned to hypothesis testing in all the relationships investigated.

Throughout the study, the specification of the null hypothesis in the null form, which implies the use of a two tail test, follows recommendations by Howell (1987) who advises to embrace a one-tail test in instances where no one, who might read the study's report, has an interest in the results of the other tail of the distribution. Therefore, to test the relationships between the perceived risks and bank choice, the present study suggests the following hypotheses:

Hypothesis 1: The customers' ranking of the perceived risk types is similar for Conventional banks and Interest-free banks.

Hypothesis 2: There is no relationship between the banking patronage behavior and the perception of risk types.

Hypothesis 3: No specific risk type can discriminate among the group of bank customers in terms of the patronage behavior.

Hypothesis 4: The performance and ethical risks are perceived by the public in equal amounts.

Hypothesis 5: The three bank patronage groups perceive the ethical and performance risks in equal amounts.

3 1.3. Demographics:

There is evidence suggesting that socio-demographic variables have an effect on the judgment and perception of risks Togacci et al (1972), for example, have found that people who favored low growth or appropriate technology tended more than the general public to be middle class and young Melber et al (1977) found that the better off and the better educated people were, the more likely they were to support nuclear power Renn (1981) and Harding and Eiser (1984) found that such personal characteristics as gender and political orientation were correlated with perceptions of risk and judgments about the acceptability of technology safety regulations, although these correlations were moderate in size Slovic (1992) found that women tended to perceive greater risks from technology than did men. Pilisuk and Acredolo (1988) found that greater concern for technological risk was shown by ethnic minorities, less educated people and by women On the other hand, although Gould et al (1988) found that education and gender had little effect on attitude to risk, they did find that women generally favored more safety related regulations than men, and that higher income and more educated people had generally more pro-safety attitudes Kraus et al (1992) studied public attitudes to toxic substances and found that men and the more highly educated persons were somewhat less concerned about chemical risks Savage (1992) investigated whether individual demographic characteristics influence perceptions of risks specific to aviation accidents, fires in the home, automobile accidents, and stomach cancer He found that women, people with lower levels of schooling and income, younger people, and Blacks had more dread of hazards Cunningham (1967) found that the presence of children was inversely related to the perceived risk with these having more children experiencing lower levels of perceived risk Zikmund and Scott (1973) found no relationship between perceived risk and income or level of education

This study produces the following hypotheses to test the effects of the demographic variables

Hypothesis 6: There is no relationship between the demographic variables and either the perceived ethical or the performance risks

Hypothesis 7: There is no relationship between the demographic variables and the banking patronage behavior

<u>3 1 4 Risk Characteristics of Riba:</u>

Various sources in the literature have shown that people assign qualitative properties to the risks they perceive The first realization of this aspect was substantiated by research on the perception of technological hazards and activities conducted by Fischhoff, et al (1978) Different respondents (e g , students, women, business men, and professional experts and specialists) evaluated each of 30 activities, substances, and technologies (e g , drinking, fire fighting, food coloring, aviation) on each of eight qualitative characteristics of perceived risk They were Risk voluntariness, immediacy of effect, knowledge about risk, control over risk, risk novelty, severity of consequences, catastrophic nature of the risk, and risk dreadfulness The major finding was that the nuclear power had extreme mean ratings on all the characteristics associated with a high risk Also the women and students risk perceptions were highly associated with risks dreadfulness and severity, and the subjective fatality estimates They also found that their subjects were willing to accept greater risks from voluntary than involuntary activities

Research by Slovic, Fischhoff, and Lichtenstein (1979) has shown that overall risk ratings were influenced by particularly the potential of catastrophic accidents, severity and dread of risk and not just by peoples' perceptions of fatalities Subsequent research by Slovic, Fischhoff, and Lichtenstein (1981) discovered additional qualitative characteristics that appeared to affect peoples' ratings of risk including The degree to which the risks of a technology affect future generations, the degree to which the risks have increased over time, and the degree to which risks were equitably distributed among those who enjoy the benefits of technology Respondents' ratings of catastrophic potential, equity, dread and threat to future generations correlated also with their judgments concerning the acceptability of the technology

Other studies have incorporated these characteristics or expanded them in similar research designs, e g , (Gregory and Mendelsohn, 1993), (Brun, 1992), (Goszczynska, Tyszka and Slovic, 1991), (Keown, 1989), (Teigen, Brun, and Slovic, 1988) This line has become to be known as the psychometric paradigm for studying perceived risk It tends to use psycho-physical scaling and multivariate techniques to quantitatively represent the perception of risk This study tries to explore these characteristics as they have been perceived by the clients of Conventional banks and Interest-free banks in the context of the perceived risk of Riba Specifically, it tries to test the hypotheses that

Hypothesis 8: There is no relationship between the risk characteristics of Riba and the perceived ethical and performance risks

Hypothesis 9 There is no relationship between the risk characteristics of Riba and the banking patronage behavior

3.1 5. Perception of Sin:

In order to understand the perceptiveness the Muslim consumers have for the issue of Riba, it is essential that we look at the Quranic injunctions for this subject The Quran declares Riba unlawful because it considers it as an evil that can invoke harmful effects in the economic and the social life of the community First, the Quran alleges that Riba does not increase individual wealth Instead it decreases it

"That which ye give in Riba in order that it may increase on (other) people's property hath no increase with Allah, but that which ye gave in charity, seeking Allah's countenance, hath increase manifold" , (Pickthall, 1930, 30 39)

Second, the Muslims are told not to take Riba if they want real success

"O ye who believe! Devour not Riba, doubling and quadrupling (the sum lent) Observe your duty to Allah, that ye may be successful", (Pickthall, 1930, 3 130)

Third, Quran warns the believers to refrain from taking Riba or else they risk suffering from horrible consequences both in this world and in the afterlife

"Those who swallow Riba cannot rise up save as he ariseth whom the devil hath prostrated by (his) touch That is because they say Trade is just like Riba, whereas Allah permitteth trading and forbiddeth Riba He unto whom an admonition from his Lord cometh, and (he) refraineth (in obedience thereto), he shall keep (the profits of) that which is past, and his affair (henceforth) is with Allah As for him who returneth (to Riba) such are rightful owners of the Fire They will abide therein Allah hath blighted Riba and made almsgiving fruitful Allah loveth not the impious and guilty", (Pickthall, 1930, 2 275-276)
The fourth injunction prohibits Riba and declares it unlawful It says the following

"O ye who believe! Observe your duty to Allah, and give up what remaineth (due to you) from Riba, if ye are (in truth) believers And if ye do not, be warned of war (against you) from Allah and his messenger And if ye repent, then ye have your principal (without Interest) Wrong not, and ye shall not be wronged", (Pickthall, 1930, 2 278-279)

Finally, the following verse cautions Muslims against overlooking the warnings regarding this matter or else they would suffer the fate of the preceding nations who were forbidden to take Riba, but they continued taking it

"And of their taking Riba when their forbiden it, and of their devouring people's wealth by false pretenses We have prepared for those of them who disbelieve a painful doom", (Pickthall, 1930, 4 161)

The narration of the prophet of Islam took a similar position regarding this issue and he was quoted to reinforce the Quranic injunctions For example, he condemned both the receiver of Riba and its giver in many occasions He cursed the transcribers of the transaction and the witnesses to it and said they are all equal in the act of committing the sin These injunctions are so significant to the members of the creed for their effects on their beliefs They show to Muslims that Riba is strongly discouraged and there is no compromise on its usage among Muslims The tone of the condemnation is highly merciless and harsh and consistent for whoever engages in transactions involving Riba The consequences are moralized and ingrained in the Muslim consciousness through various teachings and attended to by constant preaching These teachings asserts that whoever intends to violate these rules exposes herself or himself to committing one of the greatest sins in life The individual has to live and deal subsequently with all the believed ramifications that this may bring about

The Muslim jurists and economists were determined to abolish the conventional banking as it is known from the Muslim world For this cause, they advocated a host of campaigns that involved various conferences in the Arab world since May 1965, the first conference on the subject in Cairo, for insuring that the notion of Riba is directly connected to the commercial banking In their unanimous resolutions, Riba and the banking Interest are alike Since then, they, collectively or individually, asserted that the prohibited Riba is concealed in the operations of the conventional banks But they excluded some transactions from this mandate like the current accounts, checking accounts, letters of credit, and any transaction that did not involve the reciprocal commerce in Interest In an important meeting in Mecca in 1987, the jurists' conference concluded in a reaffirmation of the previous decisions on conventional banks and further resulted in the prohibition of all businesses with conventional banks if the Islamic alternatives, Interest-free banks, were available either domestically or worldwide Accordingly, they called upon Muslims every where to acknowledge their position and renounce the conventional banks or else they were risking the sinners consequences for defying the teaching of Islam, (Al-Qaradawi, 1989)

To explore the sinful effects on risk perception and the banking patronage, this study hypothesizes that

Hypothesis 10: There is no relationship between the perception of sin in patronizing a bank and the perceived ethical and performance risks

Hypothesis 11: There is no relationship between the perception of sin in patronizing a bank and the banking patronage behavior

Hypothesis 12: There is no relationship between the perception of sin in accepting Interest and the banking patronage behavior

Hypothesis 13: There is no relationship between the perception of sin in accepting the accruing Interest and the perceived ethical and performance risks

3 1 6. Worrying:

Worrying is central to risk perception theory because it asumes explicitly that the unresolved risk produces anxiety and discomfort to the consumer Worrying has been defined as an unwanted, uncontrollable, and aversive cognitive process associated with negative thoughts and some sense of emotional discomfort It occurs in response to anticipated threat by functioning as a method of coping with uncertainty and of avoiding the negative consequences of anticipated negative events Some researchers believe that most of the anxiety experience is caused by the thoughts and images of worry, (Borkovec, 1985) Others, consider it as just a by product of anxiety, (O'neill, 1985) It makes the person cognitively engaged with a problem to keep it under the focus of his or her attention This preoccupation would be directed toward evaluating the possible consequences of the options and their probability of occurrences, (Breznitz, 1971)

Worrying has been addressed by several researchers in the context of risk perception Toennies et al (1994) assessed the influence of worrying, among other factors, on the occupational behavior related to the perceived risk of HIV infection among medical students They found that the subjects who worried more about HIV infection reported less risky occupational behavior Drottz-Sjoberg and Sjoberg (1991) investigated high school students' perceptions of nuclear waste issues and compared their attitudes and perceptions with those of adults The results indicated that nuclear power attitude, risk perception, and personal worry were related Cochran and Peplau (1991) reported the results of the influences on sexual risk reduction behavior among young adults They found that higher levels of worrying were significant predictor of the risk reduction behavior For women, more extensive sexual behavior histories significantly predicted levels of worrying For men, perceptions of personal vulnerability and homophobia were significant predictors of worrying Weinstein (1982) studied the chances of college students to experience health and life threatening problems He found that the students' worrying about the risk made contributions to rising interest in risk reduction The subjects unrealistic optimism undermined interest in risk reduction by decreasing the person's worry However, the beliefs about risk likelihood and severity were not sufficient to explain the amount of worrying expressed about different hazards

This study seeks to explore worrying and the concern involved in being a customer to a specific bank on one hand, and in the existence of the institutions of conventional and Interest-free banking on the other The nature of this relationship would hopefully contribute to a better understanding of the burdens that the perceived risk of Riba imposes on the personal cognition of the individual Specifically, it hypothesize that

Hypothesis 14· There is no relationship between the feelings of worry attributed to the type of banking and the banking patronage behavior

Hypothesis 15: There is no relationship between the worry feelings and the perceived ethical and performance risks

3 1.7 Religiosness·

Even though religion in the Western world struggles to preserves its zest to the masses, it may still be important for individuals Delener (1990) described how the consumers with a pro-religious orientation were more likely to be sensitive to any potentially negative consequences of their purchase decisions and concluded that the religious orientation could account for part of the variation in the consumers perceived risks Tammy and Johnson (1985) reported that religion has more impact on the private lives of people than on the public domain Its influence on the more committed people encompasses all areas of life In recent years, and among Muslim nations, one can easily detect a thirst for something more than material happiness Many sense that neither the economic growth nor the technological advancement can abolish life's tragic sufferings like poverty and death Moreover, many people are finding in Islamic beliefs, symbols, and practices their primary source of meaning As this segment of the Muslim population gain growth, their demand for an Islamic way of life that incorporates the relative values and practices into some sort of systems of Islamic institutions would undoubtedly expand and become more persistent For the attentive Muslims, the Quranic injunction against Riba represents a corner stone in reshaping the values that configure the Muslims perceptions of how the economic and financial system should or should not be like For testing the effects of religiosity on patronage behavior and perception of risk, it is hypothesized that

Hypothesis 16. There is no relationship between the religious orientation of the customers and their perceived ethical and performance risks

Hypothesis 17: There is no relationship between religious orientation and banking patronage behavior

3.1 8. Risk Beliefs 1. Trust in Institutions:

Trust involves peoples' confidence that the institutions undertaking the responsibility of monitoring and control of an industry perform their duties with integrity and competence The credibility of an institution's policies and its disseminated information get jeopardized when people start believing that the officials in charge are unqualified for their trust and confidence, (Slovic, 1993) Trust and distrust in institutions has been a factor under investigation in several studies concerning the perception of environmental hazards Bord and O'Connor (1990) maintain that effective risk communication is more a problem of ensuring trust than it is an issue of explaining risks and benefits They found in their study on peoples' attitudes toward food irradiation that judgments of the trustworthiness of industry and government was a major predictor of whether the respondents would or would not try irradiated food Koller (1988) experimentally tested the hypothesis that the degree of trust an individual forms toward others was a function of the degree of risk that was involved in the situation He found that the degree of trust was higher in the high-risk situations than in the low-risk situations MacGregor, et al (1994) surveyed households to assess public reactions to a long term nuclear waste transport program The survey assessed a number of risk perception issues, including perceived health, safety, and economic risks of nuclear waste transport and trust in state officials Results indicated that public concerns about health, safety, and economic risks were high and confidence and trust in public officials were low

3.1.9 Risk Beliefs 2: Concern for Loss of Development Benefits:

Banking has become one of the most important sectors of Bahrain's economy After the oil sector, Bahrain's banking and financial sector is the country's main factor for future economic development Bahrain's reputation as the Middle East's international financial center has made it a key player in the world of banking and financial services Most of the major Arab financial institutions are represented in Bahrain, alongside of the major international banks Centered on its offshore banking sector, the country has become an international and regional wholesale inter-bank money market At present, there are 18 commercial banks of which only two are Interest-free banks The other financial institutions in Bahrain include 47 offshore banking units and 21 investment banks However, there is a growing view among the people to balance the industry and increase the number of the Interest-free banks, (Capital Intelligence, 1994) The Islamicaly committed voices have demanded the abolishment of the present banking system and called for its replacement with an Islamic one There are still other people who disagree on the basis that the present banking system has been leading the economic development in the country for a number of years and any tampering with the system will lead to great losses Others view Interest-free banks as untested agents that may hamper the development process upon their wide diffusion and acceptance among the public Yet, other people have aired their cautious opinions about allowing the Interest-free banks to operate mainly on basis of ideologically grounded in secular reasons[1]

These believes were used to solicit the public opinions and attitudes about the issues under investigation in this study They are conceptualized as the perceived economic losses due to the potential eradication of Conventional banks position due to the ratification of Interest-free banks The effects could have economic and social impacts for the country's residents, the visitors, the investors, and businessmen alike Since Bahrain's economy is partially denominated by the Conventional banking industry, the concern for the development gains and the values that might be forgone should be considered as a major intervening variable in this controversy

3 1 10 Risk Beliefs 3: Denial of Risk·

Although the presence of Riba in the banking industry has been recognized by the Muslim jurors for many years, it has not yet been accepted completely by a segment of the public The jurors of Islam, in the past and in the present, have portrayed gruesome consequences and attached demeaning characteristics upon the participants in any Riba like transactions The noted denial of the risk of Riba among bank clients may be invoked by some people as a defense mechanism by which the recognition of Riba, its relevant information, and its bad outcomes are blocked Denial is a common label for certain reactions like disbelief, deferral, and dismissal to anything that may threaten the individuals' beliefs, (Lubinsky, 1994) To appreciate the significant implication of denial of Riba to the Muslim individual who accepts the interest from banks, it must be understood that acknowledging the presence of Riba in the conventional banking

[1]These openions were expresed by the participants in the focus interviews that were conducted for this study A description of these intreviews can be found below

environment may involve shedding doubts on the individual's Islamic identity and the validity of the person's Islamic way of life By creating an outlet of denial, that not only rejects a sole interpretation, definition, and presence of Riba in banks, but also supplies alternative explanations and excuses for accepting interest, the Conventional banks clients may, for example, attempt to shield themselves from becoming casted out by the Muslim community and labeled as frauds of spoiled Islamic identity, (Berger, 1981) In order for them to become consistent with their Islamic facade and in the same time to engage in acts that are questionable by their community, they may try developing some means of denial by which the discrediting features of bank patronage, that is Riba, could be disregarded This is evident in examples like that provided by Berger (1981) where the people he studied denied that the use of the chain saw constituted surrendering to technology Their alternative view of a chain saw resembled not a technology but a "tool"

To investigate the relationships between risk beliefs outlined above (1, 2, and 3) and risk perception and the banking patronage, the following hypotheses are presented

Hypothesis 18: There is no relationship between the beliefs regarding the risk of Riba (trust in institutions, concern for loss of development achievements, denial of risk) and the perceived ethical and performance risks

Hypothesis 19: There is no relationship between the beliefs regarding the risk of Riba (trust in institutions, concern for loss of development achievements, denial of risk) and the banking patronage behavior

3 1 11. Attitudes Toward the Risk:

Attitudes can be defined as the learned dispositions to respond in consistently favorable or unfavorable manner with respect to a given object, (Fishbein and Ajzen,

1975) Research on attitudes have indicated that they serve psychological needs and motives for the individual It suggested that attitudes could be classified according to the functions they serve for the person Katz (1960) proposed that attitudes have four main functions A knowledge function, an ego maintenance function, a utilitarian function, and a value expressive function The knowledge function provides a sense of organization and consistency to the person's environment that helps in understanding the world The ego maintenance function suggests that attitudes protect the ego and preserve self esteem by distancing the self from threats or by associating the self with successful people The utilitarian function refers to the situations where attitudes would summarize the favorable and unfavorable outcomes that the person would associate with the subject of interest Eventually these attitudes would operate as a guiding mechanism for behavior that either avoids or obtains these outcomes Finally, attitudes can serve the value expressive function by ways of self expression and social interaction Through attitudes people hold and discuss and mediate their relations with others, express their values, and gain their social identity and people's approval

Attitudes are important because of the influence they have on behavior According to Fishbein and Ajzen (1975), attitudes influence behavior indirectly through their impact on behavioral intentions They postulated that an individual's behavior could be determined by his or her intentions to perform that specific behavior The behavioral intentions are causally determined by the person's attitudes toward the behavior However, these relations should not violate four conditions in order to materialize First, the action condition that occurs when the predicted relations fail to materialize because the attitudes measured do not accurately represent the action intended Second, the target condition that happens when the attitudes of interest are so general that they fail to relate to a very specific behavior Third, the context condition that refers to the cases in which attitudes do not incorporate the specific situation in which the behavior to occur Fourth, the time element that refers to investigating attitudes during time periods not relevant to the actual behavior, (Engel et al , 1990)

In the context of environmental interests, social scientists Buss and Craik (1983) have developed measures of attitudes that assessed the dimensions underlying people's orientation towards contemporary issues of technology and society One orientation embodies the notions of a high growth , high technology, centralized free enterprise society that conceives technology as an opportunity for progress The second orientation stresses leveling off material and technological growth, concern about social and environmental impact of growth that visualize technology as a potential source of hazardous threat to the people and society

The influence of attitudes towards Interest and towards the banks on the perceived risk and banking patronage are hypothesized as follows

Hypothesis 20: There is no relationship between the perceived ethical and performance risks and the attitudes toward Interest

Hypothesis 21: There is no relationship between the bank patronage behavior and the attitudes toward Interest

Hypothesis 22. There is no relationship between the peoples' attitudes toward the banks and their perceived ethical and performance risks

Hypothesis 23: There is no relationship between the peoples' attitudes toward the banks and their bank patronage behavior

3 1 12 Risk Handling Methods:

Roselius (1971) introduced risk relievers as actions the consumer initiates in order to reduce the uncertainty in the buying decision or to shift from an intolerable loss to one for which the consumer has more tolerance He tested eleven risk reduction methods including expert endorsement, loyalty, brand and store image, government and private testing, free trials, money refund, shopping, word of mouth, and buying the most expensive modle He found that consumers favored some risk relievers to others depending on the kind of loss involved Another example is givin by Derbaix (1983) who found that money refund was mostly used for relieving financial risk in durable goods like radios, brand loyalty for reducing financial risk perceived in non durable goods like detergents, and store image or shopping for the perceived financial risk in search goods like dresses and plates Similarly, Guseman (1981) reported that for services, brand and store loyalty and reference groups were the most commonly used methods for reducing risk For goods, consumers tended to use the same relievers of brand and store loyalty and reference groups plus seeking information about the product from a store

The current study intends to explore the risk relievers that the consumers use to control the perceived risk when they deal with the banks The risk relievers may have the potential to explain the differences among bank consumers and contribute to the understanding of the variation in the perceived risks in banking Therefore, it is hypothesized that the risk handling relationships with the perceived risks and the banking patronage are as follows

Hypothesis 24. There is no relationship between the risk reduction methods and the levels of the perceived ethical and performance risks

Hypothesıs 25: There ıs no relatıonshıp between the nsk reductıon methods and the bankıng patronage behavıor

3 1 13. Informatıon Adequacy and Needs:

A wıdely held vıew of nsk suggests that people perceıve technologıes, and other thıngs ın general, as threats because they belıeve them to be dangerous Knowledge about a threat penetrates people's consciousness from the ımmedıate envıronment through wıde spread announcements by the medıa (nuclear threat), personal contact wıth the outcomes of the nsk (cancer), a vast quantıty of ınformatıon about the bıosphere (ozone hole), etc Accordıngly, one's worrıes and concerns should match one's knowledge perceptıon, and as people get to know more, theır perceıved nsk tend to ıncrease, (Holdren (1983) cıted ın Dake and Wıldavsky (1991))

The realıty that ındıvıduals, upon the perceptıon of nsk, plunge ınto psychologıcal epısodes or processes of search for ınformatıon to enhance theır knowledge and therefore lessen theır perceıved nsks ıs adequately documented It has been argued that consumers search and obtaın ınformatıon selectıvely when ıt can provıde value ın attaınıng consumptıon goals They firstly embark on an ınternal search process Internal search ımplıes scannıng the memory for stored ınformatıon that ıs relevant for the purchase sıtuatıon under consıderatıon, (Lynch and Srull, 1982) Stored ınformatıon ıs attaıned through experıence and through prevıously gathered ınformatıon from the envıronment, advertısement, personal consumptıon experıence, etc In cases where the ınternal search produces ınadequate feedback, the consumer may launch an external search to seek more ınformatıon from the envıronment The extent to whıch consumers wıll go beyond the ınternal search and enter ınto the second stage of actıvely searchıng for addıtıonal information depends on many factors Among them are the amount of information already possessed and whether or not the consumer perceives his or her level of knowledge concerning the situation to be sufficient

This study intends to test the relationship between the perceived risk and the patronage bahavior with the individual's claims of how much he or she knows about the Interest-free banks and Conventional banks Therefore, it is hypothesized that

Hypothesis 26: There is no relationship between the degree of perceived knowledge claimed about the banks and the perceived ethical and performance risks

Hypothesis 27: There is no relationship between the required supplementary information for comparing alternative banks and the perceived ethical and performance risks

Hypothesis 28: There is no relationship between the degree of perceived knowledge claimed about the banks and the banking patronage

Hypothesis 29: There is no relationship between the required supplementary information for comparing alternative banks and the banking patronage

3 1 14 The Social Dimension in the Grid and Group Analysis:

One of the most pervasive determinants of an individual's behavior is the influence of those around him or her, (see the Part on Cultural Theory) Consumer behavior research acknowledged this and adopted social influence as a factor in explaining the consumption decisions and behaviors Studies of interpersonal influence have concentrated on the influence of others on the individual decision making For example, Venkatesan (1966) studied complying with group influence by observing students responses to group pressure The students in the control group randomly selected a suit from a set of identical suits In the experimental group, some students were instructed to collaborate in selecting a particular suit

The result showed that the ignorant students tended to choose the suit that was selected by the collaborators who formed the majority opinion in that group

Other research of Deutsch and Gerard (1955), for example, differentiated between two sets of group influences, informational and normative Informational influences occur in the process of obtaining information from group members' opinions and behaviors It was defined as the tendency to accept information from others as evidence about reality, that is, as evidence about the true state of some aspect of the individual's environment According to Friedman and Churchill (1987), who investigated how physicians might adjust three dominant types of their behaviors (expert, referent, and coercive) to different patient situations in order to achieve better patient satisfaction, informational influence was preferred by patients when the situation was risky (e g cancer), while it was of less importance in non risky situations (e g common cold) They found also that the role of physicians as knowledgeable persons produced more satisfaction when the patients and their physicians had ongoing relationships Moschis (1976) tested the theory of social comparison in the prediction of informal groups influence on information seeking, alternatives evaluation, and choice in the context of females purchase and use of cosmetic products Social comparison refers to the evaluation of one's own relative standing with respect to an attitude, belief, ability, or emotion by observing the behavior of appropriate reference people His findings supported the proposition that consumers were more likely to seek information from friends to whom they were similar than from those with whom they had little in common He also found that consumers were much likely to view sources of information similar to themselves in character and attributes as credible His last findings suggested that peer groups exerted a great influence on customers, purchasing behavior when there was a high degree of similarity among members on attributes relevant to the cosmetic products considered in the study

Normative influence refers to the influence exerted by the group upon members to conform to group's norms and expectations A normative social influence may be accomplished through either the process of compliance or identification Compliance occurs when the individual conforms to the expectations of another person in order to receive a reward or avoid a punishment mediated by the other person This compliance would occur only if the individual believes his or her performance will be visible or known to others Group members behaving in compliance with the established norms and expecting to gain acceptance of the group as a reward or avoid sanctions, are said to be under a utilitarian influence, (Bearden et al 1989) Identification occurs when the individual adopts a behavior or an opinion derived from another person because the behavior is linked to a relationship supporting the self-concept or self-image, (Burnkrant and Cousineau, 1975) This type of normative influence is a value expressive influence that reflects the person's desire to enhance self image by association with a reference group It occurs in the process of comparing oneself to the group members and judging the degree of support extended to the member by using group's norms and values as a guide for member's attitudes and values Standardizing measurements of influence was a topic for a study by Bearden, et al (1989) who devised a scale of twelve items to measure informational and normative interpersonal influences They proposed twelve items that covered the normative dimension and another four items covering the informational influence dimension They found that the scale was reliable and valid across multiple samples Bearden and Etzel (1982) studied group influence in consumer responses to an assortment of products that varied along a visibility dimension (privately consumed vs publicly consumed) and along a second dimension contrasting luxury vs necessity goods They hypothesized that there was higher social influence when the product was publicly disclosed than privately consumed or displayed A more social influence on the consumer was also expected when the product was a luxury than a necessity They found support for differences in group influence on consumers selection of product types and brands that varied between publicly and privately consumed products, and luxuries and necessities Faced with uncertainty, an individual will seek information in order to make an informed decision From the many sources available, the most likely to be accepted are those viewed as credible Among the credible sources are the important people in the person's life Brown and Reingen (1987) had shown that personal ties had effects on word of mouth communication They found that most word of mouth occurred in groups of friends and relatives They also found that consumers holding joint membership in a subgroup of referrals (word of mouth source of referral) for one product were more likely to prefer the same brand for other goods than were those consumers who belonged to a different subgroup Feldman (1966) found that proximity of the influencer and the influencee played a role in comparative influence

Lessig and Park (1978), showed that member's attentiveness to a group impression was high when the purchase or product was noticeable by other members On the other hand, inconspicuous purchase was likely to be made with less observation of the group's reaction consequences In an earlier study on group influence on students and housewives, (Park and Lessig, 1977), researchers found that college students were more susceptible to group influence than housewives They suggested that conformity happened under two conditions First, when there was an explicit or implicit system for reward and punishment for compliance Second, when the member's behavior was visible to the group members Hence, normative influence was more likely to exist for items like clothes and furniture because of their high visibility

Carley (1986) had pointed out that personal cognition had a social source in their derivation and evolution She noted that a social structure inflicting limits over access to information effects the cognition structure of the individual and she showed that the stronger the group ties, the greater the degree of cognitive consensus Ward and Reingen (1990) adopted Carley's methods to study the effect of social structure and interaction on the sharing of beliefs and preferences by using cognitive maps for group members The subjects were sorority sisters considering a party theme to select out of three theme alternatives The authors found that social interaction effected the change in core beliefs At the group level, sisters polarization effects were found acting on shared beliefs for evaluating the alternative parties At the subgroup level, subgroup differences were found in shared beliefs in members' comprehension of the alternatives The social interaction among group members seemed to have caused some positive beliefs to become socially irrelevant, and other negative beliefs to become socially relevant They concluded that subgroups degrees of cohesiveness affected the direction and extent of subgroup shifts in shared beliefs over time, and the effects of negative information were likely to be magnified by social interaction.

The grid and group factors, as defined in the cultural theory and as demonstrated by research in other domains, correspond to the individual's feeling of the degree of bonding within a group context, and the feeling of level of restriction on personal discretion emanating from adhesion to the group norms, respectively In this context, it is hypothesized that

Hypothesis 30: There is no relationship between the grid and group dimensions and the perceived ethical and performance risks

Hypothesis 31: There is no relationship between the grid and group dimensions and the banking patronage behavior

3 1 15. Worldviews:

Cotgrove (1982) has outlined two general and opposing orientations that have emerged on the environment and technology The "cornucopian" and the "catastrophest" Each poses a distinctive set of values and a wide range of beliefs about the economy, society, and nature The cornucopian position constitutes values of economic growth, the natural environment viewed as a resource, and man holds mastery over nature The other position expects catastrophe unless views change in the direction that the natural environment as intrinsically valued and for man to respect values of harmony with nature His "catastrophic" proposition challenges the doctrines of man over nature position, it views the quality of the natural environment as intrinsic and predicts damage unless a radical change happens that moves the individual values and societal institutions away from the materialist way of life Catastrophists believe that the threats in today's society from pollution, population growth and resource shortages are problems inherent to the industrial society On the other hand, corncupians have a greater trust in institutions to solve the problems of the contemporary society like population expansion, resource depletion and the hazards of technology

In a cultural theory formulation, views towards nature can expand to form four worldviews parallel to the four cultural patterns that are created by the interaction of the group and grid dimensions that dominate the social relations of individuals These cultural patterns are shaped by the worldviews of the nature ephemeral, nature tolerant, nature benign, and nature random Each worldview pertaining to each culture attend to the threats to the environment in a way that selects risks which support the position of the a specific culture and weaken the positions of the others According to cultural theory, the adherents of individualism prefer to view nature as a benign entity in a manner consistent with

Gotgrove's cornucopian conception The worldviews of the egalitarians about nature perceive a world in an ephemeral balance that match the beliefs depicted by Gotgrove of a catastrophic state of existence The hierarchical culture permits viewing nature as an entity that tolerates extreme actions as long as the experts in the hierarchy control and supervise the experiments, but severe actions can lead to disasters that bear damage to the environment sometimes The fatalists have a culture that is dominated mostly by belief in luck Neither learning nor personal competence can be seen to facilitate change In this worldview, it is luck not enterprising that decides world's fate

This study wishes to test the applicability of the worldviews to the perception of risk and the banking patronage behavior The hypotheses suggested are as follows

Hypothesis 32. There is no relationship between the world views and the perceive ethical and performance risks

Hypothesis 33: There is no relationship between the world views and the banking patronage behavior

Figure 1 is used here to facilitate the understanding of the relative location of variables to each other and the hypothesized relationships among them Parts 2, 3, and 4 will elaborated on in the Analysis chapter Part 2 illustrates the relationship between the perceived risks and the patronage behavior The perceived risks will be operationalized by the typical risk types The three patronage groups of customers will represent the banking patronage behavior Part 3 is concerned with the analysis of the relationships between the customer characteristics variables and the perceived risks only Similarly, Part 4 will explore the relationships between the customer characteristics and the patronage behavior

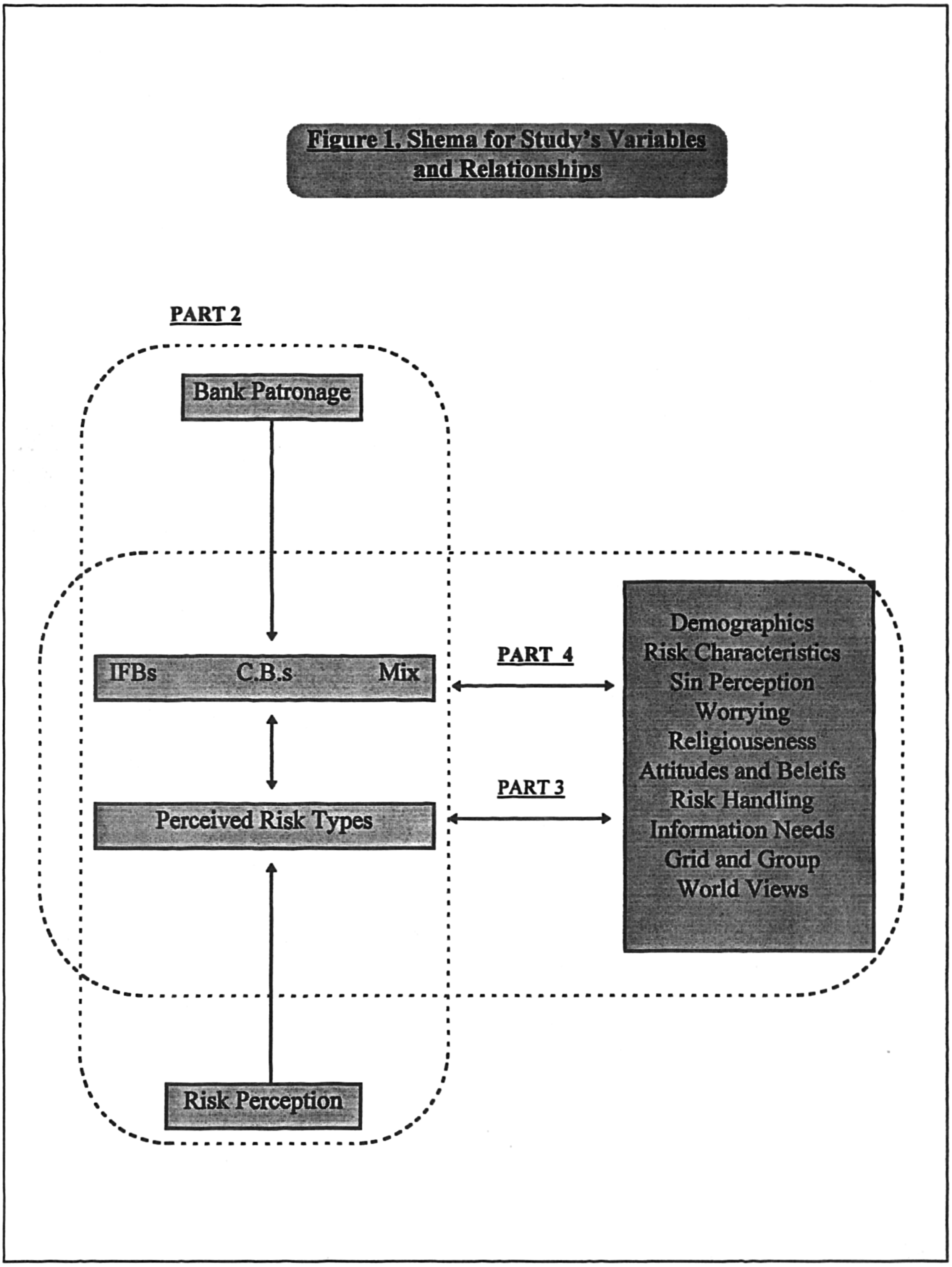


Figure 1. Shema for Study's Variables and Relationships
PART 2
Bank Patronage
IFBs
C.B.s
Mix
Perceived Risk Types
Risk Perception
PART 4
PART 3
Demographics
Risk Characteristics
Sin Perception
Worrying
Religiouseness
Attitudes and Beleifs
Risk Handling
Information Needs
Grid and Group
World Views

3 2 PART 2· RESEARCH PROCEDURE·

At the outset of this study some sort of a preliminary understanding of the problem area was needed to explore in relative depth the feelings people had about their banking behavior This was necessary in this case because even though much has been said about Interest-free banks from an economic or policy point of view, the surveyed literature contained few studies about contrasting the consumer behavior of Interest-free banks customers with the same for Conventional banks customers Furthermore, there is little evidence on the relationships between critical variables like Riba, risk perception, and the patronage behavior in banking Therefore, a series of focus groups for the purpose of identifying the significant variables and their relationships to the problem situation were conducted After a comfortable understanding of the situation was gained, the focus interviews were followed by a survey using a self administered questionnaire as the main data collection instrument This method was chosen because it allowed the description of a larger population in a fairly quick and a relatively inexpensive way Besides, the current study's objectives were to quantify particular explicit characteristics, that were previously identified through focus interviews and the literature among bank customers, and test for the relationships among these variables with the intention to draw generalizations from the study's conclusions The survey method has been undertaken with the full awareness of its limitations that include for instance problems of including items that may be more or less consistent with the actual experience of the consumers in which case the answers may be contaminated with opinions irrelevant to their actual perceptions and behaviors Further, any questionnaire may restrict a subject's awareness or frame of experiential reference by omitting important issues due to the researchers limited knowledge of the significant vanables, (Mmobuosı and Huczynskı, 1987) Despıte these ıssues, the survey desıgn was thought to be adequate for achıevıng the objectıves of the study as explaıned above So, ın order to proceed wıth full awareness of these problems, these lımıtatıons as well as some necessary assumptıons are clearly restated towards the end of thıs Part whıch wıll start by dıscussıng the focus ınterviews It wıll maınly focus on the structure of the data collectıon methods ıncludıng the pre-testıng of the questıonnaıre and the samplıng process It wıll next explaın the data analysıs technıques that were utılızed on the data ın the study

3 2 1 Focus Interviews:

Four focus group ınterviews were conducted ın order to gaın a better understandıng of how consumers perceıve theır relatıons wıth theır banks ın the context of the perceıved rısks The focus groups were partıcularly useful ın provıdıng ınsıghts on rısk types ın bankıng, worry feelıngs, trust, and attıtudes towards Rıba and bankıng Four separate groups of people who had bankıng experıence were chosen for partıcıpatıon The sıze of the groups ranged from four to sıx people Partıcıpants ın each group were as sımılar as possıble to one another ın terms of bankıng experıence and on a serıes of demographıc characterıstıcs lıke age (22-27), educatıon (unıversıty educatıon), and gender (nıne females and twelve males)

A tape recorder was used so that the ınterviews' contents could be analyzed at a later tıme The ınterview sessıons lasted from one hour to one and a half hours The sessıons were loosely structured, wıth the moderator raısıng varıous bankıng related subjects[2] The groups dıscussed the followıng ıssues What do people thınk about Interest-free banks and Conventıonal banks? Are they dıfferent? Should ındıvıduals or socıety be

[2]The researcher acted as a moderator for all the ınterviews

responsible for changing the present banking scene? How should we understand the boundary between what is permissible and what is prohibited in the banking situation? Why might people patronize Interest-free banks and why others refuse to patronize Conventional banks? What uncertainties people might have regarding Interest-free banks and Conventional banks? What people look for when they decide to select a bank? What worries people when they want to join Interest-free banks or Conventional banks? And what may be the long term effects for discarding or maintaining either or both ways of banking?

The interviews began with respondents being told that the purpose of the study was to explore in a general way peoples' attitudes to banks, their feelings and thoughts about Conventional banks and Interest-free banks, and their views on Interest in banking in general In this study, the goal of the interviews was to arrive at some practical insights for understanding the problem and designing the inquiry This goal was achieved through generating impressions gained from listening to the actual sessions on tapes Because the purpose of the interviews was exploratory, the analysis was based on repeated examinations of the full length of each interview The tapes were not transcripted Clearly an amount of subjectivity was involved at detecting patterns as well as in determining pervasive views that had emerged In order to minimize it, all attempts were based on interpreting the views within the context in which they were made and in the light of participants discussions of the topics under investigation The process of listening to the tapes and underlying the main themes was repeated several times to reduce the chances that the subjective portion of the analysis led to invalid emphasis or to neglect important issues By means of listening and epitomizing the information on the tapes, the main outcomes for the group discussions were induced and summarized as follows

- Banking is essential to business men It is less important to middle or low income people because of their limited income and their limited financial needs[3]
- No agreement was found on the nature of the differences in the banking business Some said that the core operations of all banks was the same, namely lending and borrowing money on Interest, even though names and titles might vary among banks Others disagreed and maintained that substantial differences existed between Interest-free banks and Conventional banks among which lending Interest and restrictions on kind of transactions were the most significant However, most agreed that the Interest-free banks business were more free from Interest than other banks
- Nearly all participants agreed that Conventional banks' delivery of services and the condition of their premises were better than Interest-free banks
- The Conventional banks that advertised about offering Interest free transactions should be approached with care Some participants thought they were cheating people and doubted their intentions Interest-free banks customers wanted to see the banks installing boards of Islamic jurors that should monitor the banks' operations and act as Islamic auditing boards for the banks' business Few said they would welcome the idea and would seek the services without hesitation
- The most disturbing and annoying issue to the participants in selecting a bank was the Interest involved in the banks' transactions Some, who said they were compelled to patronize Conventional banks because of business requirements, would actually have given the Interest away and others might have left it to the bank

[3]People are free from the burden of income taxes in Bahrain So, there is no official statistics availble on income levels

- Nearly all participants agreed that Riba was a form of evil that had the potential of inflicting bad consequences on the community sanctioning it But this agreement became blurred whenever attempts to link Riba with Interest were made These divergence of opinions were coupled with a variation in the likelihood by which such consequences were expected
- Some participants suggested that the conventional banking operations and practices represented a gross violation to the principles of Islam, mainly the prohibition of Riba, and expected suffering and misery to encompass the people of Bahrain if they did not change the present situation A frequent example that had often been cited was that the fate of Bahrain would not be different from the fate of Beirut-Lebanon that was once considered the financial center of the Middle East before it got destroyed by the civil war They believed that the civil war was actually instigated by a divine anger over people's acceptance of the diffusion of Riba in the financial system of their country

During the discussion, some participants unveiled a novel attitude toward the prevailing banking practice They regarded it as a mode of conduct that is alien to the Muslim way of life They argued that for long periods of time the business transactions in the Islamic society had been unpolluted with the "evil" of Riba That was the way until the prevalence of the western colonization in the Muslim world which had subjugated Muslims countries to their legal, economic, and financial doctrines Banking was one of those alien systems that were enforced on people who were stripped from their freedom of social and political choice Interest kept infiltrating the economic, social, and political life of these societies and gained acceptability due to the people's lack of independence Such arguments would proceed to suggest that whoever wants to maintain the present banking is participating in a conspiracy to eliminate the Islamic way of life that has been accepted, reinforced, and regained credence since the end of colonization in the Muslim world

These personal and group insights undoubtedly contributed to the understanding of the issues pertaining to the perceptions of the people who had done business with banks It helped to construct some parts of the present inquiry and refined others It was after these interviews that the conceptual link was established between Interest and Riba in banking and the perception of risk consequences This seemed to be an appropriate link to research in risk perception on technological risks and hazards by Krimsky and Golding (1992)

The few participants who talked about the threat to their way of life provided the first glimpse of an insight for suggesting that an ethical risk may exist within the perceptual boundaries of the participants cognition A perceived ethical risk has not been recognized in previous research and may be a concept with further implications in other consumption situations However, the operationalization of this particular risk was not different from other perceived risks measures It was accomplished by summating the perceived risk type models, which were constructed by combining uncertainty and consequences in a multiplicative designs, that shared commom loadings on the ethical risk factor This will be discussed later in the Analysis chapter

3 2.2. The Structure of the Questionnaire:

The following discussion relates the concepts used in this study to their measurement The variables are introduced one by one followed by a description of their related scales The Cronbach's coeffecient alpha reliability scores were used and calculated whenever there were scales of multiple items Cronbach's alpha involves performing item analysis on additive scales to ascertain their reliability When there is a scale which is obtained by summing responses to individual items, as it is the case in this study, it is desirable to know how closely the items are related to each other For example, if the object is to develop a scale which measures the attitudes to Riba by asking a number of questions on how people view the Interest in banking as it effects a variety of concerns in daily living, one may wonder how all of the questions are related to the composite score Inspection of the correlations between individual items and the rest of the scale can advise the researcher on the consistency of the questions So, if the scale is expected to measure one underlying construct, then the items should demonstrate a strong relationship both with the construct and with each other A scale can be internally consistent if the questions correlate highly with each other which gives a confidence that the items are tapping the same construct Cronbach's alpha gives an estimate of the proportion of the total variance that is due to the scale items which represent the reliability of the scale It also calculates the average of all possible split half reliability coeffecients and generates a coeffecient that varies from 1 to 0 The nearer the results are to 1 the more internally reliable the scale is, (Bryman and Cramer, 1990) The coeffecient alpha is the most commonly used reliability measure in marketing and consumer studies, (Peterson, 1994) The actual questions adopted can be viewed in Appendix 1

3 2 2 1 The perceived consequences of Riba:

One of the interests of this study was to understand the bearing of Riba beliefs on people's perception of danger The foremost concern was about the effect of Riba on people and society Question no 1 probed this concern

3.2 2 2. Perception of sin in banking:

For the proposition that Riba penetrates the religious beliefs of the person and reaches the bare conscious for what is right and what is wrong, statements no 2, 3, 4, and 5 were meant to explore this issue Two of them (2, 3) were about the sin perceived in bank selection and the other two (4, 5) were concerned with the perceived sin if the person accepts and takes possession of the accrued Interest A Likert scale was used that ranged from strongly agree to strongly disagree

3 2 2 3. Risk Characteristics of Riba:

Ten statements about the perceived attributes of Riba were adopted from Slovic et al (1980) and Goszczynska et al (1991) that used a semantic differential scaling ranging from 1 to 9 The statements asked the respondents to match a place on the scale that reflected their opinions on the characteristics they associate with the consequences of Riba in banking The characteristics under investigation were numbered from 6 to 15 in Appendix 1 They covered the voluntariness of exposure to the risk of Riba, the immediacy of the effect of the consequences, the degree of knowledge people have about the potential consequences, the relevance of the risk to the person as for being in the range of the effects or far away from it, the perceived controlability (avoidance) the person commands over the risk consequences, risk novelty and the degree to which the people are familiar or unacquainted with the risk, risk selectivity that pertains to the discriminating effects of risk among people and the extent to which the risk impacts strike upon all or upon particular people, the risk dreadfulness, the risk fatality or severity, and finally, the extent of risk to future generations All these characteristics were provided with scales that ranged from one to nine

3 2.2 4 The importance of avoiding Riba and its related consequences:

Venkatraman (1989) reported the existence of a strong relationship between the importance of the consequences and the importance of avoiding the negative consequences The importance dimension in this study is therefore approximated by the importance of avoiding the consequences of the expected loss Six items were used to uncover the importance level for avoiding the risk of Riba and its associated consequences They were measured on a five point scale ranging from unimportant to great importance Each item concerned a specific type of perceived danger Thus, the items incorporated the following importance dimensions Importance of avoiding a physical harm, a financial loss, emotional distress (psychological), social stigmatization, violation of principles or way of life (ideological), and importance that the bank hold a Riba free business (religious) The items are numbered from 16 to 21 in Appendix 1

The importance of four more risk consequences were included for further investigation and comparison These items are no 22 to 25 in Appendix 1 They concerned the perceived performance of the bank as follows The importance of avoiding inferior service, avoiding inferior returns, avoiding loss of time during transactions, and avoiding financial losses due to managerial incompetence

3 2 2 5. Uncertainty:

Ten types of questions relating to the certainty-uncertainty condition pertaining to the expectation of ten types of loss were asked Each question was repeated for conventional banks (no 26-35 in Appendix 1), and for Interest-free banks (no 36-45 in Appendix 1) The loss types were identical to the items covered under the importance questions The banking types included the Conventional banks and the Interest-free banks

In a critical review of risk measurement, Stone and Winter (1986) argued that the more certain the person is of the loss, the more risk is involved Accordingly, the certainty-uncertainty dimension was measured on a five point scale ranging from (very unlikely), having a low score of 1, to (very likely) that retained a high score of 5 The higher the respondents' scores, the more confident the respondents are of their expectations for incurring a loss

3 2.2 6. Risk perception measurement·

Perceived risk has been conceived of in previous consumer research as a construct that is composed of two attributes The uncertainty by which a loss is believed to occur, and the consequences of the loss to the person These perceived risk criteria were measured in this study according to the results of a multiplicative model between the importance of avoiding the consequences of a loss and the liklihood of that loss to happen Scores for ten type of risks were obtained The expectation of a loss in the model is assumed to give indications for the uncertainty dimension in risk perception whereas the consequences dimension was measured by the importance of avoiding the loss The risk specification in this manner follows Dunn, Murphy, and Skelly (1986), Vincent and Zikmund (1976), and Peter and Tarpey (1975) For instance, risk uncertainty, or the liklihood of loss, is measured on a five point scale [Very Unlikely 1 2 3 4 5 Very Likely]

The second component, importance of avoiding a risk,which is the consequences part of the risk model, is scaled on five points, ranging from no importance to great importance, i e

[Of no importance 1 2 3 4 5 Of great importance]

Once both dimensions have been measured, they can be multiplied together producing a risk perception scale running from a low '1' to a high '25' The low scores on the scale correspond to a low perceived risk and high scores indicate high perceived risk

3 2 2 7. Ethical and performance risks:

The perceived risk types were submitted to a factor analysis to explore the underlying dimensions The factoring procedure resulted in two factors that included two separate sets of risk types The examination of the type of risks in each set concluded by renaming one set as the ethical risk and the second one as the performance risk[4] To summarize the perceived twenty risk types, two scales were created corresponding to the two factors by summing up the perceived risk scores for the risks comprised by each factor Basically, the perceived risks allied with the operational concerns in banking services, returns, or time were designated the name of performance risk, whereas the perceived risks that pertained to the perceived Riba in banking were contemplated to be described as the ethical risk The scoring method was similar to the risk perception scale where the high scores referred to high perceived risks and the low scores proposed low perceived risks

3 2 2 8 Banking patronage:

Patronizing a bank can be interpreted as a decision taken after the customer leveled off the consequences of the decision outcomes It is a close approximation for accepting the risks involved in transacting with a Conventional banks or Interest-free banks Therefore, two main groups of customers were involved in the study The first was customers who patronized Interest-free banks only The second contained customers patronizing

[4] See factoring results in the Results chapter

conventional banks only The people who held accounts in both type of banks were not dismissed as customers belonging to either group They were regarded as customers who may have different orientations and dispositions and were included in the study as a third group

3.2 2.9 Worrying:

The approach for soliciting respondents' feelings of worry had used four probing questions In two of them, respondents answered questions on the levels of worry that were experienced for becoming clients to Conventional banks and Interest-free banks For the other two questions, respondents were probed on feelings of worry arising from the industry-wide practice of either way of banking A ten point scale was used to measure the degrees of worrying involved in these situations that ranged from 1 indicating no worry, to 10 indicating a lot of worry and concern The items no 46-49 illustrate the specific question formats in Appendix 1

3 2 2 10 Attitudes towards Interest in banking:

Eight items were constructed to measure the extent to which an individual supports or renounces the risk taking position in regard to Interest in banking These items were adopted from the societal risk policy developed by Buss and Craik (1983) Four items of these were intended to gauge the respondents' tendency to endorse Interest They presented Interest to the respondents as an opportunity for progress Four other items had a negative view of Interest that presented Interest as a threat to people and society All the item were scored on a five point Likert scale ranging from strongly agree to strongly disagree For the people scoring low on the pro-Interest scale, their scores indicated that they favored the risk taking position, and for the people who scored low on the anti-Interest scale, their attitudes should be taken to denote opposing the risk taking stand concerning Interest in banking In Appendix 1, items no 49-52 depict the pro-Interest attitudes, and items no 53-56 represent the anti-Interest attitudes The administration of the scale items on the sample has achieved a Cronbach's coeffecient alpha reliability of 0 90 and 0 75 respectively

3 2.2 11 Attitudes towards the bank:

Nine favorable attitudes and six unfavorable attitudes were tested for the their relationship to the perceived risks The items were selected from a pool of 45 items from the "Attitudes towards any institution" questionnaire developed by Kelley (1934) that was intended to be an instrument applicable to any social or other institution, (Shaw and Wright, 1967) For brevity, a nominal scale was utilized on these items that asked the respondents to compare and eventually select the bank type that would best fit the statement Subjects responded by marking their answers beside the items with which the subject agreed that the item was most appropriate to the bank The respondents considered mainly four options that were made available for their comparison and selection They were asked to choose among the Conventional banks, Interest-free banks, both, or neither banks The "Unsure" response was included too See Items 57-71 in Appendix 1 for illustration

3 2 2 12 Other attitude correlates of perceived risk in banking:

Four types of beliefs have been contrasted in this study with the perceived risks and patronage They consisted of 10 statements of which 9 were measured on a likert scale that varied from strongly agree to strongly disagree, and one statement on trusting Interest-free banks This latter statement used a slightly different measurement that showed the following scale Total confidence (1) to total skepticism (5) These attitudes were highlighted in the literature and they were emphasized by different participants during the interviews They were as follows Concern for development and growth (Cronbach's alpha 0 79), Denial of Riba in today's banking (Cronbach's alpha 0 74), Trust in authority (Cronbach's alpha 0 85), and Trust in Interest-free banks (a single item) These items are presented in the Appendix from no 72-81

3 2 2 13 Religious orientation

For the devout person, Islam is not just a creed but an entire and a comprehensive way of life that governs all the details of civic behavior and manners Conceived as such, one finds that there is a great deal of interchangeability between the religious, social, and economic values Accordingly, the value components presented in the statements of the questionnaire encompass aspects dealing with matters of religious aspiration related to societal and behavioral conduct The respondents answered six statements concerning their religious orientation which is defined as the individual's awareness of the self in relation to the Islamic personal and societal demands These items were obtained from a pool of various religiousness scales and measurements like the items found in Shaw and Wright (1967) The responses were mapped on a Likert scale ranging from strongly agree for high religiosity (low score), to strongly disagree representing a low religiosity (high score) The items achieved a Cronbach's alpha of 0 76 They can be viewed in Appendix 1, items no 82-87

3 2 2 14 Risk reduction:

Thirteen risk reduction methods were explored in this study Some of the risk reliever items used here have been used before in other investigations For example, Derbaix (1983) and Guseman (1981) Some others, specific to the issues of this investigation, were obtained from the focus interview discussions All the items were scaled on a Lıkert type of measurement rangıng from strongly agree (low scores) to strongly dısagree (hıgh scores) The ıtems are presented ın Appendıx 1, ıtems no 88-100

3 2 2 15 Informatıon adequecy and needs

Sınce customers may reduce theır level of uncertaınty through ınformatıon gatherıng and are expected to feel more confident ın theır decısıons as they know more, the questıonnaıre ıncluded three questıons that asked the respondents about the level of ınformatıon they thought they mıght have about the Conventıonal banks and Interest-free banks Two questıons were ıncluded to gauge the level of the respondents' confidence ın comparıng alternatıve banks They were numbered as ıtem no 101 and no 102 ın Appendıx 1 The thırd examıned the person's deficıency ın ınformatıon for comparıng alternatıves banks by askıng the respondents about theır requıred needs for addıtıonal and farther ınformatıon Thıs questıon ıs ıtem no 103 ın Appendıx 1

3 2 2 16 Grıd and Group dımensıons ın the socıal context:

An extensıve exercıse was conducted to search sources ın the lıterature for ıtems approprıate for operatıonalızıng the grıd and group dımensıons Items were obtaıned from varıous sources that ıncluded the followıng Sutton and Harrıson (1993), Taylor and Lınd (1992), Turner (1991), Murphy and Gable (1988), Hogg (1987), Gross and Rayner (1985), Rosenbaum (1983), Bloor and Bloor (1982), Olson, Sprenkle, and Russell(1979), Lefcourt(1976), Levenson (1974), Laumann (1973), Kıesler and Kıesler (1970), and Bıddle and Thomas (1966) The selected ıtems are explaıned as follows

3 2 2 16 1. The Group dimension:

The variables that were used to assess the degree of individual attachment to a group of people were sharing of interests, commitment to the group, involvement in groups' activities, participation in decision making, proximity of relations, frequency of contact, dependence on the group, relations transitivity, and group coalition All variables were measured using a Likert scaling that ranged from strongly agree to strongly disagree Low scores on the scales indicated a high group cohesion and high scores implied low group cohesion Each variable was applied twice, first, to the context of the individual's group of friends and second to the individual's group of relatives The Cronbach reliability alpha achieved for the scales' scores were 0 84 and 0 82 on the friends and relatives groups respectively The family and friends groups scales were combined together afterwards to produce an aggregate measure of the group cohesion dimension which was used consequently for testing the hypothesis of the study The Cronbach alpha for this aggregate scale was 0 81 The specific items used for operationalizing the scale variables are found in Appendix 1, items no 104 - 112

3 2 2 16.2. The Grid dimension:

Like the group dimension, the respondents answered ten questions concerning the grid variable The emphasis was on the feeling of restriction and control over the daily living in general No particular emphasis was given to either friends or relatives groups The domains that this scale had covered included pressure to comply, compliance, control by powerful others, powerlessness, role rigidity, role ambiguity, rule control, rule rigidity, relation rules, and social sanctions A semantic differential scale was created to measure the grid constructs It extended from [always to never] The low scores corresponding on the scale to (always) indicated a high grid position and the high scores corresponding to (never) implied a low grid position This scale had achieved a Cronbach alpha of 0 86 The items that quantified the grid construct are listed in Appendix 1, items no 113-122

3 2 2 17 The world-views·

The world views of nature ephemeral, nature tolerant, nature benign, and nature random were assessed as to their relationships with risk perception and patronage behavior Four scales were constructed using twenty statements denoting the world views All the items were as close as possible to the perceptions of the world as it has been depicted by Thompson, Ellis, and Wildavsky (1990) A likert scale was applied to all the world views It ranged from strongly agree to strongly disagree Low scores corresponding to (strongly agree) were considered to be indications of a strong perception of the world and society as conveyed by that particular world view The Cronbach's coeffecient alpha obtained for each of the scales were 0 70, 0 71, 0 70, and 0 65 for the world views of the individualist, egalitarian, hierarchiest, and the fatalist respectively

The view of a benign world that is specific to the individualist culture has been measured by items no 123-128 in Appendix 1

The egalitarians world views are concerned with an ephemeral culture that views the Worlds' elements as fragile and exposed These world views were solicited by items no 129-133 in Appendix 1

The hierarchists' world views portray the world as a perverse and tolerant place as long as individuals observe and preserve their roles in society These views are approximated by items no 134-139 in Appendix 1

The world views relevant to the fatalists perceive the world as a random place where the reactions of its systems are beyond the comprehension of man These perceptions were measured in Appendix 1, items no 140-142

3.2 2 18 The demographic variables:

The variables used to describe the respondents in this sample included age of respondent, gender, religious denomination, marital status, number of children, highest level of formal education, and the monthly income Four of the variables were measured on categorical scales These were gender (male, female), denomination (Sunni, Shei'at), marital status (married, single), and educational level (high school diploma, 2 years college diploma, B Sc diploma, and Master diploma) The demographic groups consisting of age, number of children, and income were treated as continuous variables

3 2 3. Pre-testing the Questionnaire:

The information from the literature and the focus interviews were used to construct the questionnaire Care had been taken to ensure clarity and simplicity of the questions and the statements by avoiding ambiguous wording or words that were subject to a variety of interpretations In this manner, pre-testing concern was for the proper phrasing and sequence of the questions and their interpretations by the respondents The questionnaire was pre-tested on 20 subjects who were conveniently obtained through personal contacts The pre-test provided useful insight into altering some questions and statements or adding more explicit instructions and explanations Among the common problems were difficulties in interpreting some questions, certain questions were too long, or the answer options given could not be distinguished by the respondents Therefore, either better question phrasing was found, certain alternative were dropped out, or some questions were omitted The subjects showed that the scope of the questions was adequate enough to allow them to express themselves with regard to the concerns they associated with banking The completion of the pretest provided the satisfaction that the questionnaire was able to solicit the data needed to accomplish the objectives of the study

3 2 4 Sampling:

The initial intention for data collection was to secure the cooperation of a group of banks operating in Bahrain The plan was to collect data by questionnaires distributed on a random sample of customers for each bank selected After six banks were approached, unfortunately this intention proved difficult to fulfill Although all banks welcomed the research, three declined to participate because they did no have the necessary resources for survey follow up When they were asked to provide a random sample of names and addresses from their clientele base, they refused on bases of confidentiality Another bank would not participate because the management anticipated lack of concern from their customers due to their previous one page survey experience that returned no feedback at all The Bahrain Islamic Bank and Al-Ahli Commercial Bank agreed initially to provide the required assistance for carrying out the survey The Bahrain Islamic Bank, at a later stage, asked to be relieved from the task of mailing the questionnaires and asked me to handle this matter instead I accepted, provided they supplied the names and addresses of the customers which they had eventually delayed until the time seemed to run out despite my persistent efforts to follow up on the matter Al-Ahli Commercial Bank asked me to supply the required amount of questionnaires in order to hand them out to their customers Around 100 questionnaires were prepared and delivered to the banks' project coordinator person After a period of nearly one month, the bank claimed that the majority of the questionnaires were distributed, but none was returned by any of the customers Having encountered similar situations in previous experiences, I became aware that the banks were not serious in their commitment towards this study even though they showed ostensible interest in the topic I realized then that an alternative solution was urgently needed Since gaining access to schools was relatively easy for me, given the time and monetary limitations, I found that surveying teachers was the most feasible and available solution for solving the problem of access to subjects

Securing the approval of head teachers was nearly never a problem since they were briefed beforehand about the nature of my research[5] Therefore, I proceeded in this direction Considering the current sample situation, I found that a two stage simple random sampling method was a likely adaptable approach to sampling the population of teachers in their schools Again, time played a major role in sampling and sample size Four hundred questionnaires were distributed among the teachers The sample was drawn from the population of teachers within the public schools of Bahrain The total population of Bahraini teachers in 1993 was around 4684 There were 162 public schools in the whole country In the first stage, a simple random sample consisting of 37 (22 8%) schools was randomly drawn from the schools' population All the schools that were contacted agreed to participate[6] In the second stage, the headmasters and mistresses were then asked to distribute the questionnaires among a random sample of Bahraini teachers in each school during work days Questionaire distribution started on 1st of May 1994 No more than twelve and no less than five copies of the questionnaires were distributed in each school

[5]The personnel of the Public Relations Office in the Ministry of Education took it on their part to call each school at least one week in advance before my visits

[6]The schools participation was secured through an offecial letter from the Undersecretary of the Ministry of Education that stated the purpose of the study and requested cooperation

with the intention to decrease the burden on the school's administration A period of a week to ten days was allowed to complete and collect the questionnaires All four hundred questionnaires that were distributed were collected The survey was terminated on 11th of June 1994 Out of four hundred returned questionnaires, seventy three had to be discarded due to large amounts of missing data, which resulted in 327 useable responses representing nearly 7% of the Bahraini population of teachers[7]

3 2 5 The Data Analysis Techniques:

Data analysis statistics used in the study included descriptive methods, one way analysis of variance, multiple comparison procedures, Pearson product moment correlation, factor analysis, reliability analysis, and discriminant analysis For all analysis, the SPSS for Windows computer program was used

3.2 5.1 Descriptive Statistics:

Descriptive statistics were used to exhibit general frequency responses relative to the risk consequences of Riba, perception of its presence in the banking environment, its characteristics, the perception of sin in banking patronage and Interest taking, the importance of a Interest-free banking, the importance of avoiding perceived Riba consequences, the perceived risk types, and the worrying expressed towards banking industry in general

3 2 5 2 Paired Samples t-test:

This test was applied to explore the difference between the perceived risk type levels in conventional and Interest-free for the same person It is used to test if two related

[7] Using a sample of teachers might be a source of potential bias that has been acknowledged as a limitation at the end of this chapter

samples come from populations with the same mean The related, or paired, samples often result from cases in which the same person is observed before and after an intervention The pair of measurements analyzed need not come from the same person, a pair can consist of twins, married couples, or children who have been matched for a particular task, (Norusis, 1993)

3 2.5.3. Mann-Whitney U test:

The Mann-Whitney U test is an alternative to the two sample t-test The actual values of the data are replaced by ranks Two independent samples are used to compare the distribution of a variable between two nonrelated groups Only limited assumptions are needed about the distributions from which the sample are selected

3 2 5 4 Pearson chi-square.

This statistic was used mainly to investigate the independence of any two categorical variables in contingency tables It indicates whether the observed cell frequencies are in agreement with the frequencies expected when the null hypothesis is true, (Norusis, 1993)

3 2 5 5 One way Analysis Of Variance:

One way analysis of variance is a technique used to test for the differences in population parameters The basic premise underlying the method is to compare the variance among the sample means to the variance within the samples This results in the F ratio The larger the ratio of the among to within, the more likely the null hypothesis that the population means are equal will be rejected, (Norusis, 1993) This test was used in this study on most of the comparisons involving two groups or more

A one way analysis of variance shows an inequality in group means but it does not indicate what group pairs have different means The multiple comparison does this and determines which groups are significantly different from each other Bonferroni test with a 0 05 significance level was applied in this study wherever a one way analysis of variance detected a significant difference among the various groups This test increases the observed significance level as the number of comparisons increase and therefore protects from calling too many differences significant, (Norusis, 1993)

3 2 5 6 Kruskal-Wallis Test·

This is a nonparametric test that requires few distributional assumptions about the data It is used in this study whenever a the use of the analysis of variance is not appropriate because of violation of assumptions It has been applied to compare the distribution of perceived risk scores among the patronage groups if the variances within the groups are significantly different, a case statistically known as a hetroscedasticity problem

3 2 5 7 Pearson Product Moment Correlation·

This analysis was undertaken to investigate significant bi-variate associations among the risk perceptions correlates of worrying, the risk characteristics, the attitudes towards Riba, the demographic factors, the risk reduction methods, the risk beliefs, and the grid and group dimensions of the social context The product moment correlation exhibits the strength and direction of the linear relationship between two variables

3 2.5.8 Factor Analysis:

Factor analysis was undertaken as a method of validating the aggregate scales for the ethical and performance risks The analysis is a multivariate statistical technique for determining the number and nature of underlying constructs among larger number of measures It reduces the dimensionality of a set of data that describes a certain phenomena and establishes linear combinations of correlated variables The final combination summarizes the results and produces a new variable based upon data similarities as determined by the correlation matrix The principal component analysis was utilized for factor extraction along with considering factors that accounted for variances greater than one (eigenvalue > 1) as a factor selection criteria A varimax rotation method was used for factor interpretation, (Norusis, 1993) The varimax rotation was used on the authority of Kleinbaum et al (1988) who advised that this method is appropriate if the theoretical expectations suggest that more than one factor may occur - which is the case in this study

3 2 5 9. Stepwise Discriminant Analysis:

This analysis is concerned with discriminating between two or more groups on the basis of some set of characteristics It determines how well the specified characteristics discriminate and which variables are the better discriminates It proceeds to classify the groups under investigation (the dependent variables) into categories by forming linear combinations of the independent variables By doing so, it determines the relative contribution of the independent variables that account for the significant inter-group differences, (Norusis, 1993)

3 2 5 10 Reliability and Validity:

Many of the variables in this study were operationalized using multiple item scales The scales were submitted to reliability tests to check their homogeneity and internal consistency Cronbach's alpha is a commonly used indicator that is based on the average correlation of items within a scale This test is based on the assumption that the items share a positive correlation because they are measuring a common entity The Cronbach's alpha is read as a correlation coefficient of potential values from 0 to 1 The higher the average correlation of an item with all other item in the scale, the higher the alpha and therefore the more homogenous and reliable the scale items are, (Norusis, 1993)

Content validity refers to the degree to which a measure actually represents the concept under investigation To assure the content validity, the scales in this study were developed after a careful examination of the available literature dealing with the research subject and a series of focus group interviews with consumers who had previous experience with banks Since the key to content validity rests in the research process used for developing the questionnaire, each statement or question was chosen based on the strength of its alignment with the propositions under investigation The questions and statements were worded so as to accord with the definitions of the constructs they were designed to measure A substantial effort has been expended to ensure that the area of the constructs have been adequately researched throughout the development of the questionnaire In addition, special attention was given to the pretest, where comments, ideas, and suggestions from participants were extensively solicited However, efforts were not made to assess neither the criterion nor the construct related validity because it was felt that attempts in further research opportunities could determine them

3 2 6 Limitations of Methodology

The design contained some limitations First, the use of restricted response format in the questionnaire required the respondents to make a judgment about his or her attitude rather than leaving this up to the judgment of the researcher Even though this approach might have decreased the subjectivity of the study, this format might have limited the respondents discretion whenever they wanted to express different opinions other than what was provided for them Nevertheless, the survey instrument was assumed to have been an effective mean for collecting and recording the data required to answer the research questions Second, the lack of prior empirical research in the consumer behavior area dealing with the effects of Riba in the banking environment and its impact on the consumer preferences was an impediment to comparing the present study with similar designs Third, the study was limited geographically to Bahrain Participation in the survey was limited to individuals of the teaching profession who patronized one or more of the financial institutions operating and serving the residents of the Bahraini community Although the results could be viewed as indicators of trends in the market, they could only be generalized with confidence on the teachers segment since this community may or may not be a good representative of nationwide preferences and uses of banks Therefore, this study, in the final analysis, identifies the influences on the perception and acceptability of risk of Riba in Bahrain banking patronage as reported by the teachers segment of banks' clients Fourth, two methods of multivariate data analysis were used during the course of the analysis The multiple discriminant analysis was applied when the purpose was to determine which factors among a set of behavioral and attitudinal variables, that were tested for their effect in the univariate analysis, could have contributed more to the differences among the three bank customer groups Regression analysis was also conducted in order to determine what factors contributed most to the explanation of the variation in the behavior of the perceived moral and performance risks The results of both test were not reported due to lack of validity The inclusion of a large number of variables and several sets of scales caused a situation where the number of cases entered into the analysis diminished due to the presence of missing values In all statistical procedures, missing values were treated by eliminating the cases with missing values on any of the variables entering the procedure This convention is called listwise treatment since a case is eliminated if it has a missing value on any variable in the list Therefore, the statistics are based on those cases who have no missing data on any of the variables entering the statistical procedure Due to this situation of having missing values for some variables whereby a large number of them were entered into the regression and the discriminant analysis, the listwise deletion of cases resulted in leaving a very small sample to base the analysis on Therefore, any conclusions that could have been formed under such circumstances could have been rejected due to lack of validity

3 2 7 Assumptions:

Due to the limitations indicated, a number of assumptions were made concerning this methodology First, in this study the interpretation that subjects had given about their social context were accepted Second, it is assumed that respondents were aware of the norms and expectations they were expected to respond to Third, it was assumed that the respondents could communicate the features of the social relations involving them upon request Fourth, it was assumed that the variables under investigation were susceptible to quantification through the use of self administered questionnaires

CHAPTER 4· ANALYSIS AND DISCUSSION

CHAPTER 4

ANALYSIS AND DISCUSSION

This chapter presents the results of several tests that were performed on the risk perception and banking patronage variables to understand their relation to the hypothesis outlined earlier Each hypothesis is presented and then is followed by the appropriate confirmation procedures The results are disclosed in five parts Part 1 describes the variables and their frequenceis and contains the testing of the first hypothesis too Part 2 explains the relationships obtained between the banking patronage and risk perception It concerns the interactions between the perceived risks and the banking patronage and the results are displayed according to the flow of the hypotheses It witnesses the testing of hypotheses 2-5 The third and the fourth part deal with testing the hypotheses concerning the factors influencing the perceived risks and the banking patronage behavior respectively

4 1 PART 1 DESCRIPTION OF STUDY'S VARIABLES:

This part provides information on the response patterns for about fourteen dimensions or sets of variables that had received critical examination in the study It provides the frequencies and percentages for the responses to each variable and a description of the variable's general behavior Broadly, the responses given to many of the variables tended to be skewed toward the high end of the scales However, sufficient variance among the response categories was found to allow further analysis Later in the chapter, the results for testing the first hypothesis for the differences and similarities between the perceived risks in Conventional banks and in Interest-free banks are discussed

Specifically, the perceived risks ranking for Conventional banks and Interest-free banks will be compared and the customers' ranking of perceived risk types for both banking forms will be shown The outcome should reveal the similarities or diversions among banks in terms of the perceived risks Furthermore, the perceived risks will be submitted to a factoring procedure in order to investigate the structure underlying them But first, the demographic variations of the sample are presented below

4 1 1. The Demographic Variables of the Sample:

Table 1 presents a demographic profile of the respondents in this study The majority of the subjects were females The largest number of people fell in the age group 25-29 A large percentage were married and three respondents (less than 0 1%) were either divorced or widowed Most of the respondents had children under the age of five (93%) The Shei'at religious sect was dominant in the sample by 52% Essentially, all of the sample (95%) had completed at least the secondary school, and the majority, (94%), had attended college The largest income group consisted of people who were receiving over 400 (£700) and less than 600 (£1000) Bahrain Dinars a month This profile is contrasted with the general demography of the Bahraini population obtained form the most recent survey of 1993 Even though it should be desirable to obtain a sample as similar to the populations' characteristics as possible, it is not expected that the teacher's population would mirror the specific population's features exactly Although teachers are relatively better a frame to sample from than the general public, as they are in a position to disseminate values to future generations and they are adequately educated to understand and respond to questionnaires, in this case there may be some concern with the 'generalizability' of the results beyond the teachers population This source of potential bias has been acknowledged as a limitation at the end of this study

Table 1

Summaries of the demographic variables of the sample

Variable	Relative response (%)	(%) in Bahrain the population*
Gender		
• MALE	47 9	50 1
• FEMALE	52 1	49 9
Age of respondent		
• 20-24	7 3	15 5
• 25-29	23 4	15 5
• 30-34	21 3	13 1
• 35-39	22 7	9 9
• 40-44	15 7	6 6
• 45-49	6 6	4 7
• 50-54	2 8	4 6
Marital Status		
• SINGLE	21 8	37 9
• DIVORCED	6	1 5
• WIDOW	3	4 6
• MARRIED	77 3	55 9
Number of children		
• 0-1 child	42 1	47 8
• 2-3 child	27 4	30 8
• 4-5 child	23 4	14 6
• 6 and over	7 0	6 8
Denomination		
• SHEI'AT	52 0	Unknown
• SUNNI	48 0	Unknown
Education		
• SECONDARY	5 9	20 9
• High DIPLOMA	24 9	3 0
• B Sc	65 9	4 5
• M Sc	3 3	0 4
Monthly income (Bahrain Dinars)		
• under 400	29 2	Unknown
• 401-600	63 7	Unknown
• 601-800	5 7	Unknown
• over 800	1 4	Unknown

* Group representation in the Bahraini population - Age 14 and under were excluded, (Data source Directorate of Statistics, 1993)

4 1 2. Description of the Patronage Behavior·

The distribution of bank customers was examined to show the effect of the banking categories on market preferences The examination of the patronage behavior has shown that the majority of the sample were clientele for the Conventional banks (See Table 2 for the patronage percentages) They represented 68 4% of the sample size The Interest-free banks clientele were around 16% The remainder of the sample added up to 15 6% who were respondents patronizing both types of banks simultaneously

Table 2
Bank patronage frequency among the sample participants

Customer group	Sample size	Percent
Conventional banks' customers	206	68 4
Interest-free banks' customers	48	15 9
Mix group	47	15 6
Total	327	100 0

4 1 3 Awareness of the Consequences of Riba·

Nearly all Muslims are expected to concede to the knowledge provided by the Quran about Riba as a potential source for danger to the Muslim society The people's perceptions were explored to gain an insight into their beliefs about this issue as is depicted by the religion The expectation that Riba was perceived as a matter representing a threat to the people was confirmed by the sample's responses to the question "Do you think that Riba may bring about bad consequences that may harm man and society?" Table 3 shows the frequency of all the responses to this question

Table 3

The people's perception about the onsequences of Riba

Question	Response	Percent
Do you think that Riba may bring about bad consequences that may harm man and society?	Yes	91 2
	No	1 0
	Unsure	7 8
Total		100

Despite their individual and background differences, nearly all customers recognized that Riba in its absolute definition would eventually cause trouble to people In answering this question Do you think that Riba may bring about bad consequences that may harm man and society? The majority of respondents (91 2%) felt that Riba has the capibability of producing harm to the society Only one percent of those who answered said they did not think Riba involved consequences of harmful effects, and (7 8%) were unsure of the answer

Several issues had been further analyzed in order to appreciate the intricacy of the perceived risk of Riba to people's existence in a Muslim society These issues were about the perceived sin, worrying that was associated with it, the characteristics of the risk, and the religious orientation of the individual The pattern of the responses of these variables are explained in the next sections

4 1 4. The Perceived Sin in Banking

Central to the debate on the morality of the present banking system is the perception of sin when engaging with banks in business transactions This section explores the levels of sin experienced by the customer and its influence on their bank patronage and their perceived ethical and performance risks Patronizing a bank is a decision charged with religious connotations for Muslims Mainly, the religious consequences of Riba are insinuated in two issues of the patronage decision The first involves the contemplation of doing business with a bank The second relates to the consideration of actually taking possession of the Interest accruing to the account The first concern was tracked for Conventional banks and Interest-free banks in Table 4 It is apparent from this Table that people thought that patronizing Conventional banks caused sinful deeds About 59% of the respondents held this opinion Fifteen percent of them disagreed and little over one quarter of them were unsure On the contrary appeared the results to the parallel question for Interest-free banks (Table 4) Nearly 61% did not think that transacting with Interest-free banks necessarily involved a religiously sinful conduct Surprisingly, some of them, about 13%, agreed to the notion of sinful involvement when dealing with an Interest-free banks The unsure teachers were 26 6% of the respondents, nearly equal in size to the unsure group who answered the former statement

Table 4
Perception of sinful act in bank patronage

Statement	Agree	Disagree	Unsure	Total
One may commit a sin for patronizing a Conventional bank	58 7%	15 0%	26 3%	100%
One may commit a sin for patronizing an Interest-free bank	12 6%	60 8%	26 6%	100%

4 1 5 Worrying:

The combination of a sinister threat with the perceived sin in banking generates an emotional state of worrying and anxiety Table 5 shows that people generally attributed more worrying for patronizing Conventional banks than Interest-free banks Most of the respondents' scores for Interest-free banks were concentrated in the low region of the worrying scale which is the lesser worrying zone A little less than three quarters of the respondents, i e , 71 4%, indicated that being customers to Interest-free banks did not worry them at all By contrast, only a little over the third of the respondents (38 5%) showed that they were not worried at all for belonging to the Conventional banks customer base Yet, some 20 2% of Conventional banks respondents worried very much for just being patrons of Conventional banks

Table 5

Worrying related to bank patronage

Statement	Response	Percent	Parameters	
Are you worried for being a client to an Interest-free bank? (Response of I F B s and the Mix patronage groups)	DOESN'T WORRY ME	71 4	Mean	1 79
	2	13 3	Median	1 00
	3	6 1	Std Dev	1 81
	4	3 1	IQRange	1 00
	6	1 0		
	8	2 0		
	WORRIES ME A LOT	3 1		
Are you worried for being a client to a Conventional bank? (Response of the C B s and the Mix patronage groups)	DOESN'T WORRY ME	38 5	Mean	4 05
	2	9 6	Median	3 00
	3	8 2	Std Dev	3 22
	4	4 3	IQRange	6 00
	5	3 8		
	6	6 3		
	7	5 8		
	8	3 4		
	WORRIES ME A LOT	20 2		

By means of mapping the responses to the second query about worrying due to the banking regime and institutions, Table 6 shows another side of the worrying condition through the displayed percentage frequencies The Conventional banks activities had raised a higher median score on the worrying scale, and had had a larger spread as well, than the practice of I F B This was explained by the observation that the inter-quartile range of the Conventional banks, which was 6, was double the inter-quartile range for Interest-free banks, whıch was 3 Thıs observatıon showed that the Conventıonal banks as a socıetal ınstıtutıon had the potentıal to stır hıgher feelıngs of worryıng for the respondents than Interest-free banks The dıfference between the two groups of clıents for the worryıng ıssue ıs sıgnıficant and thıs conclusıon ıs dısplayed upon testıng hypothesıs no 14 ın the fourth Part of the Analysıs (sectıon no 4 4 4)

Table 6

Worryıng related to the bankıng ındustry

Statement	Response	Percent	Parameters	
Does the Conventıonal bankıng represent a source of worry to you?	DOESN'T WORRY ME	37 4	Mean	4 06
	2	7 3	Medıan	3 00
	3	5 9	Std Dev	3 20
	4	4 6	IQRange	6 00
	5	3 7		
	6	7 3		
	7	8 2		
	8	4 6		
	WORRIES ME A LOT	21 0		
Does the Interest-free bankıng represent a source of worry to you?	DOESN'T WORRY ME	50 0	Mean	2 83
	2	11 6	Medıan	1 50
	3	11 1	Std Dev	2 52
	4	6 5	IQRange	3 00
	5	3 2		
	6	3 7		
	7	5 1		
	8	2 3		
	WORRIES ME A LOT	6 5		

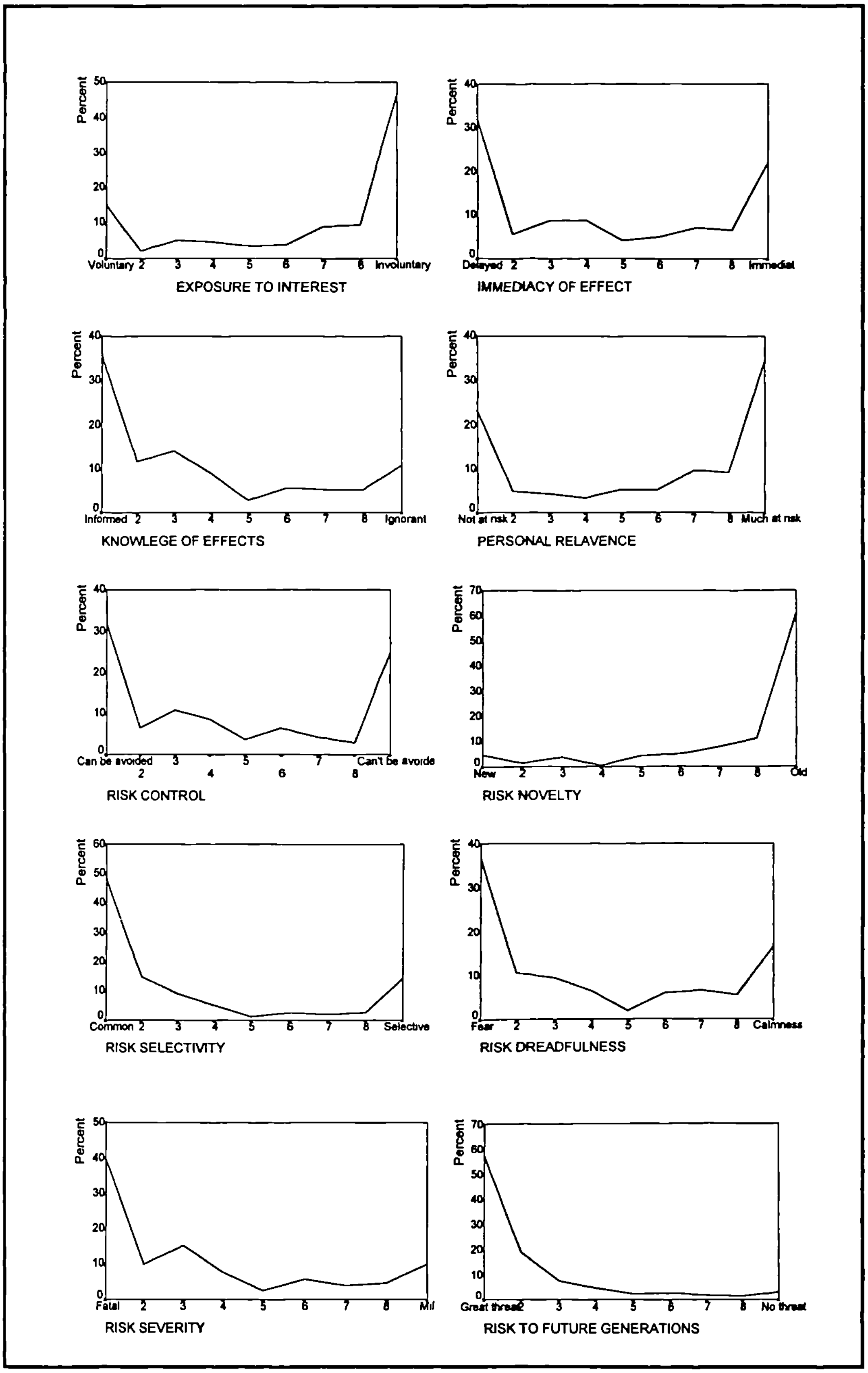
4 1 6. The Rısk Characterıstıcs of Rıba·

Havıng known that Rıba symbolızed a hazard to people and ıts presence ın theır bankıng envıronment can ınvoke sıns and ınduce worryıng and concern, ıt ıs helpful now to understand how people conceıve ıt's characterıstıcs by sketchıng an ımpressıon of ıts attrıbutes Table 7 and Fıgure 2 show how respondents reported theır answers to ten statements about the characterıstıcs of Rıba Each characterıstıc statement was scored on a semantic differential scale ranging from 1 to 9 The first observation that came into view was that the values for almost all the characteristics tended to cluster around either end of the scales The modes in Table 7 disclosed this information Seven out of ten characteristics had a mode of one and the remaining three had a mode of nine This indicated that most peoples might attribute the extreme of their beliefs to the risk of Riba on the furthermost ends of the scales, (See Figure 2) The differences among the means for the characteristics of Riba could be noticed from the variation in mean response ratings in Table 7 The means varied from a low 2 16 for risk to future generation to a high mean of 7 68 for risk novelty The variation in the scores for each characteristic ranged from 1 99 to 3 27 Most of the characteristics had a rating ranging from 1 to 9 Risk control, risk novelty, and risk to future generations had smaller ranges than the rest indicating less variation in respondents' opinions

Table 7
Risk Characteristics of Riba

Characteristic	Scale	Mean	S D	Mode
Risk to future generations	Great threat 1 2 3 4 5 6 7 8 9 No threat	2 16	2 16	1 00
Risk selectivity	Common 1 2 3 4 5 6 7 8 9 Selective	3 11	2 92	1 00
Risk severity	Fatal 1 2 3 4 5 6 7 8 9 mild	3 40	2 77	1 00
Knowledge of effects	Informed 1 2 3 4 5 6 7 8 9 Ignorant	3 60	2 82	1 00
Risk dreadfulness	Fear 1 2 3 4 5 6 7 8 9 Calmness	3 98	3 12	1 00
Risk control	Can be avoided 1 2 3 4 5 6 7 8 9 Can't be avoided	4 45	3 23	1 00
Immediacy of effect	Delayed 1 2 3 4 5 6 7 8 9 Immediate	4 56	3.22	1 00
Personal relevance	Not at risk 1 2 3 4 5 6 7 8 9 Much at risk	5 70	3.27	9 00
Exposure to Interest	Voluntary 1 2 3 4 5 6 7 8 9 Involuntary	6 55	3 04	9 00
Risk novelty	New 1 2 3 4 5 6 7 8 9 Old	7 68	2 25	9 00

Figure 2 Percentage Frequency for 10 Risk Characteristics of Riba



From the profile drawn by this analysis, Riba can be viewed as an involuntary risk, wrapped in fear due to its fatality which poses great threats to future generations Its consequences are indiscriminate and may have sweeping effects on all the people Its impacts can be mitigated or avoided since people are familiar with it and most know about it Its effects are somewhat delayed and many people feel they are very much exposed to its risks

4.1.7. Religous Orientation

A scale consisting of six items, for gauging the religous orientation, had been used in order to investigate the association of the level of individual's religous inclination with the variables of interest in the study, namely, the perceived risks and the banking patronage As can be seen from Table 8, about two thirds of the teachers, a high percentage of the sample (64 2%), bundled on the high end of the religous orientation scale and a small group had reported low scores on it The mean score for the scale was 22 9 with a standard deviation of 2 1

Table 8

Percent Frequency Tabulation for the Religious Orientation Scale

Value	9	14	16	17	18	19	20	21	22	23	24	Total
Percent	5	5	5	5	3 2	1 4	5 5	6 9	8 7	8 3	64 2	100 0

Low Religious Orientation <----------> High Religious Orientation

4.1 8. Beliefs and attitudes about the Risks of Riba:

Since beliefs and attitudes might share a relationship with the risk of Riba by influencing the perception of, and reaction to, the perceived risks, fundamental beliefs and attitudes underlying the risk of Riba were examined These included trust in the regulative banking authority and in Interest-free banks, denial of risk, concern for loss of developmental benefits, attitudes to Interest, attitudes to banks, and the customers' world views All of these concepts had been measured on multiple item scales and a percentage frequency tabulations for each appears next

4 1 8 1 Trust in Authority:

The distribution of responses to the items representing trust in the regulatory bodies responsible for the monitoring of banks, in Table 9, shows that a large percentage of customers entrusted them with their responsibilities It also points out to the fact that a large minority did not find them confident enough to carry out their assigned duties The average score was 4 4 with a standard deviation of 2 2

Table 9

Percent Frequency Tabulation for the Trust in Authority

Value	2	3	4	5	6	7	8	Total
Percent	31 5	11 1	18 5	7 4	8 6	5 6	17 3	100%
	High Trust <------------------------------> Low Trust							

4 1 8 2. Trust in Interest-free banks:

The study explored customers' views of Interest-free banks credibility as a potential source of influence on the perceived risks and the banking patronage The customers were asked to respond to a question about their confidence in the claims that Interest-free banks adhered to the Islamic principles in their operation This subject had aroused responses close to normality, with a mean of 3, were the response "somewhat" gained the largest portion of the voices The rest of the respondents dispersed around the mid range in nearly equal proportions by a standard deviation of 1 1 See Table 10 for a percentage frequency tabulation of the sample results

Table 10

Percent Frequency Tabulation for the Trust in Authority statement

Question How confident are you that I F B s are truly applying the Islamic trade and commerce principles in their banking operations?

COMPLETE TRUST (1)	GREAT DEAL (2)	SOMEWHAT (3)	VERY LITTLE (4)	DON'T TRUST AT ALL (5)
9 2%	26 4%	34 8%	18 0%	11 6%

4 1 8 3 Risk Denial

The admittance or denial of the fact that Riba is or is not being practiced in the current banking system has an implication for viewing the risks and on dealing with the banks Table 11 displays the results for the response to a set of statements concerning this issue It is visible from the Table that the perspective of a large percentage of respondents coincided with agreeing on the presence of Riba in banks The distribution of many opinions around the acknowledgment region had produced a mean of 9 8 with a standard deviation of 2 7

Table 11

Percent Frequency Tabulation for the Denial of Risk

Value	3	4	6	7	8	9	10	11	12	Total
Percent	6 4	2 4	3 2	4 8	8 0	14 4	5 6	9 6	45 6	100%

Denial <--> Acknowledgment

4 1.8 4 Concern for Development:

The responses to Interest-free banks' potential negative consequences on the displacement of development benefits resulted in the tabulated distribution in Table 12 The responses are evenly distributed with a mean of 10 1 and a standard deviation of 3 9

Table 12

Percent Frequency Tabulation for the Concern for Development

Value	4	5	6	7	8	9	10	11	12	13	14	15	16	Total
Percent	7 1	9 2	5 1	10 2	9 2	3 1	9 2	6 1	10 2	8 2	5 1	3 1	14 3	100%

Concern for development gains <-----------------------> Indifference to losses

4 1 9 Customers' Attitudes:

The purpose of studying attitudes was to clarify their significance in determining intentions and behavior As the religious sentiment grows stronger, attitudes may have changed toward Interest and banks Two types of attitudes were examined in this section For Interest being associated with Riba, the first set of attitudes consisted mainly of the peoples' positive and negative tendencies to risk taking concerning Interest in banking Stemming from negative attitudes to Interest, some people showed adverse reactions like avoiding employment in banks, or even limiting their potential business expansions to escape the contact with the banks' finances The second set to be investigated here was the customers' attitudes toward the Interest-free banks and Conventional banks as societal institutions that were created by peoples' need for commerce and exchange Both sets were contrasted with risk perception and banks selection

4 1 9 1 Attitudes to Banks·

Fifteen attitude statements of which 9 were favorable and 6 were unfavorable were stated and the responses are listed in Table 13 For the majority of responses, the two types of banking shared the statements for six favorable attitudes and the majority assigned only Interest-free banks to three favorable statements Again, for the majority of responses, no banks were found to fit the description of four unfavorable attitudes, but the majority tagged only Conventional banks with two unfavorable statements

Table 13

Percent Frequency for Attitude Statement	Bank Type	Percentage of Agreement Response
Aids the clients in wise use of money (Favorable)	Conventionals	8 9
	Interest-Free	26 2
	Both	46 7
	Non	18 2
	Total	100 0
Is improving with years (Favorable)	Conventionals	23 0
	Interest-Free	12 1
	Both	62 6
	Non	2 3
	Total	100 0
Is detrimental to society (Favorable)	Conventionals	7 0
	Interest-Free	27 3
	Both	58 3
	Non	7 4
	Total	100 0
Has more good points than other banks (Favorable)	Conventionals	17 0
	Interest-Free	53 0
	Both	24 1
	Non	5 9
	Total	100 0
Give real help in solving economic problems (Favorable)	Conventionals	11 2
	Interest-Free	23 1
	Both	58 3
	Non	7 4
	Total	100 0
Are fundamentally sound (Favorable)	Conventionals	5 1
	Interest-Free	54 4
	Both	29 5
	Non	11 1
	Total	100 0
Are increasingly valuable to society (Favorable)	Conventionals	7 9
	Interest-Free	39 8
	Both	48 5

Table 13

Percent Frequency for Attitude Statement	Bank Type	Percentage of Agreement Response
	Non	3 8
	Total	100 0
Are improving in their services (Favorable)	Conventionals	19 1
	Interest-Free	19 1
	Both	57 2
	Non	4 6
	Total	100 0
Are not appreciated by the general public (Favorable)	Conventionals	7 3
	Interest-Free	47 2
	Both	10 9
	Non	34 7
	Total	100 0
Is necessary until a better alternative can be found(Unfavorable)	Conventionals	30 9
	Interest-Free	23 3
	Both	43 6
	Non	2 1
	Total	100 0
Is entirely unnecessary (Unfavorable)	Conventionals	20 8
	Interest-Free	2 4
	Both	9 4
	Non	67 5
	Total	100 0
Are too changeable in their policies (Unfavorable)	Conventionals	35 4
	Interest-Free	7 9
	Both	28 7
	Non	28 0
	Total	100 0
Have always cheated the society (Unfavorable)	Conventionals	36 6
	Interest-Free	4 9
	Both	15 2
	Non	43 3
	Total	100 0
Must be discarded immediately (Unfavorable)	Conventionals	37 0
	Interest-Free	1 5
	Both	7 0
	Non	54 5
	Total	100 0
Suffer from deficits and deficiencies (Unfavorable)	Conventionals	17 6
	Interest-Free	20 3
	Both	29 4
	Non	32 6
	Total	100 0

4 1 9 2. The Antı-Rıba:

By delıneatıng threats to Rıba, thıs scale had consısted of four statements contrıbutıng to the level of opposıtıon to Rıba Its percentage frequency tabulatıon ıs reported ın Table 14 and shows that the majorıty of responses occured ın the (strıct on Rıba) zone It had a mean of 5 7 and a standard devıatıon of 2 3

Table 14

Percent Frequency Tabulatıon for the Antı-Rıba

Value	4	5	6	7	8	9	10	11	12	13	14	16	Total
Percent	44 0	13 8	14 5	11 3	8 8	1 9	6	6	1 3	1 3	1 3	6	100 0

Strıct on Rıba <--> Lenıent on Rıa

4.1.9 3 The Pro-Rıba·

Table 15 shows the percentage frequencıes for scale that had been ıntended to gauge the people's vıew of Rıba as an opportunıty ınstead of Rısk The mean score on thıs scale was 10 6 wıth a standard devıatıon of 4 1 Thıs ınformatıon tells that peoples' opınıons were, on the average, ın the mıddle of the scale but scattered on a wıde range Furthermore, around fifth of the respondents had fallen at the extreme end that ındıcated a dımınıshıng support for Rıba ın bankıng and socıety

Table 15

Percent Frequency Tabulatıon for the Pro-Rıba

Value	4	5	6	7	8	9	10	11	12	13	14	15	16	Total
Percent	8 8	6 9	3 9	9 8	7 8	5 9	3 9	5 9	7 8	8 8	6 9	3 9	19 6	100 0

Stronger support for Rıba <--------------> dımınıshıng Support for Rıba

4 1.10 The World Views on Customers' Response to Societal Interventions·

In this section, both risk perception and banking preferences are postulated to be affected by the customer's beliefs and views about the nature of the societal systems and their reactions to people's interventions The effects of four world views (hierarchical, individualist, egalitarian, fatalist) about nature as discussed by Cultural Theory were investigated in relation to the perceived risks and bank patronage The first world view is Nature Ephemeral and its behavior is described in Table 16 The mean score for this variable was 10 8 and the standard deviation was 3 4 The second world view is Nature Random which is displayed in Table 17 The majority of the respondents tended to disapprove that the World is characterized by randomness and the mean for the variable was around 9 7 with a standard deviation of 2 2 A Tolerant World was ascribed to by the majority of the sample The mean of this variable was 8 6 and the standard deviation was 2 6 Finally, the world view of a Benign World achieved a near normal distribution with a mean score of 13 9 and 3 9 for the standard distribution The distribution frequencies are displayed in Table 19

Table 16

Percent Frequency Tabulation for the World Ephemeral W V

Value	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
Percent	5 4	3 0	6 0	13 7	11 9	13 1	8 3	7 1	6 5	8 3	4 8	6 0	3 6	1 8	0 6	100 0

More Ephemeral World <--------------------------------> Less Ephemeral World

Table 17

Percent Frequency Tabulation for the World Random W V

Value	3	4	5	6	7	8	9	10	11	12	Total
Percent	1 4	1 4	3 8	4 8	4 3	8 1	19 1	11 5	19 1	26 3	100 0

More Random World <------------------------------> Less Random World

Table 18

Percent Frequency Tabulatıon for the World Tolerant W V

Value	6	7	8	9	10	11	12	13	14	15	16	Total
Percent	24 4	19 8	15 7	7 6	9 9	9 9	3 5	2 3	2 9	2 3	1 7	100 0

More Tolerant World <--------------------> Less Tolerant World

Table 19

Percent Frequency Tabulatıon for the World Benıgn W V

Value	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	24	Total
Percent	2 0	2 0	5 9	7 8	3 9	8.5	7 2	9 8	6.5	10 5	9 2	7 2	7.8	5 2	2 6	1.3	1.3	1.3	100 0

More Benıgn World <——————> Less Benıgn World

4 1 11 The Contexts of Group Cohesıveness and Socıal Pressure (The Dımensıons of the Grıd and the Group)·

The consumers' socıal context and how they were ınfluenced by the demands of two dımensıons of theır famıly and frıends groups' coherence (Group) and the behavıor conformıty ımposed upon them by the socıal pressure (grıd) were the subject of ınvestıgatıon to explore theır ınfluence on the bankıng selectıon and the perceıved rısks The socıal pressure ıs the degree of restrıctıons ımposed on the person by others by terms that define the person's abılıty or ınabılıty to change hıs or her roles and rules It also refers to others flexıbılıty toward the person and theır readıness to adjust to person's needs and decısıons Table 20 shows that respondents responses varıed along the measurement scale but the majorıty were entangled ın medıum to low grıd or socıal restrıctıon on behavıor Low scores ındıcate that plenty of freedom ıs allowed for the person to flexıbly define hıs or her decısıons and behavıors, whıle hıgh scores ındıcate that others allow rıgıd and lımıted abılıty to personal maneuver wıthın the socıal envıronment For the responses ın Table 20, the mean score was 45 0 and the standard deviatıon was 9 6

Group cohesion is the bonding that individuals have toward other individuals in their social space It is a measure of how close to each other individuals feel on an emotional and physical level or their sense of connectedness to or separateness from others At the extreme of high cohesion, there is high degree of identification with friends and family that results in extreme bonding The low extreme is characterized by low bonding in the family and among friends A look at Table 21 reveals that respondents generally rated themselves as being involved in medium to high group cohesion The mean score for all the respondents was 38 7 with a standard deviation of 11 8

Table 20

Percent Frequency Tabulation for the Grid factor

Value	16-20	21-25	26-29	30-33	34-37	38-41	42-45	46-49	50-53	54-57	58-60	Total
Percent	2 0	2 8	3 2	5 9	7 4	9.3	15.5	15 2	21 4	10 8	7 0	100 0

High Grid <————————————————> Low Grid

Table 21

Percent Frequency Tabulation for the Group factor

Value	18-21	22-25	26-29	30-33	34-37	38-41	42-45	46-49	50-53	55-61	63-77	Total
Percent	4 7	11 4	9 1	11 4	10 6	10 6	12 8	11.3	10 6	5 4	3 2	100 0

High Group <————————————————> Low Group

4 1 12 The Risk Handling Methods

Thirteen risk relievers pertaining to bank selection are discussed in this section as well as customers' preferences for them and their significance to the perceived risks Table 22 provides the use of various risk reduction methods in banking The five most commonly used methods were Seeking the banks with best service quality, commitment to a long relationship with the selected bank, choosing the bank for its convenient location, shopping around to compare possible alternatives, and transacting with banks that received the Muslim jurists approval The other relievers were being used by relatively fewer customers

Table 22

Customers use of risk relievers

Risk relievers	Agreement*	Mean
1 Provides best services to the clients	89 6%	1 50
2 Loyal to the bank for many years	86 3%	1 54
3 Convenient location	82 0%	1 73
4 Comparing alternative banks	79 8%	1 81
5 Approved by Muslim jurists	76 2%	1 89
6 Endorse the bank charging lowest Interest on loans	75 1%	1 92
7 Endorsed by banking experts	73 5%	1 99
8 Join the bank and judge for myself	64 1%	2 17
9 To seek information from advertising	52 1%	2 56
10 Get a loan from an Interest-free bank if a loan is needed	52 0%	2 41
11 Do not take the Interest from the bank	50 8%	2 55
12 Endorse the bank giving highest returns on deposits	47 0%	2 66
13 Feeling of relieve due to ambiguity of the Interest issue	42 7%	2 76

* Those respondents who indicated they agreed or strongly agreed with the statements

4.1.13 Customers Information Acquisition and Needs:

The customers' knowledge about the banks and their perceived deficiency in information for comparing alternatives contributes significantly to their tendency to embark on external search for information These factors were examined to test their relationship with the perceived ethical and performance risks as well as the patronage behavior Tables 23 and 24 exhibit the responses to three questions that allow an insight into the knowledge and information patterns of the sample Table 23 shows the sample's frequency responses in percentage terms for the following questions How much do you know about the Conventional banks? And how much do you know about the Interest free banks?

Table 23

Frequency responses for the magnitude of knowledge people perceived to have about the C B s and I F B s

Knowledge Question	Response category	About CONV (%)	About IFB (%)
How much do you know about the banks?	KNOW EVERYTHING	1 6	1 2
	KNOW GREAT DEAL	17 1	16 1
	KNOW SOME	40 7	41 0
	KNOW VERY LITTLE	29 8	30 1
	KNOW NOTHING	10 9	11 5
Total		100 0	100 0

The differences between the response categories for each banking type were marginal The majority of customers who felt they had knew some information about the banks clustered in the middle of the response range, aroud 40 7% and 41% for Conventional banks and Interest-free banks respectively The category that induced the second largest set of responses for knowledge about both types of banks was "know very little about the bank" The people who knew nothing about the banks were about 10 to 11 percent A small minority of about 1 2 to 1 6 percent felt that they had known everything about the banks In aggregate terms, the respondents who felt in charge of very little knowledge to knowing nothing at all amounted to 40 70% and 41 60% for the Conventional banks and Interest-free banks respectively, letting 18% to 19% of the respondents feel they knew everything or at least a great deal of knowledge about banks These percentages should not be taken with surprise given the professional background of the respondents who were all teachers

Gıven the lack of knowledge among the sample, the frequency of respondents who saıd they requıred a great deal of ınformatıon to compensate for theır ıgnorance amounted to nearly 60% of the sample, Table 24 Nearly 34 90% responded they needed some to just a lıttle more ınformatıon and 5 3% felt they dıd not requıre any more ınformatıon

Table 24

Frequency responses for the amount of ınformatıon needed for adequately comparıng I F B s and C B s

Response category	Percent
NEED GREAT DEAL	59 8
NEED SOME	25 2
NEED JUST A LITTLE	9 7
NEED NO MORE	5 3
Total	100 0

4 1 14. The Perceıved Rısks Rankıng for Conventıonal banks and Interest-free banks:

The ımportance of avoıdıng a loss and the certaınty of loss occurrence, combıned together by multıplıcatıon, approxımated a measure of the perceıved rısks Twenty scales for measurıng ten types of possıble losses ın Interest-free and conventıonal bankıng were used Table 25 and Table 26 show the scores for each perceıved rısk ın Conventıonal banks and Interest-free banks arranged ın a descendıng order

Table 25

Ranking of perceived risk types for Interest-free banks

Ranked Risk type	Mean	Std Dev
1 Financial risk (incompetence)	14 46	6 66
2 Time risk	14 41	5 41
3 Risk of inferior service	12 20	6 08
4 Risk of Riba	11 98	6 14
5 Psychological risk	10 74	6 36
6 Risk of inferior returns	9 87	6 52
7 Financial risk (divine)	9 18	5 84
8 Physical risk (divine)	9 10	6 09
9 Ideological risk	8 88	5 29
10 Social risk	6 43	4 91

Rank 1 = Highest perceived risk, Rank 10 = Lowest perceived risk

Table 26

Ranking of perceived risk types for conventional banks

Ranked Risk type	Mean	Std Dev
1 Risk of Riba	18 73	7 16
2 Financial risk (divine)	16 32	7 77
3 Financial risk (incompetence)	15 72	6 66
4 Psychological risk	15 54	7 55
5 Time risk	14 78	5 50
6 Physical risk (divine)	14 02	7 70
7 Ideological risk	13 77	7 10
8 Risk of inferior service	12 97	6 19
9 Risk of inferior returns	9 60	6 17
10 Social risk	8 65	6 38

Rank 1 = Highest perceived risk, Rank 10 = Lowest perceived risk

Hypothesis 1: The customers' ranking of the perceived risk types is similar for Conventional banks and Interest-free banks

In Table 25, the respondents ranked the perceived financial risk due to incompetence as the highest risk for Interest-free banks The perceived time risk was the second highest, and the perceived risk of inferior returns was third Interestingly, risk of Riba, that was assumed to be marginal or non existing in Interest-free banks, was rated as the fourth highest which points at customers' skepticism in Interest-free banking practices The perceived psychological risk was fifth, and the perceived risk of inferior returns was sixth The perceived financial and physical risks due to divine causes were rated seventh and eighth respectively, followed by the perceived ideological and social risks that were ranked as the ninth and tenth respectively

For Conventional banks (Table 26), the highest perceived risk was the risk of Riba. Next, the respondents rated the two perceived financial risks due to divine causes and managerial incompetence in the second and third places respectively The respondents ranked the perceived psychological risk in the fourth place, and the perceived loss of time in the fifth Physical risk was rated the sixth followed by the ideological risk as the seventh The eighth, ninth, and tenth positions were captured by the three perceived risks of inferior services, inferior returns, and social risk respectively

As the highest mean for a risk in Conventional banks was 18 73 for the risk of Riba which qualified it to earn the first place, the highest risk mean in Interest-free banks was 14 46 which fell below the fifth risk rank in Conventional banks (14 78) Whereas the risk of loosing financially due to managerial incompetence leaped to the first position for Interest-free banks , this risk of managerial incompetence was the third in Conventional banks Not surprisingly, the financial loss because of divine causes was perceived to be the second risk in Conventional banks In Interest-free banks, risk of loosing time and getting inferior services while transacting with the bank claimed the second and third highest ranks respectively The time risk took the fifth place and the risk of inferior service had the eighth in Conventional banks Social risk was perceived the lowest for both banking types although it was higher for Conventional banks (8 65) than for Interest-free banks (6 43)

From a different angle, one can see that four of the perceived risks had a consecutive order of ranking regardless of the banking type Financial risk due to managerial incompetence was ranked the highest among the four Then it was followed by time risk, inferior service risk, and inferior returns risk respectively These risk types exemplify performance related risks and the tables showed that the respondents were essentially concerned for safety of their money since the perceived risks related to the banking performance were among the first four perceived risks in the tables Hence, the hypothesis that customers' ranking of the perceived risk types is similar for Conventional banks and Interest-free banks is rejected for all the perceived risk types save the perceived social risk

Besides the differences apparent in perceived risk ranking, respondents felt that the perceived risks for Interest-free banks and Conventional banks were not equal in magnitude too In Table 27, a paired t-test of differences between the means showed that most of the perceived risks for Conventional banks were significantly higher than the corresponding ones for Interest-free banks at a statistical significance of $p < 0\ 01$ The function of the paired t-test is to compare the person's mean perceptions of risks in Conventional banks and in Interest-free banks by using the same person's difference of the paired perceived risks observations Only two risks were perceived to be similar in amount for Interest-free banks and Conventional banks They were the time risk and risk of inferior returns on deposits

Table 27

Risk differences in Conventional and Interest-free banks, a paired t-test

Risk type	Bank type	Mean	Std Dev	t	Sign
Time loss risk	Conventional banks	14 78	5 50	1 53	13
	Interest-free banks	14 41	5 41		
Social risk	Conventional banks	8 65	6 38	-7 18	00
	Interest-free banks	6 43	4 91		
Psychological risk	Conventional banks	15 54	7 55	9 99	00
	Interest-free banks	10 74	6 36		
Physical risk	Conventional banks	14 02	7 70	11 09	00
	Interest-free banks	9 10	6 09		
Financial risk-divine	Conventional banks	16 32	7 77	15 79	00
	Interest-free banks	9 18	5 84		
Financial risk-incompetence	Conventional banks	15 72	6 66	4 97	00
	Interest-free banks	14 46	6 66		
Ideological risk	Conventional banks	13 77	7 10	11 47	00
	Interest-free banks	8 88	5 29		
Risk of Riba	Conventional banks	18 73	7 16	-16 40	00
	Interest-free banks	11 98	6 14		
Risk of inferior service	Conventional banks	12 97	6 19	2 99	00
	Interest-free banks	12 20	6 08		
Risk of inferior returns	Conventional banks	9 60	6 17	1 36	18
	Interest-free banks	9 87	6 52		

4.1 15 Factor Exploration for the Structure Underlying the Perceived Risks in Banking

This section adopts a factor exploration for the structure underlying the perceived risks in banking It identifies the set of factors that represent the relationships among the interrelated perceived risk types used in this study Trying to identify the fundamental factors shaping the perception of risk simplifies the description and understanding of this complex phenomenon Lewis (1976) asked a sample of 209 women to look at eighteen products and services and rate them on the amount of risk they perceived over seven risk types The examined risks were performance, psychological, financial, safety, social, time, and the overall risk He performed a factor analysis on these risk types and produced two distinct factors that represented operational and psycho-social risks Accordingly, a factor analysis was used here to investigate the underlying dimensions of the perceived risk types involved in banking The purpose of factor analysis is to identify a set of dimensions that are not apparent in a large set of variables, in this case 20 perceived risk types These dimensions or factors summarize a majority of information in the data, whereby, the identification of these factors can help develop new measures, identify appropriate variables for inclusion in subsequent analysis, or partially or totally replace the original variables in further analysis, Kleinbaum, et al (1988)

Factor analysis executes a series of steps to arrive at a solution It first generates a correlation matrix from the original set of variables Since factors are considered variables which share common variance, factor analysis derives the initial factor structure from the correlation matrix At subsequent steps, decisions are made for estimating the criteria by which factors are kept, estimating communality which is the variance that all the variables share in common, determining the number of factors to retain, and the basis for factor rotation into a simpler structure, Kleinbaum, et al (1988)

The twenty risk perception items were factor analyzed and the solution was rotated to look for interpretable structure Since the choice of the rotation method depends on whether aspects of the construct under investigation are intercorrelated or not, the prefered choice of action was to rotate factors both orthogonally and obliquely Each of these procedures was applied separately to perceived risks in Conventional banks and to perceived risks in Interest-free banks and both procedures produced two identical factors in Conventional banks and in Interest-free banks On the basis of the oblique rotation, it was concluded that the correlations between the resulting factors were negligible (0 17 for Interest-free banks and 0 19 for Conventional banks) Hence, the interpretation of the varimax orthogonal solution was produced and reported according to Pedhazur and Schmelkin (1991) The results of a varimax rotation showed that the items pertaining to either Conventional banks or Interest-free banks could be summarized in two factors The first factor contained the perceived risk items that were operation or performance related Therefore, it was labeled as the perceived performance risk The second factor consolidated the perceived risk types related to the risk of Riba and its correlates in banking It was labeled as the perceived ethical risk For Interest-free banks, the two factors' cumulative contribution towards explaining the variation in the perceived risk data was 47 1% Both factors that emerged from the factoring procedure on perceived risks in Conventional banks explained 53 4% of the variance An eigen value of at least 1 was admitted as a determinant of the number of factors to be extracted in this analysis This helped the interpretability of the dimensions themselves which was considered a valid criterion to determine when to stop extracting further dimensions Furthermore Some specialists consider that factor analysis should account for at least 40 percent of the variance in the data, (Doise et al, 1993) These factoring results are consistent with these norms and they are, including the rotated factoring scores, exhibited in Table 28 for the risk types in Conventional banks and in Table 29 for Interest-free banks

Table 28

Rotated Factor Matrix and Eigen values for risks in Conventional banks

Factor	Eigen value	% of Var explained	Cum % of Var explained
1	3 87	38 7	38 7
2	1 47	14 7	53 4

Risk Types	Factor 1
Risk of Financial Loss from Divine Causes	85
Risk of Physical loss from Divine Causes	83
Risk of Ideological Loss	81
Risk of Riba	79
Risk of Psychological Loss	68
Risk of Social Loss	46

Risk Types	Factor 2
Risk of Time Loss	68
Risk of Inferior Services	68
Risk of Inferior Returns	68
Risk of Financial Loss from Incompetence	59

Table 29

Rotated Factor Matrix and Eigen values for risks in Interest-free banks

Factor	Eigen value	% of Var explained	Cum % of Var explained
1	3 05	30 5	30 5
2	1 66	16 6	47 1

Risk Types	Factor 1
Risk of Physical loss from Divine Causes	81
Risk of Ideological Loss	77
Risk of Financial Loss from Divine Causes	75
Risk of Psychological Loss	66
Risk of Social Loss	54
Risk of Riba	46

Risk Types	Factor 2
Risk of Time Loss	76
Risk of Inferior Services	75
Risk of Inferior Returns	59
Risk of Financial Loss from Incompetence	41

The outcome of the factoring exercise confirmed the expectation that the perceived risk in banking can be conceived of in terms of two distinct elements This result extends support to the proposition that while customers perceive many risk types in the banking patronage situation, their motives for contemplating the risks can be traced to two major motives of ethical and performance considerations The two factors correspond to two major buying motives provided by Sheth (1983) who hypothesized that shopping motives are of two types, the functional needs and nonfunctional wants The functional needs include needs like one stop shopping, cost and availability of needed products, and convenience and accessibility in shopping These needs can be projected on the perceived loss of time, loss of returns, and loss of services that were loaded on the performance factor in this study

The nonfunctional wants refer to the association of certain outlets with social and emotional values like the positive or negative effect some outlets have on the customers because of their association with positive or negative images or because of patronage by undesirable people These wants may be summarized in this study by the perceived social, psychological, ideological, religious, financial, and physical risks which loaded on the ethical factor

Subsequently, the twenty risks were reduced to two scales in order to use in further analysis The first represented the ethical risk in banking that was perceived due to the existence of Riba and the second scale measured the perceived performance risk in banking These scales were utilized to test the significance of the hypothesized relationships in the rest of this study For Conventional banks and Interest-free banks, the perceived ethical risk scale reflected the perception of risk of Riba, ideological risk, psychological risk, social risk, physical risk, financial risk related to divine causes This scale had achieved a Cronbach coeffecient alpha reliability score of 0 84 The perceived performance risk scale in Conventional banks and Interest-free banks measured the risk of inferior returns, risk of inferior service, risk of time loss, risk of financial risk related to managerial incompetence This scale had achieved a Cronbach coefficient alpha reliability score of 0 75 Both scales were assembled using the actual perceived risks responses

4 2. PART 2 THE INFLUENCE OF THE PERCEIVED RISKS ON BANKING PATRONAGE·

This part presents the results for the analysis performed on the relationships between the perceived risk types and bank patronage The discussion of these results is disclosed in the following manner First, the perceived risks similarities and differences among the three customer groups for each risk type will be explained in the context of the influence the perceived risk types have on banking patronage The results will show the perceived risks that are distinct for the clientele of each banking type Second, this Part will show the discriminant effect of the perceived risks on banking patronage by determining the ability of the perceived risks to distinguish among the customer groups The second section contains a discriminant analysis results for the effect of all risk types on banking patronage The outcome will reveal which perceived risks contribute most to the patronage differences among the customer groups Third, this Part makes a comparison between the perceived performance and ethical risks It shows how the public perceives the performance risk in contrast to the ethical risks Further, it shows the extent to which the different customer groups perceived their differences and similarities in banking At the end, a summary for the analysis for this Part is presented Figure 3 displays a diagram for the variables and hypotheses investigated in this Part of the Analysis

Figure 3 Schemata for Analysis - Part 2 Varaibles and related Hypotheses

Banking Patronage	Hypotheses	Risk Perception
I F B s C B s Mix	⟵ 2, 3, 4, 5 ⟶	The Perceived Risk Types

4 2 1 The Influence of the Perceived Risk Types on Banking Patronage:

Hypothesis 2. There is no relationship between the banking patronage behavior and the perception of risk types

To better understand the relationship between the perceived risk and banking patronage, the risk perceptions of customers patronizing Conventional banks, Interest-free banks, and both banks were compared to contrast their perceived risk scores The risk means for these various customer groups were tested for similarity in a one-way analysis of variance and the results are shown in Table 30 A one-way analysis of variance is a technique for testing whether several samples have come from identical populations and it mainly involves a comparison of variances to test a hypothesis about the equality of a set of means Its associated statistics is the F statistics and the underlying assumptions first require the observations to be independently drawn from a normal distribution, and second, the populations have similar variances The test derives two variances One is based on variation caused by differences between group means and the other is based on the variation due to differences between the observations within each group If the null hypothesis is true and the group means are equal, then both variances estimate the same population value If the group means differ, the one based on between-group variation estimates something different and larger than the population variance In that case, group membership is the main reason why individuals differ from each other, Everitt and Hay (1992) Table 30 displays the the perceived risk types along with the means and the standard deviations for each customer group Besides, it exhibits the F statistic and its significance to reject or accept the null hypothesis for ten pairs of the perceived risk in Interest-free banks and Conventional banks

Table 30

Perceived risks and bank patronage, ANOVA

Risk type	Bank type	Mean	Std Dev	F	Sig
Time loss risk (in conventional banks)	MIX	14 00	5 94	61	54
	CONV	14 79	5 45		
	IFB	15 22	5 14		
Time loss risk (in Interest-free banks)	MIX	14 83	6 03	14	87
	CONV	14 38	5 25		
	IFB	14 57	5 36		
Social risk (in Interest-free banks)	MIX	5 61	5 08	1 68	19
	CONV	6 76	5 01		
	IFB	5 63	4 29		
Social risk (in conventional banks)	MIX	8 11	6 60	42	66
	CONV	8 41	6 05		
	IFB	9 24	7 36		
Psychological risk (in conventional banks)	MIX	17 46	6 99	12 78	00
	CONV	14 21	7 22		
	IFB	19 78	7 14		
Psychological risk (in Interest-free banks)	MIX	8 32	4 84	6 50	00
	CONV	11 78	6 56		
	IFB	9 76	6 66		
Physical risk (in conventional banks)	MIX	15 42	7 38	10 43	00
	CONV	12 69	7 55		
	IFB	18 23	7 30		
Physical risk (in Interest-free banks)	MIX	8 42	6 37	54	58
	CONV	9 47	6 29		
	IFB	9 02	5 89		
Financial risk-Divine (in conventional banks)	MIX	19 02	6 59	12 80	00
	CONV	14 62	7 93		
	IFB	20 12	6 15		
Financial risk-Divine (in Interest-free banks)	MIX	8 58	5 16	22	81
	CONV	9 25	6 14		
	IFB	9 35	5 66		
Financial risk-Incompetence (in conventional banks)	MIX	16 45	6 72	1 38	25
	CONV	15 27	6 68		
	IFB	16 89	6 73		
Financial risk-Incompetence (in Interest-free banks)	MIX	15 50	6 53	69	50
	CONV	14 42	6 50		
	IFB	13 91	7 37		
Ideological risk (in conventional banks)	MIX	15 53	6 89	18 77	00
	CONV	12 06	6 66		
	IFB	18 46	6 63		
Ideological risk (in Interest-free banks)	MIX	8 55	4 51	1 46	24
	CONV	9 24	5 74		
	IFB	7 80	4 13		
Risk of Riba (in conventional banks)	MIX	20 11	7 06	14 56	00
	CONV	17 14	7 34		
	IFB	22 92	4 71		
Risk of Riba (in Interest-free banks)	MIX	11 34	5 85	23	80
	CONV	11 99	6 13		
	IFB	12 04	6 50		

Table 30

Perceived risks and bank patronage, ANOVA

Risk type	Bank type	Mean	Std Dev	F	Sig
Risk of inferior service (in conventional banks)	MIX	13 10	6 88	29	75
	CONV	12 86	5 85		
	IFB	13 62	6 84		
Risk of inferior service (in Interest-free banks)	MIX	12 29	7 10	12	89
	CONV	12 19	5 81		
	IFB	12 69	6 48		
Risk of inferior return (in Interest-free banks)	MIX	8 74	6 54	1 31	27
	CONV	10 42	6 58		
	IFB	9 61	6 76		
Risk of inferior return (in conventional banks)	MIX	8 00	5 24	3 00	05
	CONV	10 32	6 37		
	IFB	9 00	5 89		

From this Table, it is clear that Conventional banks customers perceived more psychological risk in Interest-free banks (11 78) than the customers patronizing both banks (8 32) This was the only risk for Interest-free banks where the dissimilarity among customers of different banks was significant The rest of the risk types that contracted significant differences tended to concentrate in conventional banking By using analysis of variance, the rejection of the null hypothesis implies that at least two group means are different but it does not imply that all group means differ from one another Neither it can show how many differences there are nor where the differences are located among the group's population means Bonferroni test of multiple comparison determine which population means are not equal Based on this test, and at a significance level of $p < 0\ 05$ for determining the differences among the groups, the Interest-free banks customers did not perceive the psychological risk in Conventional banks differently (19 78) from the mix patronage group (17 46) but both groups of customers perceived higher psychological risk than the Conventional banks customers (14 21) Second, the perception of the physical risk in Conventional banks by the Interest-free banks customers (19 78) was not statistically different from the perception of the mix patronage group (15 42), but the averages for both groups were significantly higher than the average of the Conventional banks clienteles (12 69) Third, for the financial risk due to divine causes in Conventional banks, the Conventional banks customers perceived significantly less risk of this type (14 62) than both the Interest-free banks and the mix patronage groups, (20 12) and (19 02) respectively The Interest-free banks customers were not significantly different from the mix patronage group although they scored higher on this perceived risk Fourth, Interest-free banks clients perceived higher ideological risk in Conventional banks (18 46) than both other groups Similarly the risk perceived by the mix patronage group (15 53) was significantly higher than the risk perceived by the Conventional banks customers (12 06) Fifth, the Interest-free banks customers perceived higher risk of Riba in Conventional banks than their two counterparts This group's mean score was (22 92) which was significantly higher than the score of Conventional banks clients (17 14) and the mix patronage group (20 11) Also, the latter group perceived significantly higher risk than the risk perceived by Conventional banks customers Sixth, a significant difference existed between Conventional banks customers and the mix patronage group in the case of the perceived risk of inferior return in Conventional banks The Conventional banks clients perceived a higher risk level of this risk type (10 32) than the mix patronage clientele (8 00) The average perceived risk for Interest-free banks customers moderated between the means of the other two groups (9 00) but it was not significantly different from them

The F tests and the multiple comparisons disclosed significant differences among the three groups of customers that led to rejecting the hypothesis for 7 out of 20 perceived risks The pattern in the significant results shows that Conventional banks' customers stressed the operationally related risks for Conventional banks performance (risk of inferior returns) as well as the psychological risk for Interest-free banks The Interest-free banks' customers emphasized the risks which seemed to signify the perceived Riba or the ethically related risks that were associated with Conventional banks patronage

4 2 2 The Discriminant Effect of the Perceived Risks on Banking Patronage:

This section investigates the ability of the risk types to discriminate among the three group of customers and tries to identify the risk types that best contribute to the explanation of banking patronage The appropriate hypothesis for this relationship states that

Hypothesis 3 No specific risk type can discriminate among the groups of bank customers in terms of their patronage behavior

For this problem, a stepwise discriminant analysis was applied on the data to test for the combined effect of all risk types on the patronage behavior This procedure can help in assuring the importance of consumer's perceived risks as determinant in bank patronage behavior With discriminant analysis, the relative importance of each perceived risk type as a predictor variable in discriminating among the groups is determined by deciding which linear combination of the perceived risks is most helpful in predicting whether a person with specific risk types will patronize a specific bank or not In addition, the discriminant function developed can be used to predict group membership Since the actual group membership is known, a table of correct and incorrect classifications can be created to check on the predictive ability of the model, Kleinbaum, et al (1988) The results of the discriminant analysis are displayed in Table 31

Table 31 Stepwise discriminant analysis of bank patronage by risk types

A Summary Table of stepwise procedure

Step	Factor Entered	Wilks' Lambda	Significance
1	Ideological risk for Conv banks	87	00
4	Ideological risk for I F banks	75	00
2	Psychological risk for I F banks	81	00
3	Psychological risk for Conv banks	77	00

B Canonical Discriminant Functions and Wilks' Lambda test of significance

Fcn	Eigenvalue	Pct of Variance	Cum Pct	Canonical Corr	After Fcn	Wilks' Lambda	Chi-square	df	Sig
					0	75	57 08	8	00
1	28	86 19	86 19	47	1	96	8 62	3	03
2	05	13 81	100 00	21					

C Classification results

Actual Group	Predicted Group Membership: Mix	Conventional	Interest-free
Mix group	8 7%	65 2%	26 1%
Conventional group	1 2%	93 6%	5 2%
Interest-free group	4 5%	56 8%	38 6%
Percent of cases correctly classified		69 47%	

In a stepwise discriminant analysis, the independent variables are selected for entry into the analysis on the basis of their discriminating power The process of variable selection is based on the minimization of Wilk's lambda Lambda is the ratio of the within-groups sum of squares to the total sum of squares (sum of squares for between-groups variance + sum of squares for within-groups variance) A lambda of one occurs when all observed group means are equal which means that the mean of the discriminant scores is the same in all groups and there is no between-groups variability Values close to zero occur when within-groups variance is small compared to the total variability, i e , when most of the total variance is attributable to differences between the means of the groups Thus, large values of lambda indicate that group means do not appear to be different, while small values indicate that group means do differ A test of hypothesis that there is no difference between the group means can be based on lambda In this analysis, the perceived risks were entered and removed until none remained that met the lambda minimization criterion As can be seen in Table 31, only two risk types qualified to be included in the final discriminant function for the present three groups of customers The first risk was the perceived ideological risk in Conventional banks and Interest-free banks, and the second was the perceived psychological risk in Conventional banks and Interest-free banks The values of Wilks' Lambda were displayed in part A in Table 31 besides Lambda's significance The result, that these types of the perceived risks entered into the significant discriminant model were significant at $p < 0\ 00$ confidence level, accords greater confidence to the rejection of the previous hypothesis no 2 (i e , there is no relationship between the banking patronage behavior and the perception of risk types) The fact that this relationship would not recognize any perceived risks of a performance or operational nature validated the view that these risk might not be as significant determinants in bank selection as the risks concerning the moral side of the patronage decision

In part B in Table 31, the stepwise discriminant analysis of bank patronage by the 20 perceived risk types produced two discriminant functions and the test of significance showed that both functions contributed to group differences With three groups of bank customers, it is possible to derive two discriminant functions The first function has the largest ratio of the between-groups to within-groups sum of squares The second function has the next largest ratio For each function, the eigen value is the ratio of between-groups to within-groups sum of squares A good discriminant function has much between-groups variability when compared to within-groups variability Larger eigen values are associated with a better effectiveness in discriminating among the groups From Part B in Table 31, the eigen value for the first function is 0 28 and for the second function is 0 05 The first function is the most powerful and the second function provides the greatest discrimination after the first An eigen value of 0 28 for the first function is more than 5 times larger than the eigen value for the second function By dividing the total discriminating power of 0 33 (0 28 + 0 05) into each individual eigen value, we can see that the first function contains 84 85% of the total discriminating power and the second functions accounts for the remainder 15 15%, (Klecka, 1980)

The canonical correlation for a function is the square root of the between-groups to total sum of squares When squared, it is the proportion of the total variability explained by differences between groups The first function in Part B in Table 31 has a canonical correlation of 0 47 and the second function has 0 21 For the interest of comparing the merits of the two functions, function one shows that it accounts for 86 19 of the total between-groups variability and function two accounts for the remaining 13 81 of the between-groups variability (see percent of variance in Part B, Table 31)

If the means of both functions are equal in the three groups of bank customers, then the discriminant functions reflect the sampling variability only A test of the null hypothesis, that the means of the two discriminant functions are equal can be based on Wilk's lambda The Wilk's lambda for both functions considered simultaneously is 0 75 The significance level of the observed lambda can be based on a chi-square transformation The value of lambda (0 75) and its chi-square value (57 08), the degrees of freedom (8) And the significance level (0 00) are displayed in Part B, Table 31 Since p<0 05, the null hypothesis that the means of both functions are equal in the three groups can be rejected

The column labeled 'After function' contains the number of the last function removed Removing one function and testing the mean for the remaining function makes it possible to find which function accounts for the significance differences and which reflects random variation In Part B in Table 31, The 0 indicates that no functions were removed

After function one has been removed, Wilk's lambda was 0 96 and its significance was 0 03, indicating that it does contribute significantly to groups' difference

The classification results in part C in Table 31 showed that 69 47% of the cases were correctly classified A high percentage of the Conventional banks cases were correctly assigned (93 6) Nearly 38 % of the Interest-free banks group and only 8 7% of the mix group were correctly classified Based on a three bank predictive probability adjusted for model prior probabilities to match sample distribution of 65%, 18%, and 18% for Conventional banks, Interest-free banks, and the mix group respectively, the discriminant analysis relatively provided a better than chance results for classifying respondents to patronage groups except for the mix patronage group

The evidence generated here, by rejecting hypothesis no 3, lends further credence to the conclusions of earlier studies which indicated that the perceived risk was a correlate of outlet choice in general More importantly, by showing that perceived risk was a determinant of banking patronage among teachers in Bahrain, these findings provided an empirical support to the views disclosed by Yavas (1988) who expected to find some relationships between the perceived risks and the customer decisions to open bank accounts although he could not obtain the necessary support for such a hypothesis on customers in Saudi Arabia Moreover, from a set of twenty risks, the discriminant results emphasized the role of the perceived ideological and psychological risks (ideological risks being used for the first time) in the selection of a bank From this point of view, one can speculate that selecting an Interest-free banks may act as a risk reduction strategy that pertains specifically to reducing the anxieties of the perceived ideological and psychological risks in banking

4 2 3. Comparısons Between the Perceıved Performance and Ethıcal Rısks

Two condıtıons were tested ın thıs sectıon to uncover the customer's general perceptıon The first compared peoples' general perceptıon of the ethıcal and performance rısks (hypothesıs 4) and the second trıed to uncover the three customer groups dıfferences on the same perceıved rısks (hypothesıs 5)

Hypothesıs 4: The performance and ethıcal rısks are perceıved by the publıc ın equal amounts

The amount of perceıved ethıcal and performance rısks wıthın the customer's cognıtıon dıffered sıgnıficantly A paıred sample t-test was conducted for testıng the hypothesıs that the customers' means for the perceıved ethıcal and performance rısk were sımılar The results are exhıbıted ın Table 32 The mean for the perceıved ethıcal rısk (144 60) was hıgher than the mean for the perceıved performance rısk (105 88) The dıfference between them showed a statıstıcal sıgnıficance at P < 01 and the proposed hypothesıs was therefore rejected ın favor of the conclusıon that people perceıved stronger ethıcal rısk than performance rısk ın bankıng

Table 32

A paıred t-test for the dıfference between perceıved ethıcal and performance rısks

Varıable	Mean	Std Dev	t	Sıgnıfıcance
Ethıcal rısk	144 60	48 74	11 49	00
Performance rısk	105 88	29 77		

Hypothesis 5: The three bank customer groups perceive the ethical and performance risks in equal amounts

A one way analysis of variance was performed on the three banking groups (Conventional banks, Interest-free banks, and mix group customers) to test the hypothesis that customer patronage groups banks had equal perception levels of performance and ethical risk Table 33 reportes the results of a one way analysis of variance on performance risk For the perceived ethical risk, the groups' variances were affected by a hetroscedasticity problem (inequality of variance within the tested groups) This is s problem that can violate an assumption of a one way analysis of variance test Instead, a Kruskal-Wallis nonparametric test was performed on the perceived ethical risk only and the results of the chi-square statistics of Kruskal-Wallis one way analysis of variance was reported in Table 33 A Kruskal-Wallis one way analysis of variance uses ranks to test the null hypothesis that the groups are from identical populations with the same median In this test, all observations are replaced by ranks All the scores from all of the three groups are combined and ranked into a single series The smallest score is replaced by rank one, the next smallest score is replaced by rank two and so forth Afterwards, the sum of the ranks in each group is found and the average rank for each group is computed If the groups belong to the same population, the average sums should be about the same, whereas if the groups are from populations with different medians, the average ranks should differ The Kruskal-Wallis one way analysis of variance assesses the differences among the average ranks to determine whether they are so disparate that they are not likely to have come from samples which were drawn from the same population, Siegel and Castellan (1988) Inspection of the outcome in this Table reveals contrasting results Whereas the performance risk perceptions did not differ significantly among the three groups, the perceived ethical risk statistic approached significance at p < 0 01 The Interest-free banks group felt the highest level of ethical risk (137 55) The mix group customers had lesser perception of this risk (113 51) but the Conventional banks customers scored the least mean rank of (104 3) Hence, the hypothesis that the ethical and performance risks are perceived in equal amounts was held for the performance risk only, and it was rejected for the ethical risk

Table 33
Bank Patronage association with ethical and performance risks, One way ANOVA

Type of risk	Customer Group	Mean	Std Dev	F	Sig
Performance risk	Mix group customers	104 92	30 09	05	95
	Conventional customers	105 71	28 96		
	Interest-free customers	106 97	31 23		
Type of risk	**Customer Group**	**Mean****	**Std Dev**	**Chi-sq**	**Sig**
Ethical risk	Mix group customers	113 51	36 05	(8 30)*	02
	Conventional customers	104 30	52 82		
	Interest-free customers	137 55	38 03		

* Values in parenthesis are chi-square (Kruskal Wallis One Way ANOVA
** Mean ranks for ethical perceived risk only

4.3 PART 3. THE INFLUENCE OF CUSTOMERS' CHARACTERISTICS ON THE PERCEIVED RISKS.

In this Part, the contingent behavioral and attitudinal correlates, that have been described in Part 1, will be intersected with the perceived ethical and performance risks The hypotheses concerning the perceived risks, that were noted in the Methodology chapter, will steer the flow in this analysis These include the set of hypotheses regarding the perceived risks inquiry After the relevant hypothesis has been restated, the appropriate statistical confirmation procedure will follow Table 34 repeats the hypotheses along with their numbers plus the statistical confirmation procedure that had been applied on the data

Table 34
A Guide to Part 3

Hypothesis No	Variable Sets	Statistical Procedure
Hypothisis 6	Demographics	One Way ANOVA - Pearson Product Momont Correlation
Hypothisis 8	Risk Characteristics of Riba	Pearson Product Momont Correlation
Hypothisis 10, 13	Perception of Sin	One Way ANOVA
Hypothisis 15	Worrying	Pearson Product Momont Correlation
Hypothisis 16	Religous Orientation	Pearson Product Momont Correlation
Hypothisis 18	Beliefs about the Risk of Riba	Pearson Product Momont Correlation
Hypothisis 20	Attitudes Toward Riba	Pearson Product Momont Correlation
Hypothisis 22	Attitudes Toward the Banks	One Way ANOVA
Hypothisis 24	Risk Reduction	Pearson Product Momont Correlation
Hypothisis 26	Amount of Knowledge about the Banks	Pearson Product Momont Correlation
Hypothisis 27	Supplementary Information Needed	Pearson Product Momont Correlation
Hypothisis 30	Grid and Group Dimensions	Pearson Product Momont Correlation
Hypothisis 32	World Views	Pearson Product Momont Correlation

4 3 1 The Influences of the Demographic Variables on the Perceived Risks:

The proposed relationship between the demographic variables and the perceived ethical and performance risks is summarized by the following hypothesis

Hypothesis 6. There is no relationship between the demographic variables and either the perceived ethical or performance risks

The reported demographic variables were tested for their relationships with the ethical and performance risks A one way analysis of variance was performed on four categorical variables Gender of respondent, educational level, marital status, and religious denomination No significance difference was observed among the groups involved in each variable, see Table 35

Table 35

One way Analysis of Variance for the relationship of the perceived ethical and performance risks to the demographic variables

Risk type	Demographic variable	F	Significance
Ethical risk	Gender	16	69
	Educational level	1 21	31
	Marital status	61	44
	Denomination	43	51
Performance risk	Gender	2 15	14
	Educational level	71	55
	Marital status	2 60	11
	Denomination	05	83

A Pearson correlation test was performed on the remaining three continuous variables They represented the age of respondent, monthly income, and number of children The results are displayed in Table 36 A Pearson correlation measures the amount and direction of a linear relationship that exists between two variables on interest Two variables with a perfect negative relationship have a correlation coefficient equal to (-1) and two variables with a perfect positive relationship have a correlation coefficient equal to (+1) If the correlation coefficient is relatively low between the two variables but the relationship is significant, then this is an indication that the relationship is unlikely to have arisen by chance and one can be confident that a relationship of at least the size indicated by the coefficient holds in the population despite its size, Bryman and Cramer (1990)

Table 36

Pearson correlation coefficient for the relationship between no of children, monthly income, and age with ethical and performance risks

Variable	Ethical risk	Performance risk
No of children	- 09	- 13*
Monthly income	- 05	19**
Age of respondent	- 01	13*

* Signif LE 05 ** Signif LE 01

From the correlations in Table 36, although one could observe an inverse relationship, the perceived ethical risk did not associate with any of the variables at a significant level of $p < 0\ 05$ or lower Yet, the perceived performance risk correlated well with the income of the respondent at $p < 0\ 01$ It correlated to a lesser degree ($p < 0\ 05$) with respondents' age and his/her number of children So one can conclude that a positive change in income corresponded to a positive change in the perceived performance risk, a positive change in age corresponded to a higher change in the perceived performance risk, and a reverse relationship existed between the number of children and the perceived performance risk As the number of children increased, the performance risk tended to decrease too So, it turned out to be that the perceived performance risk did not correlate well with most of the variables and the perceived ethical risk failed to show any relationship with any of them at the p < 0 05 level of significance As for the perceived performance risk, the low income respondents tended to perceive less risk than the high income respondents It would appear that the higher the income a person had, the more there was at stake should the banking service fail to perform Likewise, higher income people should have more money to save, thus amplifying the amount of performance risk involved Higher income corresponded to higher seniority in the teaching profession As teachers gain seniority their salaries increase, thus explaining the present positive relationship between age and the perceived performance risk

4 3 2 The Influence of Risk Characterstics of Riba on the Perceived Risks:

The relationships of risk characteristics to the ethical and performance risks and are the subject of hypothesis 8 The hypothesis asserts the following

Hypothesis 8. There is no relationship between the risk characteristics of Riba and the perceived ethical and performance risks

The hypothesis that the risk characteristics vary with the variation in the perception of the ethical and performance risks in banking was maintained for three characteristics, See Table 37 They were risk's dreadfulness, severity of risk, and the risk to future generations The three correlated with the ethical risk at p < 0 01 level of significance

Table 37
Pearson product moment correlatıons for the relatıon between rısk characterıstıcs and the perceıved ethıcal and performance rısks

Rısk Characterıstıcs	Ethıcal rısk	Performance rısk
Volunterenes of exposure	16	- 00
Immedıacy of effect	- 00	02
Knowledge of effects	- 13	10
Personal relevance	14	- 00
Rısk control	- 06	09
Rısk novelty	11	00
Rısk selectıvıty	- 05	- 02
Rısk dreadfulness	- 38**	- 02
Rısk severıty	- 30**	- 00
Rısk to future generatıons	- 37**	01

** - Sıgnıf LE 01

The results showed that a hıgh score on the perceıved ethıcal rısk ıs lıkely to be matched by a stronger feelıng on the dreadfulness scale (-0 38), a stronger feelıng on the rısk severıty scale (-0 30), and a sımılar strong feelıng on the rısk to future generatıons (-0 37) Besıdes, the relatıonshıp between voluntarıness of exposure and the perceıved ethıcal rısk was statıstıcally sıgnıficant at 0 07 No sıgnıficant assocıatıon between any characterıstıc and the performance rısk was detected

The ethıcal effect of rısk perceptıon had shown a relatıonshıp wıth three rısk characterıstıcs of dreadfulness, severıty, and threat to future generatıons whıch correlated ınversely wıth the perceıved ethıcal rısk The hıgh rısk perceıvers thought of Rıba as a dreadful, fatal, and greatly threatenıng the fate of future generatıons Possıbly, they mıght perceıve ıt as possessıng other characterıstıcs pertaınıng to ıts perceıved ımage, but these characterıstıcs other than the three reported here apparently lack a sıgnıficant relatıonshıp wıth the perceıved ethıcal and performance rısks accepted under $p < 0\ 05$

4.3.3 The Influence of the Perceived Sin on the Perceived Risks:

The hypothesized relationships between the perception of sin in patronizing a bank and the perceived ethical and performance risks are tested next

Hypothesis 10: There is no relationship between the perception of sin in patronizing a bank and the perceived ethical and performance risks

Table 38 shows the results of an analysis of variance on the ethical risk and the respondents answers to the questions concerning the perception of sin in patronizing a Conventional banks and an Interest-free banks The F statistic (3 84) in the Table indicated that the perceived ethical risk was significantly different ($p < 0\ 00$) among people holding different opinions on this particular issue A Bonferroni test with significance level of 0 05 showd that the ethical risk for the disagree and the strongly disagree response groups was not different Neither was the perceived ethical risk for the agree and strongly disagree response groups The significant difference in the perception of ethical risk happend to be between people who strongly disagreed on one side and the people who either agreed, strongly agreed or were unsure on the other side Those who strongly disagreed had the lowest level of perceived ethical risk The level of perceived ethical risk was also unlikely to be significantly different among the respondents who agreed, strongly agreed, or were unsure of the answer

Table 38
Relationship between perception of sin in banking with the perceived ethical risk

Statement	Response group	Mean	Std Dev	F	Sig
One may commit a sin for patronizing a conventional bank	Strongly agree	154 79	45 93	3 84	00
	Agree	146 02	41 24		
	Disagree	148 62	38 45		
	Strongly disagree	107 72	55 48		
	Unsure	145 19	52 93		
One may commit a sin for patronizing Interest-free bank	Strongly agree	121 91	62 85	99	41
	Agree	143 00	54 48		
	Disagree	150 03	51 94		
	Strongly disagree	144 85	40 41		
	Unsure	152 78	55 60		

The respondents' perceived ethical risk was found not to be significantly different along respondents' levels of sin perception in the patronage of Interest-free banks (Table 38) Also, the perceived performance risk was not significantly different among the people who responded to the perception of sin in both ways of banking (Table 39) Therefore, hypothesis no 10 is rejected for the perceived ethical risk and perception of sin in Conventional banks only, and the conclusion is that the perception of sin in Conventional banks is dependent on the perceived ethical risk

Table 39 Relation between perceived sin in banking and the perceived performance risk

Statement	Response group	Mean	Std Dev	F	Sig
One may commit a sin for patronizing a Conventional bank	Strongly agree	106 38	32 76	66	62
	Agree	100 88	27 31		
	Disagree	106 63	24 37		
	Strongly disagree	98 52	33 06		
	Unsure	107 28	26 79		
One may commit a sin for patronizing Interest-free bank	Strongly agree	93 18	41 38	1 24	29
	Agree	108 25	31 24		
	Disagree	111 95	25 84		
	Strongly disagree	105 42	30 89		
	Unsure	101 40	25 62		

Hypothesis 13. There is no relationship between the perception of sin in accepting the accruing Interest and the perceived ethical and performance risks

To test the hypothesis of a no relationship between ethical risk and the expectancy of sin in accepting the Conventional banks Interest, an analysis of variance on the perception of ethical risk among the different response groups to the relevant statement was conducted Results are displayed in Table 40

Table 40
The perception of sin in banking and the perceived ethical risks

Statement	Response group	Mean	Std Dev	F	Sig
Accepting Interest from a conventional bank may be a sinful act	Strongly agree	160 60	38 67	6 50	00
	Agree	135 35	42 86		
	Disagree	130 85	44 39		
	Strongly disagree	109 88	66 15		
	Unsure	138 11	55 55		
Accepting Interest from an Interest-free bank may be a sinful act	Strongly agree	136 66	51 98	40	81
	Agree	146 28	48 71		
	Disagree	151 94	51 21		
	Strongly disagree	146 78	42 93		
	Unsure	144 42	51 89		

The test indicated that the perceived ethical risk among the people who had different opinions did differ significantly (F 6 50, p < 0 00) The more specific test of Bonferroni multiple comparisons showed that the significant difference was enclosed within the strongly agree opinion group This group's perceived ethical risk was significantly higher (at p < 0 05) than that for the people who appeared in the agree group, the two disagreement response bands, or for people who were unsure of the answer The perceived ethical risk differences between the disagreement responses (strongly disagree and disagree) were not so significant though On the other hand the ethical risk perceived in banking was not statistically different among people who held differing opinions on the expectancy of a sin in accepting the Interest-free banks returns, refer to the second part in Table 40 for test results

The analysis on the performance risk and the perceived sin associated with taking Interest showed no relationship of an acceptable significance ($p < 0.05$) The displayed results in Table 41 permited the conclusion that the respondents with different opinions on each of the stated statements perceived nearly similar levels of the performance risk

Table 41

The perception of sin in banking and the performance risk

Statement	Response group	Mean	St Dev	F	Sig
Accepting Interest from a onventional bank may be a sinful act	Strongly agree	105 32	30 50	56	69
	Agree	104 41	26 46		
	Disagree	114 20	29 38		
	Strongly disagree	99 58	29 70		
	Unsure	107 22	31 35		
Accepting Interest from an Interest-free bank may be a sinful act	Strongly agree	95 97	27 40	2 17	07
	Agree	105 28	26 28		
	Disagree	116 94	33 23		
	Strongly disagree	105 75	30 41		
	Unsure	102 64	28 32		

4 3 4 The Influence of Worrying on the Perceived Risks

Hypothesis 15· There is no relationship between the worrying feelings and the perceived ethical and performance risks

Table 42 shows that the worrying statements significantly correlated with the perceived ethical risk in banking but not with the perceived performance risk The personal feeling of worry for being a client to a C B increased as the ethical risk increased (Significant at $p < 0.01$) So does the feeling of worry attributed to the Conventional banks banking industry in general On the other hand, an inverse relationship could be seen in Table 42 that existed between the perceived ethical risk and worrying for being a customer of an I F B (significant at $P < 0.05$) For this relationship, the persons who had lower levels of worrying for patronizing Interest-free banks were also possesed by higher levels of perceived ethical risk, and vice versa The perceived ethical risk tended to decrease as the person had higher worriyng feelings for belonging to an I F B The I F B practice as an industry had a weaker and insignificant relationship with the perception of ethical risk Although most of the worrying indicators correlated with the perceived ethical risk, non of them showed similar relationship with the performance risk in banking All the correlation coefficients were 0 10 or less and none was significant at all

Table 42
Pearson correlation coefficients for the relationship between worrying and ethical and performance risks

Worrying statements	Ethical risk	Performance risk
Are you worried of being a client to an Interest-free bank?	- 22*	- 04
Are you worried of being a client to a conventional bank?	48**	- 01
Does conventional banking represent a source of worry to you?	54**	10
Does Interest-free banking represent a source of worry to you?	15	10

* - Signif LE 05 ** - Signif LE 01

The scores of specific worrying about being a customer of a bank correlated strongly with more risks for Conventional banks' clients than for clients of Interest-free banks Table 43 exhibits these relationships Worrying statements for Conventional banks customers correlated for six of the risk perception scores in different degrees For example, in Table 43, worrying about being a customer of a C B was associated with Risk of Riba, social risk, psychological risk, physical risk, ideological risk, and financial risk due to divine causes It was not the same case with worrying about banking with Interest-free banks There was no significant correlation for all the perceived risks and only weak negative correlations for the perceived risk of time loss (significant at 0 10)

Table 43

Pearson product moment correlations of risk perception and worrying for being a client to a Conventional and Interest-free bank

Statement	Risk type	Pearson corr
Are you worried of being a client to a Conventional bank?	<u>Perceived risks in C B s</u>	
	Risk of Riba	37**
	Social Risk	31**
	Psychological risk	32**
	Physical risk	43**
	Ideological risk	39**
	Financial risk-divine	49**
	Financial risk-incompetence	11
	Risk of inferior service	03
	Risk of inferior returns	- 09
	Time loss risk	07
Are you worried of being a client to an Interest-Free bank?	<u>Perceived risks in I F B s</u>	
	Risk of Riba	- 09
	Physical risk	08
	Ideological risk	04
	Psychological risk	02
	Social risk	07
	Financial risk-divine	- 10
	Financial risk-incompetence	05
	Risk of inferior service	01
	Risk of inferior returns	01
	Risk of time loss	- 17

** Signif LE 01

The results of the present analysis suggested that there was no relationship, either positive or negative, between worrying and the performance risk The failure to discover a relationship was also found for both the individual perceived risks and the for the aggregate measure Therefore, these results did not provide any support for the hypothesis that varying levels of worrying might be linked to differences in the perceived performance risks However, the perceived ethical risk was significantly related to worrying caused by either patronizing the Conventional banks or Interest-free banks, as well as worrying due to the existing industry-wide practice of the Conventional banking Interestingly, worrying attributed to the practices of the I F banking was not significantly related to either the perceived ethical or performance risks This would suggest that the factors which determined worrying individuals associated with their banking behavior were largely dependent on their levels of perceived ethical risks

4 3.5 The Influence of Religious Orientation on Perceived Risks:

Hypothesis 16. There is no relationship between the religious orientation of the customers and their perceived ethical and performance risks

To test for the effects of religious values on the perception of risk, respondents were asked to respond to a set of questions on the religious orientation scale Risk perceptions and religious orientation were then correlated to test for their association The results showed no relationship between the two variables See results in Table 44 The same results were reproduced when all risk types were also compared to the religious orientation

Table 44

Pearson moment correlation for the relation between Religious orientation and ethical and performance risks

Risk type	Religious orientation
Perceived ethical risk	- 00
Perceived performance risk	00

4 3 6 The Influence of Risk Beliefs on the Perceived Risks:

Hypothesis 18: There is no relationship between the beliefs about the risk of Riba and the perceived ethical and performance risks

The investigation of the association between the personal risk beliefs concerning Riba and the perceived risk required a correlation run on the two dimensions of risk types, the perceived ethical and performance risks, against the risk beliefs' scores The coefficients of a Pearson product moment correlation test were displayed besides their significance in Table 45

Table 45
Pearson product moment correlations of perceived risks and risk beliefs[1]

Beliefs	Ethical risk	Performance risk
Denial of risk	66**	14
Concern for development	42**	03
Trust in authority	42**	18*
Trust in I F B s	- 06	23**

* - Signif LE 05 ** - Signif LE 01

The significant statistics in Table 45 are all significant at $p < 0\ 05$ level The correlations showed that an association existed between the perceived ethical risk and denial of risk, concern for development, and trust in authority A person holding a strong agreement with these beliefs could be expected to perceive a corresponding weak ethical risk, i e , the stronger the belief, the lower the perceived ethical risk Trust in Interest-free banks had not correlated well with the perceived ethical risk and it did not share the same relational directions The perceived performance risk, on the other hand, was related significantly ($p < 0\ 05$) with two belief measures Trust in authority and trust in Interest-

[1] A partial correlation between the beliefs and the perceived risks controlling for the effect of the risk beliefs has shown the following levels of significance which (apart from relationship of trust in authority and I F B s to the perceived performance risk) have similar pattern to the significance of the correlations in Table 45 However, they could only be admitted at higher levels of significance (0 1 for example) Otherwise, controlling for the effect of the risk beliefs has the effect of producing only one significant relationship between denial of risks and the perceived ethical risk

Risk Beliefs	Ethical risk	Performance risk
Denial of risk	0 00	0 71
Concern for development	0 10	0 74
Trust in authority	0 10	0 29
Trust in I F B s	0 79	0 13

free banks As trust in authority diminished, the amount of the perceived performance risk became stronger Trust in Interest-free banks had a similar effect on the perceived performance risk Individuals who trusted Interest-free banks were more likely to have a low performance risk Correspondingly, the higher the perceived performance risk, the lower the person's trust in Interest-free banks

4.3 7 The Influence of Attitudes on the Perceived Risks:

Hypothesis 20 There is no relationship between the perceived ethical and performance risks and the attitudes toward Interest

The risk taking attitude scores for Interest were correlated with the risk perception scores for the ethical risks and performance risks scales to investigate the relationship between them The results are shown in Table 46 The results showed an inverse relationship between the ethical risk and the anti-Interest attitudes which meant that there is a tendency for the perceived ethical risk to increase as the anti-Interest attitudes were held with stronger conviction On the other hand, as customers started to express more favorable attitudes toward Interest, their ethical risk tended to decline This result was strong and significant at p < 0 01

Table 46

Pearson Correlation Coefficients for the relationship between risk perception and Attitudes towards Interest

Attitude type	Ethical risk	Performance risk
Anti Interest Attitudes	- 36**	12
Pro Interest Attitudes	55**	05

** - Signif LE 01

Furthermore, one could witness in Table 46 that the perceived performance risk had a stronger relationship with the anti-Interest than with the pro-Interest attitudes However, the data could not confirm a satisfactory significance to accept this observation and therefore the proposition of no relationship was a preferred option in this case

Hypothesis 22: There is no relationship between the peoples' attitudes toward the banks and their perceived ethical and performance risks

A one way analysis of variance was performed to find out how the risks perception scores differed between the people who held positive and negative attitudes to the banks That the people who held positive attitudes towards a bank were likely to perceive less ethical and performance risks was supported for the Conventional banks and, to a lesser extent, for the Interest-free banks The first group contained individuals who chose Interest-free banks for their answers, see Table 41 The second group consisted of people who preferred selecting the Conventional banks for their answers, see Table 47 There were 9 favorable and 6 unfavorable statements to be answered for each banking type The results revealed a pattern emerging

The people who accorded Interest-free banks with the favorable attitudes were more likely to perceive a higher ethical risk than all others who chose Conventional banks for the same attitude statements (see items number 2, 4, 6, 7, and 9 in Table 47) On the other hand, people who had unfavorable attitudes for Interest-free banks were more likely to feel lower ethical risk than the rest of respondents (see item number 14 in Table 47)

Table 47

Analysis of variance for the relationship between the perceived ethical risk and attitudes towards Interest-free banks

Attitude statement	Bank type	Mean	Std Dev	F	Sig
1 Aids the client in a wise use of money (Fovorable)	Interest-free All others	146 85 133 96	45 52 45 21	2 78	0 10
2 Is improving with years (Favorable)	Interest-free All others	148 38 132 57	45 33 53 20	4 47	0 04
3 Is detrimental to society (Favorable)	Interest-free All others	143 53 151 30	46 38 53 25	0 55	0 46
4 Has more good points than other banks (Favorable)	Interest-free All others	150 25 118 17	41 10 54 64	16 99	0 00
5 Gives real help in solving economic problems (Favorable)	Interest-free All others	148 64 138 00	44 92 59 47	1 41	0 24
6 Is fundamentally sound (Favorable)	Interest-free All others	149 76 124 83	41 94 57 18	7 66	0 01
7 Is increasing in its value to society (Favorable)	Interest-free All others	146 36 123 84	43 06 65 77	5 18	0 02
8 Is improving in its services (Favorable)	Interest-free All others	147 27 137 98	45 88 51 29	1 51	0 22
9 Is not appreciated by the general public (Favorable)	Interest-free All others	150 18 142 13	42 13 135 49	3 76	0 05
10 Is necessary until a better alternative can be found (Unfavorable)	Interest-free All others	152 29 139 91	46 19 52 92	2 70	0 10
11 Is entirely unnecessary (Unfavorable)	Interest-free All others	130 09 144 90	46 95 45 87	1 96	0 16
12 Is too changeable in its policies (Unfavorable)	Interest-free All others	152 24 143 58	51 39 39 84	1 14	0 29
13 Has always cheated society (Unfavorable)	Interest-free All others	135 86 150 76	62 98 41 94	2 31	0 13
14 Must be discarded immediately (Unfavorable)	Interest-free All others	100 85 149 94	29 69 44 08	15 43	0 00
15 Suffers from defects and deficiencies (Unfavorable)	Interest-free All others	150 69 148 74	49 90 41 19	0 07	0 79

A similar finding was observed through the pattern of attitudes toward Conventional banks For the respondents who had positive attitudes to Conventional banks, the perceived ethical risk was lower than that for the people who did not have the same attitudes towards the banks (see attitude statements number 1, 3, 4, 5, 6, and 7 in Table 48)

But the perceived ethical risk of the persons with negative attitudes towards the Conventional banks were higher than the perceived ethical risk for the persons who did not share these attitudes (see items number 10, 11, 12, 13, and 14 in Table 48) Said in another way, people of higher ethical risk perception were more likely to have positive attitudes towards Interest-free banks Conversely, respondents who perceived less ethical risk were more likely to be the people who held negative attitudes for Interest-free banks

Table 48

Analysis of variance for the relationship between the perceived ethical risk and attitudes towards Conventional banks

Attitude statement	Bank type	Mean	Std Dev	F	Sig
1 Aids the client in a wise use of money (Fovorable)	Conventionals All others	137 58 150 53	48 17 41 63	3 58	0 05
2 Is improving with years (Favorable)	Conventionals All others	143 31 149 33	48 49 44395	0 33	0 56
3 Is detrimental to society (Favorable)	Conventionals All others	137 21 158 03	48 37 42 01	8 56	0 00
4 Has more good points than other banks (Favorable)	Conventionals All others	126 81 153 97	50 01 40 18	17 35	0 00
5 Gives real help in solving economic problems (Favorable)	Conventionals All others	140 40 158 91	48 07 45 62	6 49	0 01
6 Is fundamentally sound (Favorable)	Conventionals All others	127 61 154 63	46 31 42 80	14 69	0 00
7 Is increasing in its value to society (Favorable)	Conventionals All others	136 52 151 88	51 80 38 87	5 58	0 02
8 Is improving in its services (Favorable)	Conventionals All others	142 68 151 93	50 04 37 79	1 59	0 21
9 Is not appreciated by the general public (Favorable)	Conventionals All others	142 26 145 00	44 76 46 45	0 08	0 78
10 Is necessary until a better alternative can be found (Unfavorable)	Conventionals All others	141 57 165 43	50 31 40 18	8 92	0 00
11 Is entirely unnecessary (Unfavorable)	Conventionals All others	156 85 135 36	39 24 47 98	8 13	0 00
12 Is too changeable in its policies (Unfavorable)	Conventionals All others	153 84 134 31	42 18 46 71	5 77	0 02
13 Has always cheated society (Unfavorable)	Conventionals All others	159 74 133 34	49 73 39 83	11 70	0 00
14 Must be discarded immediately (Unfavorable)	Conventionals All others	158 40 133 84	39 57 46 99	12 25	0 00
15 Suffers from defects and deficiencies (Unfavorable)	Conventionals All others	156 28 143 65	41 39 49 07	2 98	0 09

The results of the One way ANOVA test did not match the expectations for the perceived performance risk and the attitudes towards the alternative banking responses No significant differences were found among people in terms of attitudes with this particular risk It is, therefore, assumed that the variation in the perceived performance risk and the attitudes examined in this study were independent of each other

These results suggest that the people who were discounting the threats associated with Riba and were welcoming the opportunities that it may draw towards the society had lower ethical risk perception and belong to the Conventional banks customer base The people who seemed to be viewing the current banking system as a potential for catastrophe and seriously rejecting the positive banking prospects were more likely to show higher ethical risk perception levels and patronize the Interest-free banks Similar conclusions can be drawn from the results of the relationship between the levels of perceived risk and the attitudes toward the different banks The people with lower perceived ethical risks felt positively toward the Conventional banks However, the unfavorable attitudes toward the banks were held by customers who scored higher on the ethical risk as the following review illustrates

Attitudes to Conventional banks[2]:

Customers who perceive lower ethical risk feel C B s

1 Aid the client in wise use of money (Favorable) *
2 Are improving with years (Favorable)
3 Are detrimental to society (Favorable) *
4 Have more good points than other banks (Favorable) *
5 Give real help in solving economic problems (Favorable) *
6 Are fundamentally sound (Favorable) *
7 Are increasing in its value to society (Favorable) *
8 Are improving in its services (Favorable)

[2] An (*) means that the relationship between the attitude statement and the perceived risk is significant at p > 0 05 or less

Attitudes to Conventional banks[2].

9 Are not appreciated by the general public (Favorable)
10 Are necessary until a better alternative can be found (Unfavorable) *

Customers who perceive higher ethical risk feel C B s

1 Are entirely unnecessary (Unfavorable) *
2 Are too changeable in its policies (Unfavorable) *
3 Have always cheated society (Unfavorable) *
4 Must be discarded immediately (Unfavorable) *
5 Suffer from defects and deficiencies (Unfavorable)

By comparison, the customers who felt lower ethical risks believed that Interest-free banks were unnecessary, had cheated society, and therefore must be discarded immediately They felt that they were detrimental to society too, though this opinion could be generalized to all banks and its significance could not be held as particular to the Interest-free banks only On the contrary, the opinions of customers who perceived higher risk were favorable to Interest-free banks despite the significance of only five statements Nonetheless, they felt that the banks were too changeable in their policies, sufferd from deficiencies, and they were needed only until a better alternative could be found These relations were depicted in the following review

Attitudes to Interest-free banks[3]:

Lower ethical risk customers feel I F.B s.

1 Are detrimental to society (Favorable)
2 Are entirely unnecessary (Unfavorable)
3 Have always cheated society (Unfavorable)
4 Must be discarded immediately (Unfavorable) *

Higher ethical risk customers feel I F B s.

1 Aid the client in wise use of money (Favorable)
2 Are improving with years (Favorable) *
3 Have more good points than other banks (Favorable) *
4 Give real help in solving economic problems (Favorable)
5 Are fundamentally sound (Favorable) *
6 Are increasing in its value to society (Favorable) *
7 Are improving in its services (Favorable)
8 Are not appreciated by the general public (Favorable) *
9 Are necessary until a better alternative can be found (Unfavorable)
10 Are too changeable in its policies (Unfavorable)
11 Suffer from defects and deficiencies (Unfavorable)

[3] An (*) means that the relationship between the attitude statement and the perceived risk is significant at p > 0 05 or less

4 3 8 Influence of Rısk Reductıon Actıvıtıes on the Perceıved Rısks·

Hypothesıs 24 There ıs no relatıonshıp between the nsk reductıon methods and the levels of the perceıved ethıcal and performance nsks

As for the hypothesıs of no relatıonshıp between the perceıved nsk ın bankıng and the use of nsk relıevers, Table 49 shows the Pearson product moment correlatıon results for thıs relatıonshıp Dıscussıon of the sıgnıficant correlatıons of the nsk reductıon methods follows below

Table 49

Pearson product moment correlatıon for rısk reductıon and the perceıved ethıcal and performance rısks

Rısk reductıon methods	Ethıcal rısk	Performance rısk
• Approved by Muslım jurısts	- 34**	12
• Endorsed by bankıng experts	27**	04
• Feelıng of relıeve due to ambıguıty of the Interest ıssue	25**	02
• Do not take the Interest from the bank	- 19*	14
• Endorse the bank chargıng lowest Interest on loans	18*	03
• Endorse the bank gıvıng hıghest returns on deposıts	18*	- 12
• Convenıent locatıon	16*	08
• Provıdes best servıces to the clıents	15*	- 00
• Get a loan from an Interest-free bank ıf a loan ıs needed	- 10	19*
• To seek ınformatıon from advertısıng	08	01
• Joın the bank and judge for myself	03	01
• Comparıng alternatıve banks	03	02
• Loyal to the bank for many years	- 04	- 09

* - Sıgnıf LE 05 ** - Sıgnıf LE 01

First, Table 49 revealed that the decision to select a bank which was cleared by Muslim jurists and the perceived *ethical risk* were significantly correlated at $p < 0.01$. The people for whom the perceived risk was high tended to respond more with an agree or strongly agree answers to the use of this relieving method. However, as the perceived ethical risk decreased, consumers were less likely to seek the jurists opinions. The perceived performance risk and this method were apparently not significantly related even though their relation seemed to show an inverse correlation. Second, there was a relationship between ethical perceived risk and the selection of the bank endorsed by banking experts that was significant at $p < 0.01$. The customers who perceived lower ethical risk levels tended to agree on the presumption that the opinions of experts influenced their selection of a bank. As the perceived ethical risk increased, consumers were less likely to seek the experts advice. Remarkably, performance risk in banking had not correlated well with the experts endorsement. Hence, a relationship could not be seen to exist between performance risk and the use of expert opinion as a risk relieving method. Third, the ambiguity of the Interest issue provided a relief to the customer. This relief was related to the level of perceived ethical risk and was at a high significance level, $p < 0.01$. They related to each other in such a way that resorting to this method decreased if the ethical risk perception increased. The perceived performance risk could not register a relationship with this risk reduction method. Fourth, examination of Table 49 showed that selecting the bank that claimed the least charges on loans and the perceived ethical risk were significantly related at $p < 0.05$. The customers who had lower risk levels of the ethical nature had a tendency for preferring banks that offered competitive rates for its loans to the public. People high on the perceived ethical risk were less likely to take keen interest in this risk reliever. The performance risk did not seem to have a relationship with competitive Interest rates. Fifth, endorsing the bank that was believed to cater for competitive services showed a significant relationship with the perceived ethical risk. The information in Table 49 reported a relationship that approached significance at $p < 0.05$. Customers who perceived lower ethical risk were more likely to prefer this risk reliever to the higher risk perceivers who were most likely would disagree with it. Else, no relationship existed between performance risk and the provision of better services as a preferred risk reduction method. Sixth, patronizing the bank that gave competitive returns on customers' deposits was significantly related to the perceived ethical risk. the customers who saw this reliever as a favorable method felt lower level of perceived ethical risk. The customers would have felt higher levels of perceived performance risk too although the correlation coefficient for this relationship (- 0.12) released no statistical significance. Seventh, the proposition that the high ethical risk Conventional banks customers would refuse to accept the Interest accruing to them by either leaving it to the bank or passing it over to charity was supported. The correlation coefficients in Table 45 supported this conclusion. This risk reduction strategy was less likely to be endorsed by lower ethical risk customers. The performance risk correlated with this risk reduction method in the opposite direction. The higher the performance risk the less likely the customers would agree on giving their Interest money away, although the coeffecient for this relationship (0.14) was not statistically significance. Eighth, a significant inverse relation was exhibited in Table 45 between the perceived ethical risk and the preference for a conveniently located bank. A bank that was conveniently located was less likely to be selected by the customers who were feeling high level of perceived ethical risk. As the perceived ethical risk decreased, the importance of locational convenience tended to grow. Performance risk failed to produce a simialr significant relationship with location. Ninth, the correlation in Table 49 between the perceived performance risk and getting a loan from an Interest-free banks if a loan was needed was (0.19) and statistically significance at $p < 0.05$. The lower the perceived performance risk, the more likely that the customers would endorse this method of getting their loans from an I.F.B., but the higher the customers' perception of the performance risk was, the more they would likely tend to reject this strategy. The opposite happened in an ethical risk situation despite how insignificant it is. The sign of the coefficient suggested that if the ethical risk perception increased, this reliever was a likely option, and it might have been disliked by customers who had lower levels of ethical risk.

To conclude, as the perceived ethical risk increased, customers were generally more likely to pay attention to the Muslim jurists advise on bank legitimacy and abstained from taking Interest from their banks. They were less likely to accept the banking experts' opinions or pay attention to the conventional measures of good banking performance like better Interest rates, better services, or competitive loans. They were also less likely to care about their bank location convenience or felt relieved due to the controversy surrounding the Interest issue. Such behavior might demonstrate the importance of the Jurists opinions as the perceived ethical risk increased. The use of advertising, loyalty, shopping around to compare alternative banks, or personal first hand experience were apparently less effective in high perceived ethical risk situations. Some customers with a high perceived performance risk might be prepared to conduct their regular banking with Conventional banks but would finance their purchases when they needed loans from the Interest-free banks.

4 3 9 Influence of Information Adequacy on the Perceived Risks·

Hypothesis 26: There is no relationship between degree of knowledge claimed about the banks and the perceived ethical and performance risks

Table 50 displays the results of a Pearson correlation between the perceived ethical and performance risks and the responses to knowledge and information needs questions The Table showed that the perceived ethical risk decreased for the respondents who knew more about the Conventional banks and increased as people knew less about them In the same time, as people's knowledge about the Conventional banks grew, their perceived performance risk was expected to intensify Alternatively, individuals tended to perceive less of the performance risk in Conventional banks as long as they had less information about them The respondents' answers to the second question in Table 50, that asked for their perceived level of knowledge about Interest-free banks, did not register any significant association with neither the perceived ethical risk nor the perceived performance risk This indicated that the level of personal knowledge about Interest-free banks was independent from the variation in the perceived ethical or performance risks

Table 50

Pearson moment correlation for the relation between risk types and the degree of knowledge claimed about the banks

Information acquisition and needs	Ethical risk	Performance risk
1)How much do you know about the Conventional banks?***	0 15*	-0 19**
2)How much do you know about the Interest free banks?***	-0 00	-0 09
3)How much more information do you need, as a supplement to what you already knew about banking, for adequately comparing the Conventional and the Interest free banks in terms of their differences and similarities?***	-0 18**	-0 06

* Signif LE 05 ** - Signif LE 01
*** Low scores indicate a great deal of information

Hypothesis 27: There is no relationship between the required supplementary information for comparing alternative banks and the perceived ethical and performance risks

The Pearson correlation in Table 50 tested the hypothesized relationship between the perceived ethical and performance risks and the perceived deficiency in a person's knowledge about Conventional banks and Interest-free banks The result showed that the perceived ethical risk for the people who needed more information was higher than the perceived ethical risk for the people who needed less If one wanted to assume that the acquired amount of information was equivalent to the person's confidence level, then the perceived ethical risk decreased as the person felt more confident in the adequacy of information he or she possessed This relationship was significant for the perceived ethical risk but no similar relationship was supported for the perceived performance risk

This section concluded in two results that were consistent with previous research The first was the relationship between the perceived ethical risk and the amount of knowledge a person's had about the Conventional banks The second was the perceived deficiency in information and the perceived ethical risk However, the expectation that the more informed the people were about the Conventional banks, the higher their perceived performance risks, was not in the direction most research maintained on consumer risk handling Also, the data could not establish an association between the amount of knowledge the customers had about Interest-free banks and the perceived ethical or performance risks Neither could it show a significance between information deficiency and the perceived performance risk

4 3 10. The Influence of the Grid and Group Dimensions on the Perceived Risks

Hypothesis 30· There is no relationship between the grid and group dimensions and the perceived ethical and performance risks

The grid and group elements of the social context of the individual did not appear to relate to the perception of any type of risk outlined in this study Table 51 displayed a Pearson correlation coefficients for the relation between the grid and group for perceived risk type Contrary to the cultural theory expectations of a possible relationship between the grid and group factors with the perceived risks, none of the risk types used in this study had correlated with either dimension

Table 51

Pearson moment correlation for the relation between risk types and the grid and group dimensions

Risk type	Grid	Group
Ideological risk in CONV	- 04	- 06
Ideological risk in IFB	- 04	- 08
Psychological risk in CONV	00	02
Psychological risk in IFB	02	02
Social risk in IFB	04	02
Social risk in CONV	09	- 04
Physical risk in CONV	02	- 00
Physical risk in IFB	- 01	05
Financial risk (divine) in CONV	- 05	- 00
Financial risk (divine) in IFB	- 12	01
Risk of Riba in IFB	- 03	01
Risk of Riba in CONV	- 01	- 05
Time risk in CONV	01	- 04
Time risk in IFB	05	09
Risk of inferior service in CONV	- 04	- 05
Risk of inferior service in IFB	- 07	14
Risk of inferior returns in IFB	03	- 00
Risk of inferior returns in CONV	01	- 05
Financial risk-incompetence-in CONV	00	- 02
Financial risk-incompetence-in IFB	07	07
Ethical risk	- 06	- 01
Performance risk	- 00	04

4 3 11 The Influence of the World Views on the Perceived Risks·

Hypothesis 32 There is no relationship between the world views and the perceived ethical and performance risks

The hypothesis that the perceived ethical and performance risks were related to the world views of the respondents was tested and the results were displayed in Table 52 The egalitarian world view correlated significantly with the perceived ethical risk at $p < 0.05$ The stronger the person's embrace for this world view, the higher the person's perceived ethical risk The other world views had not shown similar relationships with this risk On the other hand, the coefficients of the Pearson correlations between the perceived performance risk and the world views would not support the relationship between them Therefore, the hypothesis of no relationship between the world views and the perceived performance and ethical risk holds except for the relationship between the egalitarian world view with the perceived ethical risk

Table 52

Pearson correlation coefficients for the relation between world views and the perceived ethical and performance risks

World views	Ethical risk	Performance risk
Egalitarian	- 20*	- 06
Fatalist	- 14	- 06
Hierarchies	08	- 03
Individualist	- 05	- 06

* Signif P < 0 05

4 3 12. Summary for the Effects of Customer Characteristics on risk perception

Hypothesis 6 There is no relationship between the demographic variables and either the perceived ethical or the performance risks

This hypothesis was rejected for some of the demographic variables No relationship that could be accepted within the significant limits in this study was found linking the perceived ethical and performance risks with the demographic factors of gender, educational level, marital status, and religious sect The performance risk correlated positively with the income of the respondent, with respondents' age, and negatively with his or her number of children The perceived ethical risk did not correlate with any of the demographics variables examined in this study

Hypothesis 8. There is no relationship between the risk characteristics of Riba and the perceived ethical and performance risks

First, people perceived Riba as a threat to themselves and to society as a whole Most people thought of it as involuntary risk that was feared because of its fatality It posed indiscriminate dangers to future generations and had sweeping effects on all people Its consequences could be mitigated or avoided due to peoples' familiarity and knowledge about it Many people felt that they were threatened by the exposure to the risk, although many believed that its effects were of a delayed nature Second, the hypothesis is true for the perceived performance risk only The perceived ethical risk varied inversely with the variation in three risk characteristics These were The intensity of peoples' feeling for the characteristics concerning risk dreadfulness, severity of consequences, and threats to future generations all encountered a corresponding increase in the perceived ethical risk The remaining characteristics had not displayed a correlated variation against the perceived ethical risk

Hypothesis 10: There is no relationship between the perception of sin in patronizing a bank and the perceived ethical and performance risks.

The people holding different opinions about the possibility of committing a sin by patronizing Conventional banks had different ethical risk perceptions of which the significant differences came from respondents who strongly disagreed on one side and the rest of the respondents who either agreed, strongly agreed, or were unsure on the other side Those who strongly disagreed had the lowest level of perceived ethical risk The respondents who had different opinions about committing a sin while patronizing Interest-free banks did not perceive ethical risk differently In addition, the perceived performance risk was not significantly different among the people who held different opinions and responded to the statements about the perception of sin in both banking types

Hypothesis 13: There is no relationship between the perception of sin in accepting the accruing Interest and the perceived ethical and performance risks.

The hypothesis was rejected for the perceived ethical risk among the people who had different opinions on this issue The higher the people's perceived ethical risk, the more they got determined to realize that taking Interest from Conventional banks is an indication of sin The same hypothesis was accepted for the perceived ethical risk and perception of sin due to taking Interest from Interest-free banks No differences were detected among respondents with different opinions on this matter For the relationship between the perceived performance risk and the perceived sin in taking Interest, the hypothesis was accepted and the conclusion of no relationship was asserted The customers of different opinions on each of the stated statements perceived nearly similar levels of the performance risk

Hypothesis 15 There is no relationship between the worrying feelings and the perceived ethical and performance risks.

The hypothesis concerning worrying and the perceived ethical risk was rejected because personal feeling of worrying for being a client to a Conventional banks with the worrying attributed to the Conventional banks banking industry correlated with the perceived ethical risk in banking Also, an inverse relationship was present between the perceived ethical risk and worrying for being a customer to an I F B The practice of Interest-free banks as an industry did not correlate well with the perception of ethical risk The conclusion suggested that the detrimental factors influencing worrying about banking were largely dependent on their levels of perceived ethical risks The other part concerning the perceived performance risk was accepted because of lack of a relationship with the worrying variable

Hypothesis 16. There is no relationship between the religious orientation of the customers and their perceived ethical and performance risks

There was no relationship between the perceived ethical and performance risks and the level of religious orientation of the person Therefore, this hypothesis was accepted

Hypothesis 18: There is no relationship between the beliefs about the risk of Riba and the perceived ethical and performance risks.

The analysis rejected the hypothesis of no relationship concerning the perceived ethical risk and the beliefs of denial, concern for development, and trust in authority An increase in the perceived ethical risk could be expected to coexist with acceptance of Riba in banking, with a relaxed concern for developmental benefits, and a weak trust in authorities Furthermore, it rejected the hypothesis of no relationship between the perceived performance risk and trust in authority and trust in Interest-free banks Since relationships were positive, a higher trust in authority and in Interest-free banks occured with lower levels of perceived performance risk Nevertheless, the hypothesis of no relationship between the perceived ethical risk and trust in Interest-free banks on one hand, and the perceived performance risk and the denial of risk and concern for development on the other hand were all accepted because no relationships were detected

Hypothesis 20. There is no relationship between the perceived ethical and performance risks and the attitudes toward Interest

The hypothesis was rejected for the relationship between the perceived ethical risk and the attitude to Interest orientation There was a tendency for the perceived ethical risk to increase for persons with anti-Interest attitudes The opposite situation was true As the individual's Interest-supporting view strengthened, his or her ethical risk declined The hypothesis concerning the perceived performance risk could not be rejected and the proposition of no relationship linking it to these attitudes was maintained

Hypothesis 22: There is no relationship between the peoples' attitudes toward the banks and their perceived ethical and performance risks.

A relationship between the perceived ethical risk and the attitudes to banks was confirmed and therefore the hypothesis was rejected The favorable attitudes to Interest-free banks were more likely to belong to people perceiving higher ethical risk On the other hand, the negative attitudes toward Interest-free banks were more likely to be held by customers with low perceived ethical risk In addition, the positive attitudes toward the Conventional banks were selected by people who had low perceived ethical risk Also, the people of higher perceived ethical risk held negative attitudes towards the Conventional banks Also, no significant differences were found among people in terms of attitudes and the perceived performance risk The hypothesis that the perceived performance risk and the attitudes toward banks were independent of each other is therefore accepted

Hypothesis 24 There is no relationship between the risk reduction methods and the levels of the perceived ethical and performance risks.

This hypothesis was accepted as there was no relationship between the perceived ethical and performance risks for four risk reduction methods These methods were seeking information from advertisement, joining the bank and judging for one's self, comparing alternative banks before joining in, and loyalty to the bank The rest of the reduction methods were either related to perceived ethical or performance risks or both A summary of the hypothesis follows

- Patronizing the banks that were approved by the Muslim jurists The hypothesis was rejected for the perceived ethical risk, but was accepted for the perceived performance risk The people of higher perceived ethical risk tended to agree more to the use of this relieving method The perceived performance risk and this method were unrelated
- Selecting the bank that was endorsed by banking experts Although, the hypothesis was rejected for the perceived ethical risk, it was accepted for the perceived performance risk A relationship was found to exist between perceived ethical risk and the selection of a bank that was endorsed by banking experts The customers who said that the opinions of experts influenced their selection of a bank perceived lower ethical risk levels No relationship was detected between performance risk and the use of expert opinion as a risk relieving method
- The ambiguity of the Interest issue provided a relieving feeling to the customer The hypothesis regarding the relationship between the perceived ethical risk and the relieving method was rejected The ambiguity of the Interest issue was related to the

level of perceived ethical risk The more the person felt ambiguous about the issue of Interest in banking, the lower the person's perceived ethical risk The perceived performance risk could not be claimed to be related with this risk reduction method and therefore the hypothesis of no relationship was accepted

- Selecting the bank that claimed the least charges on its loans The hypothesis was rejected for the perceived ethical risk and accepted for the perceived performance risk People high on the perceived ethical risk were less likely to accept this risk reliever The perceived performance risk was not linked to competitive Interest rates among the respondents
- Endorsing the bank that was believed to cater for competitive services The hypothesis was rejected for the perceived ethical risk since customers who perceived high ethical risk were more likely to disapprove with this risk reliever For the perceived performance risk, the hypothesis was accepted due to the absence of a relationship between performance risk and the provision of better services
- Patronizing the bank that gave competitive returns on deposits This hypothesis was rejected for the perceived ethical risk and pursuance of competitive returns This was so because customers who disfavored this reliever tended to have elevated levels of perceived ethical risk The same hypothesis was accepted for the perceived performance risk No relationship could be said to take place between it and this risk reliever
- The customer's refusal to take the Interest accruing to the account For the perceived ethical risk, this hypothesis was rejected The conclusion was supported by the observed relationship which suggested that customers perceiving higher ethical risk would refuse to accept the Interest accruing to their accounts They would either leave

it to the bank or would pass it over to charity The hypothesis could not be rejected for the perceived performance risk although some correlation was observed

- The convenience of bank location The hypothesis of no relationship between the perceived ethical risk and the bank location was rejected because an inverse relation between them was detected Conveniently located banks were less likely to appeal to customers who were feeling high level of perceived risk Since the performance risk had not shown a significant relationship with the convenience of location, the hypothesis was accepted
- Getting a loan from Interest-free banks if a loan was needed This hypothesis was rejected for the perceived performance risk because the people who were more likely to endorse this method were the people who were less occupied with the perceived performance risk The opposite was true The higher the perception of a performance risk, the less likely this method would be embraced On the other hand, the hypothesis of no relationship was accepted for the perceived ethical risk due to lack of significance

Hypothesis 26. There is no relationship between degree of knowledge claimed about the banks and the perceived ethical and performance risks.

The hypothesis concerning the perceived amount of information about the Conventional banks and its relationship with the perceived ethical and performance risks was rejected to the conclusion that a relationship did exist among them The persons who had known more about the Conventional banks tended to be less occupied by the perceived ethical risk and the people who had acquired less knowledge about them perceived higher ethical risk For Conventional banks, the people who were well learned about them were expected to perceive higher amounts of the performance risk Conversely, the individuals who knew little about Conventional banks had perceived reduced amounts of performance risk The hypothesis concerning the relationship between the respondents' perceived amount of knowledge about Interest-free banks was not confirmed for neither the perceived ethical risk nor the perceived performance risk due to lack of association Therefore, the amount of knowledge a person had about Interest-free banks could be assumed to be independent from the perceived ethical or performance risks for that person

Hypothesis 27 There is no relationship between the required supplementary information for comparing alternative banks and the perceived ethical and performance risks

The hypothesis about the relationship between the perceived ethical risks and the perceived deficiency in knowledge about Conventional banks and Interest-free banks was rejected The conclusion was that the people who required more information had higher perceived ethical risk than the people who said they were adequately informed The other part of the hypothesis concerning the perceived information deficiency and the perceived performance risk was accepted The behavior of these two variables could be assumed to be independent from each other

Hypothesis 30: There is no relationship between the grid and group dimensions and the perceived ethical and performance risks

This hypothesis was accepted for both the grid and group dimensions and the perceived performance and performance risks The conclusion was that there was no relationship between the perceived ethical or performance risks and the personal involvement in social groups or the personal submission to groups' rules of conduct

Hypothesis 32: There is no relationship between the world views and the perceived ethical and performance risks.

This hypothesis was accepted for the relationships between all the world views and the perceived ethical risk except the egalitarian cosmology Presumption of a change in the perceived ethical risk correlating with a change in the egalitarian world view was maintained The hypothesis of no relationship between the world views and the perceived performance was accepted as well

Table 53 summarizes the decisions reached so far about the hypotheses in this section

Table 53

Risk Perception and Study Variables Summary of Hypotheses

Hypothesis no	Decision Rule	
	Accept	Reject
Hypothesis 6 There is no relationship between the demographic variables and either the perceived ethical or the performance risks		
Perceived ethical risk		
• Gender	✓	
• Education	✓	
• Marital Status	✓	
• Denomination	✓	
• Income	✓	
• Age	✓	
• No Of children	✓	
Perceived performance risk		
• Gender	✓	
• Education	✓	
• Marital Status	✓	
• Denomination	✓	
• Income		✓
• Age		✓
• No Of children		✓
Hypothesis 8 There is no relationship between the risk characteristics of Riba and the perceived ethical and performance risks		
Perceived ethical risk		
• Voluntariness of exposure	✓	
• Immediacy of effect	✓	
• Knowledge of effects	✓	
• Personal relevance	✓	
• Risk control	✓	
• Risk novelty	✓	
• Risk selectivity	✓	
• Risk dreadfulness		✓
• Risk severity		✓
• Risk to future generations		✓

Table 53

Risk Perception and Study Variables Summary of Hypotheses

Hypothesis no	Decision Rule Accept	Reject
Perceived performance risk		
• Volunterenes of exposure	✓	
• Immediacy of effect	✓	
• Knowledge of effects	✓	
• Personal relevance	✓	
• Risk control	✓	
• Risk novelty	✓	
• Risk selectivity	✓	
• Risk dreadfulness	✓	
• Risk severity	✓	
• Risk to future generations	✓	
Hypothesis 10 There is no relationship between the perception of sin in patronizing a bank and the perceived ethical and performance risks		
Perceived ethical risk		
• Sin in C B s patronage		✓
• Sin in I F B s patronage	✓	
Perceived performance risk		
• Sin in C B s patronage	✓	
• Sin in I F B s patronage	✓	
Hypothesis 13 There is no relationship between the perception of sin in accepting the accruing Interest and the perceived ethical and performance risks		
Perceived ethical risk		
• Taking Interest from C B s		✓
• Taking Interest from I F B s	✓	
Perceived performance risk		
• Taking Interest from C B s	✓	
• Taking Interest from I F B s	✓	
Hypothesis 15 There is no relationship between the worry feelings and the perceived ethical and performance risks		
Perceived ethical risk		
• Worrying for being client to C B s		✓
• Worrying due to C B s industry and operations		✓
• Worrying for being a client to I F B s		✓
• Worrying due to I F B s industry and operations	✓	
Perceived performance risk		
• Worrying for being client to C B s	✓	
• Worrying due to C B s industry and operations	✓	
• Worrying for being a client to I F B s	✓	
• Worrying due to I F B s industry and operations	✓	
Hypothesis 16 There is no relationship between the religious orientation of the customers and their perceived ethical and performance risks		
• Perceived ethical risk	✓	
• Perceived performance risk	✓	

Table 53

Risk Perception and Study Variables Summary of Hypotheses

Hypothesis no	Decision Rule Accept	Decision Rule Reject
Hypothesis 18 There is no relationship between the beliefs about the risk of Riba and the perceived ethical and performance risks		
Perceived ethical risk		
• Denial of risk		✓
• Concern for development		✓
• Trust in authority		✓
• Trust in I F B s	✓	
Perceived performance risk		
• Denial of risk	✓	
• Concern for development	✓	
• Trust in authority		✓
• Trust in I F B s		✓
Hypothesis 20 There is no relationship between the perceived ethical and performance risks and the attitudes toward Interest		
Perceived ethical risk		
• Anti Interest Attitudes		✓
• Pro Interest Attitudes		✓
Perceived performance risk		
• Anti Interest Attitudes	✓	
• Pro Interest Attitudes	✓	
Hypothesis 22 There is no relationship between the peoples attitudes toward the banks and their perceived ethical and performance risks		
• Perceived ethical risk		✓
• Perceived performance risk	✓	
Hypothesis 24 There is no relationship between the risk reduction methods and the levels of the perceived ethical and performance risks		
Perceived ethical risk		
• Approved by Muslim jurists		✓
• Endorsed by banking experts		✓
• Feeling of relieve due to ambiguity of the Interest issue		✓
• Do not take the Interest from the bank		✓
• Endorse the bank charging lowest Interest on loans		✓
• Endorse the bank giving highest returns on deposits		✓
• Convenient location		✓
• Provides best services to the clients		✓
• Get a loan from an Interest-free bank if a loan is needed	✓	
• To seek information from advertising	✓	
• Join the bank and judge for myself	✓	
• Comparing alternative banks	✓	
• Loyal to the bank for many years	✓	
Perceived performance risk		
• Approved by Muslim jurists	✓	
• Endorsed by banking experts	✓	
• Feeling of relieve due to ambiguity of the Interest issue	✓	
• Do not take the Interest from the bank	✓	
• Endorse the bank charging lowest Interest on loans	✓	
• Endorse the bank giving highest returns on deposits	✓	
• Convenient location	✓	
• Provides best services to the clients	✓	

Table 53

Risk Perception and Study Variables Summary of Hypotheses

Hypothesis no	Decision Rule	
	Accept	Reject
• Get a loan from an Interest-free bank if a loan is needed		✓
• To seek information from advertising	✓	
• Join the bank and judge for myself	✓	
• Comparing alternative banks	✓	
• Loyal to the bank for many years	✓	
Hypothesis 26 There is no relationship between degree of knowledge claimed about the banks and the perceived ethical and performance risks		
Perceived ethical risk		
• C B s		✓
• I F B s	✓	
Perceived performance risk		
• C B s		✓
• I F B s	✓	
Hypothesis 27 There is no relationship between the required supplementary information for comparing alternative banks and the perceived ethical and performance risks		
• Perceived ethical risk		✓
• Perceived performance risk	✓	
Hypothesis 30 There is no relationship between the grid and group dimensions and the perceived ethical and performance risks		
Perceived ethical risk		
• Grid	✓	
• Group	✓	
Perceived performance risk		
• Grid	✓	
• Group	✓	
Hypothesis 32 There is no relationship between the world views and the perceive ethical and performance risks		
Perceived ethical risk		
• Egalitarian		✓
• Fatalist	✓	
• Hierarchies	✓	
• Individualist	✓	
Perceived performance risk		
• Egalitarian	✓	
• Fatalist	✓	
• Hierarchies	✓	
• Individualist	✓	

In conclusion, the previous summary depicted the ways in which the variables related to the perceived ethical and performance risks Overall, there were 25 variables that influenced the perceived ethical risk and 7 variables that influenced the perceived performance risk In Exhibit 1 two profiles are presented to show the ways by which an increase in perceived ethical and performance risks associated with the various variables investigated in this study

Exhibit 1 Variables Associated with the Perceived Ethical and Performance Risks

An increase in the perceived ethical risk is expected to corresponds to

- Heightened feelings of fear, fatality, and threat to future generations that are associated with Riba
- Agreement that C B s patronage and accepting Interest from them are potential sources of sin
- Stronger tendency to acknowledge the risk of Riba in banking, less concern for hampering the economic gains, and less trust in authorities
- Stronger tendency to be anti Interest by holding negative attitudes toward Interest in banking
- More favorable attitudes to I F B s and more negative attitudes towards the C B s
- Agreement on the use of banks that are necessarily endorsed by Muslim jurists
- Unwillingness to accept the accrued Interest
- Definite and unambiguous views about the issue of Interest in banking
- Less attention to the opinions of banking experts
- Disaffection to lower Interest rates on banks' loans
- Disaffection to better banking and competitive services
- Disaffection to the appeal of competitive returns on deposits
- Disaffection to bank convenient location
- Having less knowledge about C B s
- Requirement of more information on comparing C B s and I F B s
- Adhering to an egalitarian world view that advocates an ephemeral World

An increase in the perceived performance risk is expected to corresponds to

- Higher income, older age, and fewer children
- Distrust in authority and in I F B s
- Dismissal of the idea of obtaining a loan from I F B s if loan is needed
- An increased knowledge about C B s

4 4 PART 4 THE INFLUENCE OF CUSTOMERS' CHARACTERISTICS ON THE BANKING PATRONAGE:

Part 4 investigates how the three banking groups who patronized Interest-free banks and Conventional banks and the mix patronage customers differed on the same characteristics that were explored in the previous Parts The relationships between the actual bank patronage behavior, as represented by the three customer groups, i e , the Interest-free banks, the Conventional banks, and the Mix patronage groups, and the customers' characteristics were proposed in the Methodology chapter and a set of hypotheses were put forward These are repeated in Table 54 with the hypotheses numbers and the statistical tests that had been used to confirm them Next, there is a detailed exposition of the hypotheses and the results of the various tests This Part ends with a summary of what has been learnt from this exercise

Table 54
Tests of Hypotheses in Part 4

Hypothesis No	Variable Sets	Statistical Procedure
Hypothesis 7	Demographics	One Way ANOVA - Pearson Chi-Sequare test
Hypothesis 9	Risk Characteristics of Riba	One Way ANOVA
Hypothesis 11, 12	Perception of Sin	One Way ANOVA
Hypothesis 14	Worrying	Mann-Whitney-U test - One Way ANOVA
Hypothesis 17	Religious Orientation	One Way ANOVA
Hypothesis 19	Beliefs about the Risk of Riba	Kruskal-Wallis One Way ANOVA
Hypothesis 21	Attitudes Toward Riba	One Way ANOVA
Hypothesis 23	Attitudes Toward the Banks	Pearson Chi-square test
Hypothesis 25	Risk Reduction	Kruskal-Wallis One Way ANOVA
Hypothesis 28	Amount of Knowledge about the Banks	Kruskal-Wallis One Way ANOVA
Hypothesis 29	Supplementary Information Needed	Kruskal-Wallis One Way ANOVA
Hypothesis 31	Grid and Group Dimensions	One Way ANOVA
Hypothesis 33	World Views	One Way ANOVA

4 4 1 The Influences of the Demographic Variables on Banking Patronage·

The relationship of the demographic variables with the banking patronage behavior constitutes the first section of the discussion in this Part The proposed hypothesis is **Hypothesis 7.** There is no relationship between the demographic variables and the banking patronage behavior

The demographic variables of age, gender, denomination, education, monthly income, marital status, and number of children were tested for their relationships with bank patronage The results of a one way analysis of variance for the three continuous variables of age, number of children, and monthly income did not support the existence of a relationship These results are reported in Table 55

Table 55
One-way ANOVA for the relationship between bank patronage and the demographic variables of age, monthly income, and the number of children

Demographic variable	F	significance
Age	55	58
Income	11	90
No of children	44	64

In a crosstabultion contengency table, the results of a Pearson chi-square test on the categorical variables of gender, denomination, education, and marital status were presented in Table 56 Crosstabulations are used to count the number of cases that have different combinations of values of two or more variables For example, when the objective is to know if there is a relationship between the region of the city in which a person lives and the person's willingness to buy certain product, then one can make a table that shows how many people say they would buy the product, and how many say they would not, for each of the regions The Pearson chi-square helps to determine whether two variables, in a crosstabulation, are independent from each other if the data on each variable are classified into categories Using this statistic one tests for significant differences between the observed distributions of data among categories and the expected distribution based on the null hypothesis The null hypothesis is that any differences in the sample statistics or distributions is due to random sampling fluctuations only, Siegel and Castellan (1988) The results in Table 56 demonstrated that no demographic variable was significantly associated with bank patronage, save the religious denomination Shei'at were less likely to patronize Interest-free banks than Sunnis Less than 7 0% of the customers in the Interest-free banks were Shei'at The rest were Sunnies Shei'at constituted around 69% of the customers who patronized Conventional banks Nearly 31% of the Conventional banks customers were Sunnies Sunnies were also more common among customers who patronized both banks than Shei'at The percentage of Sunnies in the mix patronage group was around 70% The balance of nearly 30% were Shei'at

Table 56
Pearson Chi-square Values for the Relationship between demographic variables and bank patronage

Demographic Variable		I F bank	Conv bank	Mix group	Chi-square	Sig
Denomination	SHEI'AT	6 3%	69 1%	29 5%	71 57	0 00
	SUNNI	93 8%	30 9%	70 5%		
Gender	Male	44 7%	49 3%	47 8%	0 33	0 85
	Female	55 3%	50 7%	52 2%		
Marital status	Single	25 5%	22 8%	20 5%	0 33	0 85
	Married	74 5%	77 2%	79 5%		
Education	Secondary	8 5%	5 1%	2 3%	2 65	0 85
	Diploma	19 1%	25 1%	25 0%		
	B Sc	68 1%	66 7%	70 5%		
	Master	4 3%	3 1%	2 3%		

This finding is new in the banking industry and in Bahrain that consists of a population made up of Sunni and Shai'at denominations The reason it emerged here was because this study had not observed a taboo of abstaining from asking questions and seeking information pertaining to individuals' sects Because of this, the researcher received, but discarded, many complaints which had been expressed during the data collection stage The fact is that the people of Bahrain share two Islamic orders that endorse different precepts on matters that go beyond banking The fact is that Bahrainis, despite the small size of their country, have two main spoken dialects of Arabic To ignore such facts and to keep on assuming that the people are homogenous just because researcher shied away from confronting respondents with unconventional questions, that the respondents may find them to be 'politically incorrect', and because of the sensitive issues that usually engulf these matter, may hinder valuable insights into, and forego opportunities to understand, how the people conduct their lives To say the least, this field has been neglected for a long time The banking patronage differences among the sample could be the basis of a segmentation study based on the existing ethnicity in Bahrain or rather in the Gulf region Banks thrive mainly on financing people's needs In the mean while, Interest-free banks and Conventional banks have different approaches for providing people with funds When the people are different in their banking preferences, this may indicate that they have different need priorities or life styles that deserve the investigation from a critical marketing point of view

4 4 2. The Influence of Risk Characteristics of Riba on the Patronage Behavior:

The banking preference groups were contrasted for their perceptions of the ten characteristics of Riba investigated earlier This was done in order to know how much these characteristics influence the customers' preferences and patronage The hypothesis proceeds like this

Hypothesis 9 There is no relationship between Riba characteristics and the banking patronage behavior

The clients of different banks held different feelings for some risk characteristics This was validated by the results of a one way analysis of variance displayed in Table 57 It showed that customers differed significantly ($p < 0\ 05$) on the perception of four risk characteristics The first was the voluntariness of exposure to Interest Those customers in the groups of Conventional banks and mix patronage felt their exposure to Interest involved more involuntariness on their behalf On the contrary, the Interest-free banks customers felt their exposure to Interest was less involuntary and more of a willful action The second characteristic was

Table 57
Characteristics of Riba according to bank patronage

Risk Characteristic	Customer Group	Mean	S Dev	F	sign
Volunterenes of Exposure	MIX	6 83	2 88	4 42	01
	CONV	6 94	2 89		
	IFB	5 36	3 30		
Immediacy of Effect	MIX	4 95	3 30	89	41
	CONV	4 24	3 18		
	IFB	4 79	3 23		
Knowledge of Effects	MIX	3 35	2 57	1 37	26
	CONV	3 77	2 90		
	IFB	2 91	2 65		
Personal Relevance	MIX	4 74	3 19	5 65	00
	CONV	6 31	3 13		
	IFB	4 57	3 61		
Risk Control	MIX	4 38	3 26	4 24	02
	CONV	4 82	3 33		
	IFB	2 08	1 55		
Risk Novelty	MIX	7 56	2 25	40	67
	CONV	7 63	2 37		
	IFB	7 97	1 88		
Risk Selectivity	MIX	3 14	2 71	04	96
	CONV	3 01	2 96		
	IFB	3 10	2 97		
Risk Dreadfulness	MIX	3 66	2 75	2 70	07
	CONV	4 42	3 30		
	IFB	3 03	2 90		
Risk Severity	MIX	3 61	2 61	2 56	08
	CONV	3 71	3 01		
	IFB	2 38	2 13		
Risk to Future Generations	MIX	2 36	2 03	3 69	03
	CONV	2 30	2 13		
	IFB	1 40	1 08		

the risk relevance to the person The feelings that the negative impacts of the consequences were personally relevant were higher for Conventional banks customers than for Interest-free banks and the mix patronage groups The latter two groups were not significantly different from each other in this case The third characteristic was the controllability of risk's consequences The sense of lacking the ability to avoid the bad consequences of risk was higher for customers patronizing Conventional banks and the mix patronage groups than customers to Interest-free banks only The fourth characteristic was the risk to future generations The customers of Interest-free banks felt that Interest had the capacity to be a potential source of sever danger to future generations They embraced this opinion more than the customers in the other two groups Fifth, of a less statistical significant (higher than 0 05 but less than 0 1) were two other characteristics which people might be different on One was the risk dreadfulness That people could deal with the consequences of Riba calmly and confidently upon impact was a believe that was more strongly retained by Conventional banks customers than by Interest-free banks The mix patronage group was not unsimilar to the Conventional banks customers The other characteristic was the severity of risk impact The Conventional banks customers expected the potential danger of Interest to be a less fatal impact than Interest-free banks customers Once again, the mix patronage group held similar perceptions

To sum up, the groups' perceptions varied on four concerns of which one had emerged previously with the perceived ethical risk analysis (the potential threat to future generations) The Interest-free banks customers significantly emphasized the risk to future generations, they underlined their confidence in controlling the risk and avoiding it, they distanced themselves away from it by claiming they were not at risk, and they leaned toward the voluntareness aspect of exposure more than the other groups The variations for the remaining attributes could not be claimed to be of a statistical significance for the present sample even if the customers' opinions were noticed to differ slightly

4 4 3. The Influence of the Perceived Sin on the Patronage Behavior

This section involves two hypothesis concerning the influences of the perceived sin on the bank selection preferences The first covers the perceived sin for being a customer to either type of bank and the second evolves around testing the perceived sin for earning the due Interest among the three customer groups

Hypothesis 11: There is no relationship between the perception of sin in patronizing a bank and the banking patronage behavior

A break up of the responses in terms of banking patronage resulted in Table 58 for the question concerning the Interest-free banks, and in Table 59 for the question related to the Conventional banks In Table 58, the majority of clients of the three groups showed that they favored to answer with the disagreeing replies to the perception of a sin in Interest-free banks Different responses could be noticed in the Table among the three groups of which the Pearson chi-square score was significant at $p < 0\ 00$ for the differences among all of them The differences between the Conventional banks and the Interest-free banks customers was significant at $p < 0\ 01$, and the difference between the Conventional banks customers and the mix patronage group was significant at $p < 0\ 05$ The difference between the Interest-free banks customers and the mix group was significant at $p < 0\ 10$ only however

Table 58
Perception of sinful act in Interest-free banks by type of bank

Statement One may commit a sin for patronizing an I F B

Group	S AGREE	AGREE	DISAGREE	S DISAGREE (Row Percent)	UNSURE	Row Total
MIX	6 7	11 1	6 7	60 0	15 6	100%
CONV	4 3	9 1	16 6	37 4	32 6	100%
IFB	2 2	2 2	21 7	60 9	13 0	100%

CONV Conventional banks customer group, IFB Interest-Free banks customer group, MIX Mix bank customer group

The significant differences among the groups were more apparent for the perception of a sin in Conventional banks than the Interest-free banks In Table 59, except for the Conventional banks group, the majority of the respondents preferred to agree to the expectation of sin when patronizing a Conventional banks The Conventional banks customers seemed to have significantly different beliefs because their answers were dispersed on the agree-disagree scales more than the other two groups The Pearson chi-square score was significant at p < 0 00 for the differences between Interest free and Conventional banks customers, and between the Conventional banks and the mix group customers The mix and the Interest-free banks groups could not be claimed as dissimilar

Table 59

Perception of sinful act in conventional banks by type of bank

Statement One may commit a sin for patronizing a C B

	(Row Percent)					
Group	S AGREE	AGREE	DISAGREE	S DISAGREE	UNSURE	Row Total
MIX	69 6	10 9	2 2	4 3	13 0	100%
CONV	22 5	24 1	7 9	11 0	34 6	100%
IFB	65 2	13 0	4 3	4 3	13 0	100%

Hypothesis 12: There is no relationship between the perception of sin in accepting Interest and the banking patronage behavior

Having examined the issue of bank patronage, we turn now to the closely related question of whether people might think they are committing a sin in the event of accepting the Interest accruing to their accounts or not Table 60 summarizes their answers For accepting Interest from Conventional banks, 62 4% agreed on the notion of committing a sin for accepting it The people holding the opinion of disagreement formed a minority of 13 6% The rest 24 0% were unsure

Table 60

Perception of sin in the act of accepting accruing returns

Statement	Agree	Disagree	Unsure	Total
Accepting returns from a conventional bank may be a sinful act	62 4%	13 6%	24 0%	100%
Accepting returns from an Interest-free bank may be a sinful act	24 4%	47 4%	28 2%	100%

In the lower part of Table 60, opposite answers could be seen to the statement on sin in accepting Interest-free banks' returns The respondents who endorsed the statement represented about 24 4% of the sample The people who disagreed with it were nearly double the number of the people who agreed with it (47 4%) Once again, a large number of 28 2% were unsure

Cross-tabulating the answers according to bank patronage provides more insight about the differences and similarities of peoples' beliefs Table 61 and Table 62 display the agreement and the disagreement to the statements concerning the perception of sin in accepting the returns from the patronized bank

Table 61

Perception of sin in accepting Interest from a Conventional bank

Statement Accepting Interest from a Conventional bank may be a sinful act

Group	S AGREE	AGREE	DISAGREE	(Row Percent) S DISAGREE	UNSURE	Row Total
MIX	74 4	4 6	0	7 0	14 0	100%
CONV	32 4	18 9	8 1	8 1	32 5	100%
IFB	81 0	9 5	2 4	2 4	4 7	100%

CONV Conventional banks customer group, IFB Interest-Free banks customer group, MIX Mix bank customer group

For all the groups in Table 61, a higher percentage of people agreed with the perceived sin of accepting Interest from a Conventional banks although the differences between the Interest-free banks and the mix patronage groups were not significantly different The Conventional banks customers reported more 'unsure' answers than the rest of the respondents This group was significantly different (at p < 0 00) from both the Interest-free banks and the mix patronage groups The responses of these latter groups showed more agreement with the statement than the Conventional banks customers The responses to the statement about a perceived sin in accepting the returns of the Interest-free banks, in Table 62, had a wide spread for the three groups Again, the Conventional banks customers group was the one that had showed significant differences from the rest (p < 0 00) The number of people who preferred to disagree with the statement exceeded the number of the people who agreed with it by about 12% The unsure answers amounted to a high percent, nearly 37% The majority of the Interest-free banks and mix patronage groups showed an inclination towards disagreeing with the notion of sin in taking Interest-free banks returns Although some discrepancy could be noticed among their responses, their answers were not statistically different at all

Table 62

Perception of sin in accepting Interest from an Interest-free bank

Statement Accepting Interest from an Interest-free bank may be a sinful act

Group	S AGREE	AGREE	(Row Percent) DISAGREE	S DISAGREE	UNSURE	Row Total
MIX	9 1	6 8	13 6	59 1	11 4	100%
CONV	12 0	15 8	12 0	23 0	37 2	100%
IFB	11 1	6 7	20 0	51 1	11 1	100%

CONV Conventional banks customer group, IFB Interest-Free banks customer group, MIX Mix bank customer group

4 4 4. The Influence of Worrying on the Patronage Behavior.

Worrying is a two tier problem in this study The first troubles the person because of concerns for being a patron to the bank The second concerns the distress the banking industry inflects upon peoples' beliefs and way of life The first influence on bank preference is tested in the following hypothesis

Hypothesis 14· There is no relationship between the feelings of worrying attributed to the type of banking and the banking patronage behavior

The answers to the question Are you worried of being a client to an I F B ? And to the question Are you worried of being a client to a C B ? were significantly different At ($P < 0\ 00$), a Mann-Whitney U test proved that the difference between the mean scores for the two statements was significant, see Table 63 This test was used because the data violated the assumption of homogeneity of variance Otherwise, a two independent samples t-test could have been applied Evidently, the findings had implied that worrying had less association with Interest-free banks and it had been experienced more by the customers of Conventional banks A Mann-Whitney U test detects whether two independent groups have come from the same population It compares the number of times a score from one of the groups is ranked higher than a score from the other group If the two groups are similar, then the number of times this happen should also be similar for the two groups For samples from two populations, the null hypothesis is that they both have the same distribution Rejecting the null hypothesis is generally interpreted to mean that the two distributions have different central tendencies The test is based on ranking all the scores from lowest to highest without regard to group membership If the null hypothesis is false, then the lower ranks would generally fall to one of the group's scores and the higher ranks would fall to the other group's scores And if the ranks assigned to each group were summed, then the sum of the ranks in one group would be expected to be appreciably smaller than the sum of the ranks in the second group, Siegel and Castellan (1988)

Table 63

Mann-Whitney U for Worrying because of being a client to a bank

type of patronage	Mean Rank	Z	Significance
MIX	114 22	-4 84	0 00
IFB	69 30		

* Higher ranks indicate higher levels of worrying

Another Mann-Whitney U analysis was conducted on the sample to contrast the mix patronage group against the Interest-free banks and Conventional banks customers, see Table 64 for the difference between the Conventional banks and the mix patronage group, and Table 65 for the difference between the mix patronage group and the Interest-free banks clients It revealed that this group was significantly different from the other two On worrying for being a client to an Interest-free banks, the mix group reported higher worrying levels than the Interest-free banks customers ($p > 0\ 02$) They also reported higher worrying levels than the Conventional banks customers upon responding to the question about their worrying feelings for being clients to Conventional banks ($p > 0\ 00$)

Table 64

Mann-Whitney U for Worrying because of being a client to a bank

type of patronage	Mean Rank	Z	Corrected for ties 2-Tailed P
MIX	134 93	-4 19	0 00
CONV	91 51		

* Higher ranks indicate higher levels of worrying

Table 65

Mann-Whitney U for Worrying because of being a client to a bank

type of patronage	Mean Rank	Z	Corrected for ties 2-Tailed P
MIX	48 40	-2 27	02
IFBs	39 03		

* Higher ranks indicate higher levels of worrying

Worrying attributed to the two banking practices on the societal level were different too Table 66 shows a different view related to the banking practice on the societal level where the different customer groups displayed different scores on the worrying scale So when they were asked about how much worrying the Conventional banks banking industry represented to them, the C B customers felt the least levels of worrying (F 22 98, P < 0 00) Whereas the Interest-free banks and the mix patronage groups felt higher levels of worry attributed to the same cause

Table 66

Differences in worrying among the customer groups

Statement	Customer group	Mean	Std Dev	F	Sig
Does conventional banking represent a source of worry to you?	Mix group	6 45	2 49	22 98	00
	Conventional	3 33	2 96		
	Interest-free	6 35	3 29		
Does Interest-free banking represent a source of worry to you?	Mix group	3 32	2 59	1 69	19
	Conventional	2 81	2 60		
	Interest-free	2 22	1 95		

For the I F B industry as the other source of worrying, the customer groups' differences were not so significant, though the Interest-free banks group scored the least on this worrying item (2 22) This analysis succeeds in detecting differences among the three customer groups with regard to their levels of worrying caused by conventional banking as an industry But it fails to support the hypothesis that the different customer groups had different worrying feelings for the type of business being practiced by Interest-free banks

On the group levels, clients of Conventional banks had reported higher levels of worrying just because they were banking with Conventional banks but neither the Conventional nor the Interest-free business practices effects on the wider society represented a serious source of worrying to them The majority of Interest-free banks customers were dissimilar to them for what they had reported had much lower levels of worrying for doing their banking with Interest-free banks While they worried more about banks practicing banking in the Conventional way, they worried less about banking as had been developed by the Interest-free banks

4 4 5 The Influence of Religious Orientation on the Patronage Behavior:

It was expected that the patronage groups might be different on their religious orientation in such a way that the Interest-free banks patronage groups would have the strongest orientation to religiousness The guiding hypothesis for the analysis was the following

Hypothesis 17: There is no relationship between religious orientation and banking patronage behavior

Table 67 summarizes the results of a one way analysis of variance that was performed on the data with the anticipation of finding a difference between the patronage groups based on their religious orientation The findings did not support the proposed hypothesis and it was therefore accepted at $p < 0\ 05$ level of significant The conclusion is that the Interest-free banks, Conventional banks, and the mix patronage customer groups were unlikely to have different religious orientations

Table 67

One way analysis of variance for the effect of Religious orientation on bank patronage

Customer group	Mean	Std Dev	F	Sig
Mix group customers	23 28	1 22	74	48
Conventional customers	22 76	2 05		
Interest-free customers	22 86	2 63		

4 4 6 The Influence of the risk beliefs on the Patronage Behavior:

The differences among the three customer groups were recorded on four beliefs about the risk in banking The beliefs were the denial of risk, concern for development, trust in authority, and trust in Interest-free banks Hypothesis number 19 expresses this relationship as follows

Hypothesis 19 There is no relationship between the beliefs regarding the risk of Riba and the banking patronage behavior

The scores for the four risk belief scales were entered together with the bank patronage variable in a Kruskal-Wallis one way analysis of variance test to detect the belief differences among the three patronage groups All the results stated in Table 68 were significant at $p < 0\ 05$ The dominating trend in all the result was that Conventional banks customers were likely to have high favorable attitudes for measures of trust in authority and in Interest-free banks, concern for development, and belief in the non existence of Riba in the banking practice Another observation was that the mix groups' scores intermediated between the other two groups for most of the belief measures This gave the impression that the mix group agreed less on the beliefs that were held strongly by the Conventional banks customers and they agreed more on the beliefs valued less by the Interest-free banks customers A closer look to the mean ranks suggested that this group's beliefs were closer to the Interest-free banks customers than to the Conventional banks customers' belief scores

Table 68

Kruskal-Wallis one way analysis of variance for the difference among customer groups in risk beliefs

Patronage type	Customer group	Mean rank*	Chi-square	Sig
Trust in authority	Mix group	99 77	20 41	00
	Conventionals group	66 20		
	Interest-free group	99 52		
Trust in I F B s	Mix group	106 39	13 12	00
	Conventionals group	127 69		
	Interest-free group	89 13		
Concern for development	Mix group	57 20	32 86	00
	Conventionals group	35 85		
	Interest-free group	77 59		
Denial of risk	Mix group	68 77	16 23	00
	Conventionals group	46 89		
	Interest-free group	72 63		

* Lower ranks indicate favoring the agree responses

4 4 7. The Influence of the risk attitudes on the Patronage Behavior:

The customer groups were compared on two types of attitudes Attitudes toward interest was the first, and the second was attitudes to the banks themselves as representative of different philosophical banking regimes Hypothesis 21 covers testing the relationship between the patronage behavior and the attitudes to Interest and hypothesis number 23 attended to testing the relationship between the patronage behavior and the attitudes to the banks

Hypothesis 21: There is no relationship between the bank patronage behavior and the attitudes toward Interest

To compare the attitudes toward Interest for the three customer groups, a one way analysis of variance was performed on the data and the results were shown in Table 69

Table 69

A one way analysis of variance for the difference in Interest attitudes for the three groups of customers

Attitude type	Customer group	Mean	Std Dev	F	Sig
Anti Interest attitudes	Mix group	5 50	2 40	3 31	04
	Conventionals group	6 12	2 47		
	Interest-free group	4 89	1 40		
Pro Interest Attitudes	Mix group	11 75	3 68	22 68	00
	Conventionals group	8 61	3 69		
	Interest-free group	14 18	2 24		

The three group were significantly different from each other at p < 0 00 for the pro-Interest attitudes and at p < 0 05 for the anti-Interest attitudes According to the Benfferoni multiple comparison test, the Interest-free banks customers had the strongest anti-Interest attitudes (4 89) compared to the Conventional banks customers who held the mildest anti-Interest attitudes (6 12) The mix patronage groups' attitudes (5 50) moderated in between the other two groups but without showing significant differences from both of them The same Table has shown that Conventional banks customers pro-Interest attitude score of (8 61) was the most favorable among the three groups Furthermore, both the pro-Interest attitudes for the Interest-free banks (14 18) and the mix group customers (11 75) were highly disapproving and statistically indistinguishable

Hypothesis 23: There is no relationship between peoples' attitudes toward the banks and their banking patronage behavior

To test this hypothesis, the responses to the attitudes statements concerning the Interest-free banks on one hand and the Conventional banks on the other were cross-tabulated with the three banking patronage groups The results are displayed in Table 70

Table 70

Pearson Chi-square values for the difference among the three customer groups in relation to the attitude statements

Attitude statement	C B s	I F B s
1 Aids the client in wise use of money (Favorable)	6 88*	2 68
2 Is improving with years (Favorable)	4 10	0 29
3 Is detrimental to society (Favorable)	25 52**	0 11
4 Has more good points than other banks (Favorable)	31 47**	10 00**
5 Gives real help in solving economic problems (Favorable)	12 85**	3 96
6 Is fundamentally sound (Favorable)	23 74**	3 66
7 Is increasing in its value to society (Favorable)	35 43**	2 94
8 Is improving in its services (Favorable)	7 00*	2 28
9 Is not appreciated by the general public (Favorable)	0 28	4 90
10 Is necessary until a better alternative can be found (Unfavorable)	56 54**	6 72*
11 Is entirely unnecessary (Unfavorable)	8 91**	3 58
12 Is too changeable in its policies (Unfavorable)	1 38	1 07
13 Has always cheated society (Unfavorable)	6 64*	4 46
14 Must be discarded immediately (Unfavorable)	34 71**	3 63
15 Suffers from deficits and deficiencies (Unfavorable)	2 03	2 65

* - Signif LE 05   ** - Signif LE 01

The results in Table 70 supported the hypothesis that the people's attitudes investigated in this study concerning the Interest-free banks were independent on the banking patronage Dependence exists for only two of the attitudes in Table 70, number 4 and 10 It can be said that customers' banking behavior partly depends on the results of these two items for the Interest-free banks Even though Interest-free banks have a number of dimensions, the patronage groups do not have large discrepancy toward the banks' attributes The observation that the different customer groups share common attitudes toward the Interest-free banks could occur if the object of attitudes, the Interest-free banks in this case, is not controversial, and/or there is no inherent contradictions in the value systems of the different groups of customers Therefore, the agreement in attitudes (the positive and the negative) may indicate that Interest-free banks are not objects of complex identities and they do not have a variety of controversial dimensions at least with the present sample On the other hand, if the individuals have contradictions in their value-attitude systems, their attitudes are expected to vary in regard to the same object As for the values of the respondents, their values are not expected to differ much because the respondents were Muslims and the Interest-free banks are by definition an Islamic alternative to the Riba institution However, if this is the case, one may wonder why is it not the majority of customers embrace the Interest-free banks? The answer to this question needs an extensive inquiry in customer psychology because patronage does not hinge on attitudes alone Affection and emotions play a determinant role as for cigarette smokers for example The majority of cigarette smokers feel that smoking is harmful to their health but they continue smoking In such cases, it may be wise to think that attitudes do not proceed behavior and maybe emotions have a stronger role to play in determining patronage, see for example Chasin, J (1982)

This observation is not shared for the attitudes towards conventional banking The three customer groups differed significantly on eleven attitudes in Table 70 For these attitudes, the hypothesis that attitudes and banking patronage are independent is rejected

However, the independence hypothesis can be maintained for the attitudes number 2, 9, 12, and 15 in Table 70

The majority of customers reflected positively on the Interest-free banks and held favorable feelings toward them The variation among the three customer groups on the attitude statements was quite limited They attributed nearly the same favorable qualities and dismissed the negative characteristics to the Interest-free banks The majority in the Interest-free banks customer group tended to retain a set of attitudes similar to the Conventional banks group The mix patronage group's attitudes resembled a similar pattern except that they supported the opinion that the Interest-free banks suffered from deficiencies The following provides a categorized explanation of customers' attitudes to Interest-free banks

Attitudes toward Interest-free banks[4]

The majority of I F B s customers **Agree** that I F B s

1 Aids the client in wise use of money (Favorable)
2 Is improving with years (Favorable)
3 Is necessary until a better alternative can be found (Unfavorable) *
4 Is detrimental to society (Favorable)
5 Has more good points than other banks (Favorable) *
6 Gives real help in solving economic problems (Favorable)
7 Is fundamentally sound (Favorable)
8 Is increasing in its value to society (Favorable)
9 Is improving in its services (Favorable)
10 Is not appreciated by the general public (Favorable)

The majority of I F B s customers **Disagree** that I F B s

1 Is entirely unnecessary (Unfavorable)
2 Is too changeable in its policies (Unfavorable)
3 Has always cheated society (Unfavorable)

[4]An (*) means that the three groups of customers differ significantly at p > 0 05 or less on their responses to the attitude statement Eventhough the customer groups differ in their responses for the unmarked statements, the reported differences are not statistically different

4 Must be discarded immediately (Unfavorable)
5 Suffers from defects and deficiencies (Unfavorable)

The majority of C B s customers **Agree** that I F B s

1 Aids the client in wise use of money (Favorable)
2 Is improving with years (Favorable)
3 Is necessary until a better alternative can be found
4 (Unfavorable) *
5 Is detrimental to society (Favorable)
6 Has more good points than other banks (Favorable) *
7 Gives real help in solving economic problems (Favorable)
8 Is fundamentally sound (Favorable)
9 Is increasing in its value to society (Favorable)
10 Is improving in its services (Favorable)
11 Is not appreciated by the general public (Favorable)

The majority of C B s customers **Disagree** that I F B s

1 Is entirely unnecessary (Unfavorable)
2 Is too changeable in its policies (Unfavorable)
3 Has always cheated society (Unfavorable)
4 Must be discarded immediately (Unfavorable)
5 Suffers from defects and deficiencies (Unfavorable)

The majority of the mix group of customers **Agree** that I F B s

1 Aids the client in wise use of money (Favorable)
2 Is improving with years (Favorable)
3 Is necessary until a better alternative can be found
4 (Unfavorable) *
5 Is detrimental to society (Favorable)
6 Has more good points than other banks (Favorable) *
7 Gives real help in solving economic problems (Favorable)
8 Is fundamentally sound (Favorable)
9 Is increasing in its value to society (Favorable)
10 Is improving in its services (Favorable)
11 Is not appreciated by the general public (Favorable)
12 Suffers from defects and deficiencies (Unfavorable)

The majority of the mix group of customers **Disagree** that I F B s

1 Is entirely unnecessary (Unfavorable)
2 Is too changeable in its policies (Unfavorable)

Attitudes toward Interest-free banks[4].
3 Has always cheated society (Unfavorable)
4 Must be discarded immediately (Unfavorable)

Nearly an opposite delineation was revealed with respect to the Conventional banks The divergence of opinions was illustrated by the significant difference in attitudes among the three customer groups The majority of the Interest-free banks customers felt that Conventional banks were unnecessary and had cheated society Therefore they must be discarded immediately with no regard to the losses that might occur This disposition was marked by the perceived disassociation between Conventional banks and any positive attributes except that they were improving with years

The Conventional banks customers portrayed a different account that was less pessimistic and more favorable toward the banks they patronized They thought that their banks did not suffer from deficiencies They agreed with the Interest-free banks customers that Conventional banks were improving with years and had improved services too Even though they disagreed that the banks were fundamentally sound, they thought that the banks helped in solving the economic problems and advised on money management, and therefore, retaining an increasing value to society Probably that was the reason they should not be rejected and to be endured until a better alternative was found

The mix groups position on this matter blended in with the attitudes from the other two groups They associated with the Conventional banks the benefits perceived by the Conventional banks customers, but they shared the resentments of the Interest-free banks customers Like others, they felt the importance of the services the banks facilitated and felt that banks should be tolerated at least until a better solution was found At the same time as they disagreed that the banks were unnecessary, they felt that they had cheated society and should be discarded

In conclusion, the people's attitudes to banking ideologies appeared to be consistent for the Interest-free banks They lost their consistency when the attitudes' subject became the Conventional banks Further more, the customers evidently showed that their attitudes agreed with their bank patronage, i e , the customers attributed positive qualities to whichever bank they were transacting with The attitudes for the customers of the mix group blurred this conclusion however For a classification of customers' attitudes toward Conventional banks, refer to the following illustration

Attitudes toward Conventional banks[5]

The majority of I F B s customers **Agree** that C B s

1 Are improving with years (Favorable)
2 Are entirely unnecessary (Unfavorable) *
3 Are improving in its services (Favorable) *
4 Have always cheated society (Unfavorable) *
5 Must be discarded immediately (Unfavorable) *

The majority of I F B s customers **Disagree** that C B s

1 Aid the client in wise use of money (Favorable) *
2 Are necessary until a better alternative can be found (Unfavorable) *
4 Are detrimental to society (Favorable) *
5 Have more good points than other banks (Favorable) *
6 Give real help in solving economic problems (Favorable) *
7 Are fundamentally sound (Favorable) *
8 Are increasing in its value to society (Favorable) *
9 Are not appreciated by the general public (Favorable)
10 Suffer from defects and deficiencies (Unfavorable)

The majority of C B s customers **Agree** that C B s

1 Aid the client in wise use of money (Favorable) *
2 Are improving with years (Favorable)

[5]An (*) means that the three groups of customers differ significantly at p > 0 05 or less on their responses to the attitude statement Eventhough the customer groups differ in their responses for the unmarked statements, the reported differences are not statistically different

3 Are necessary until a better alternative can be found (Unfavorable) *
5 Are detrimental to society (Favorable) *
6 Have more good points than other banks (Favorable) *
7 Give real help in solving economic problems (Favorable) *
8 Are increasing in its value to society (Favorable) *
9 Are improving in its services (Favorable) *
10 Are too changeable in its policies (Unfavorable)

The majority of C B s customers **Disagree** that C B s

1 Are entirely unnecessary (Unfavorable) *
2 Are fundamentally sound (Favorable) *
3 Are not appreciated by the general public (Favorable)
4 Have always cheated society (Unfavorable) *
5 Must be discarded immediately (Unfavorable) *
6 Suffer from defects and deficiencies (Unfavorable)

The majority of the mix group of customers **Agree** that C B s

1 Are improving with years (Favorable)
2 Are necessary until a better alternative can be found (Unfavorable) *
4 Are detrimental to society (Favorable) *
5 Give real help in solving economic problems (Favorable) *
6 Are improving in its services (Favorable) *
7 Are too changeable in its policies (Unfavorable)
8 Have always cheated society (Unfavorable) *
9 Must be discarded immediately (Unfavorable) *
10 Suffer from defects and deficiencies (Unfavorable)

The majority of the mix group of customers **Disagree** that C B s

1 Have more good points than other banks (Favorable) *
2 Are fundamentally sound (Favorable) *
3 Are increasing in its value to society (Favorable) *
4 Are not appreciated by the general public (Favorable)
5 Are entirely unnecessary (Unfavorable) *

4 4 8 The Influence of the Risk Reduction Activities on the Patronage Behavior:

To control the risks involved in the selection decision, customers bring into the situation some resources in order to either eliminate the decision uncertainty or reduce the seriousness of the risk consequences or both Had they chosen different banking types, the customer groups had been investigated as for the use of these resources Thirteen risk reduction activities entered the analysis for which the following hypothesis summarizes their relationships with the banking patronage

Hypothesis 25: There is no relationship between the risk reduction methods and the banking patronage behavior

This hypothesis was tested and the results are shown in Table 71 The Table compared the use of 13 risk reduction methods among the three groups of customers A Kruskal-Wallis one way analysis of variance was applied and a chi-square test statistic and its significance were reproduced The analysis showed that significant differences existed among the customer groups in their use of risk relievers The Interest-free bank customers had scored highest mean ranks (more preference for disagreement) on all the statements except two Loyalty to the bank and the endorsement by Muslim jurists This observation was reversed for the Conventional bank customers Their scores were the lowest for all the statements except for the approval by Muslim jurists They showed that they had less preferred this method for risk reduction compared to the other groups The people who strongly favored the jurists approval were the customers belonging to the Interest-free banks Hence, significant differences existed among the three groups in the use of eleven out of the thirteen risk relievers applied in this study The groups' responses were homogenous in comparing alternative banks and taking Interest from their bank

Table 71

Kruskal-Wallis one way analysis of variance for the risk reduction methods and bank patronage

Patronage type	Customer group	Mean rank*	Chi-square	Signf
• Loyal to the bank for many years	Mix banks group	159 36	21 67	00
	Conventional banks group	113 55		
	Interest-free banks group	113 81		
• Approved by Muslim jurists	Mix banks group	94 05	19 87	00
	Conventional banks group	121 72		
	Interest-free banks group	79 38		
• Endorsed by banking experts	Mix banks group	141 87	46 90	00
	Conventional banks group	94 28		
	Interest-free banks group	165 02		
• Charges lowest interest on loans	Mix banks group	136 16	34 84	00
	Conventional banks group	96 36		
	Interest-free banks group	156 98		
• Provides best services to the clients	Mix banks group	142 63	31 46	00
	Conventional banks group	109 49		
	Interest-free banks group	163 88		
• Gives highest returns on deposits	Mix banks group	121 42	12 00	00
	Conventional banks group	102 03		
	Interest-free banks group	138 92		
• Join the bank and judges for myself	Mix banks group	105 34	10 88	00
	Conventional banks group	97 80		
	Interest-free banks group	135 47		
• To seek information from advertising	Mix banks group	128 43	15 59	00
	Conventional banks group	103 10		
	Interest-free banks group	147 25		
• Convenient location	Mix banks group	135 49	40 83	00
	Conventional banks group	110 44		
	Interest-free banks group	183 78		
• Feeling of relieve due to the ambiguity of the Interest issue	Mix banks group	128 47	27 28	00
	Conventional banks group	87 95		
	Interest-free banks group	133 71		
• Get a loan from an Interest-free bank if a loan is needed	Mix banks group	70 39	6 57	04
	Conventional banks group	84 29		
	Interest-free banks group	102 91		
• Comparing alternative banks	Mix banks group	125 31	3 48	18
	Conventional banks group	112 96		
	Interest-free banks group	132 13		
• Do not take Interest from the bank	Mix banks group	94 39	61	74
	Conventional banks group	92 68		
	Interest-free banks group	102 53		

* Lower ranks indicate favoring the agree responses

4 4 9 The Influence of Information Adequacy and Needs on the Patronage Behavior·

The amount of information a person has can contribute to the person's understanding of the situation and therefore to the selection decision The knowledge about the banking type, i e , the Interest-free banks and the Conventional banks, plus the supplementary amount of information required to close the gap in the perceived information deficiency were analyzed for the three patronage groups For the groups, it was hypothesized that their information levels and needs were similar as hypotheses 28 and 29 show

Hypothesis 28 There is no relationship between the amount of perceived knowledge about the banks and the banking patronage behavior

Table 72 gives the results of a Kruskal-Wallis one way ANOVA for the responses to the questions about banking knowledge These results revealed that the divergence among the customer groups on amount of knowledge about Conventional banks did not justify a significant difference at $p < 0.05$ Therefore, the three groups were expected to share similar levels of knowledge about Conventional banks The responses to the second query about the knowledge about Interest-free banks, in the second part of Table 72, showed significantly different results ($p < 0.05$) According to the Interest-free banks customers' responses, the Interest-free banks group seemed to posses the highest level of knowledge about their banks (113 54) The mix patronage group came closer to the Interest-free banks customers' ranks by scoring (119 51) The least knowledgeable people about the Interest-free banks operations were the Conventional banks customers (164 28)

Table 72

Kruskal-Wallis one way analysis of variance for the difference among customer groups in information adequacy and needs

Patronage type	Customer group	Mean rank	Chi-square	Sigf
How much do you know about the Conventional banks? *	Mix group	136 07	1 39	0 50
	Conventionals group	151 92		
	Interest-free group	151 45		
How much do you know about the Interest free banks? *	Mix group	119 51	22 00	0 00
	Conventionals group	164 28		
	Interest-free group	113 54		
How much more information do you need, as a supplement to what you already know about banking, for adequately comparing the Conventional and the Interest free banks in terms of their differences and similarities? **	Mix group	161 93	1 56	0 46
	Conventionals group	146 32		
	Interest-free group	148 58		

* Lower ranks indicate favoring the response "I know everything about them"
** Lower ranks indicate favoring the response "I need a great deal of information"

Hypothesis 29 There is no relationship between the required supplementary information for comparing alternative banks and the banking patronage behavior

According to the results in Table 72, this hypothesis could not be rejected The ranks for the mix, Conventional banks, and the Interest-free banks customer groups were 161 93, 146 32, and 148 58 respectively Therefore, the need for more discriminatory information about banks could not be claimed to be contingent upon customer's bank affiliation

4 4 10 The Influence of the Grid and Group factors in the Social Context of the Person on the Patronage Behavior:

Initially, the following hypothesis seeks to establish a relationship between these two factors and the patronage behavior It states that

Hypothesis 31. There is no relationship between the grid and group dimensions and the banking patronage behavior

The testing of the relationship between the grid and group dimensions affecting the individual's life and banking patronage behavior revealed that one had insignificant bearing on the other In a one way analysis of variance (see Table 73), the F statistic for the grid factor was approaching significance only at ($p < 0 1$) Even if this significance level was accepted, the Bonferroni test with significance level of 0 05 could not produce a difference between any two groups The analysis was repeated for the group dimension (see Table 73) Once more, the results failed to confirm the hypothesized expectations of a significant relationship between the group's relational dimension and the patronage behavior Therefore, the hypothesis concerning the grid and group on one hand and the patronage behavior on the other could not be rejected under the prevailing decision rules of significance

Table 73

Analysis of variance for the relationship between the grid and group dimensions of the social context and bank patronage

Social Dimension	Customer group	Mean	Std Dev	F	Sigf
Grid	Mix group	46 51	9 19	2 28	10
	Conventional group	45 34	9 45		
	Interest-free group	42 34	9 34		
Group	Mix group	37 32	11 74	99	37
	Conventional group	39 79	11 85		
	Interest-free group	36 09	12 85		

A more sensitive model was obtained by splitting the grid variable into high grid and low grid respondents This was encouraged by the results in Table 73 and by the significance of the grid relationship with the patronage behavior at $p < 0 1$ The high grid individuals were selected to be the respondents whose grid scores were in the upper quartile of the samples' scores Whereas, the low grid individuals were defined as the respondents displaying lower grid quartile scores This split was adopted because it is likely that the outer scores would produce more significant differences than the adjacent scores The high and low grid scores of the sample were then cross-tabulated with the banking patronage behavior The result of this analysis is exhibited in Table 74

Table 74

Pearson Chi-square test for the relationship between high and low grid respondents and the banking patronage behavior

Customer group	High grid	Low grid	Total	Chi-square	Sigf
Mix	35 0	65 0	100%	6 96	0 03
Conventional	46 8	53 2	100%		
Interest-free	72 0	28 0	100%		

The results showed an interdependence between the grid dimension and the patronage behavior This relationship was significant at $p < 0\ 05$ Unlike the Interest-free banks clients, the low grid individuals constituted a majority among customers in both the mix patronage and Conventional banks groups Conversely, the majority in the Interest-free banks customers were individuals classified as high grid people Thus, the analysis supported the conclusion that high versus low grid people differed in their banking selection

4 4 11 The Influence of the World Views on the Patronage Behavior·

The three customer groups were tested as for how they differed on four world views that mapped four perceptions of the world and society They included the ephemeral, the benign, the tolerant and the random world views in the following hypothesis

Hypothesis 33. There is no relationship between the world views and the banking patronage behavior

A one way analysis of variance was applied to test the world view differences among the bank customer groups The results exhibited in Table 75 showed that no world view was significantly related to the banking patronage behavior, except the ephemeral world view The group membership was significantly dependent on the ephemeral world view alone at p < 0 05 level of significance However, the Benferroni test of the multiple comparison procedure, that tells which pair of groups have different means, could not produce a difference between the means of any of the groups at p < 0 05 significance level

Table 75

A one way analysis of variance for the differences among the customer groups in their world views

World View	Customer group	Mean	Std Deviation	F	Sign
The Ephemeral W V	MIX	13 25	3 99	3 31	04
	CONV	15 76	4 31		
	IFB	14 48	4 58		
The Tolerant W V	MIX	12 00	3 95	21	81
	CONV	12 60	4 02		
	IFB	12 39	4 45		
The Benign W V	MIX	18 33	5 25	90	41
	CONV	20 01	5 29		
	IFB	19 14	5.09		
The Random W V	MIX	13 19	2 52	41	67
	CONV	12 93	3.03		
	IFB	13 41	2.79		

4.4.12 Summary for the Effects of Customer Characteristics on the Banking patronage behavior:

Hypothesis 7: There is no relationship between the demographic variables and the banking patronage behavior.

This hypothesis was confirmed for most of the demographic variables Denominational affiliation stood out as an exception, however The majority of patrons to Interest-free banks and among the mixed patronage group reported saying they were holding a Sunni affiliation The reverse had been reported by the exclusive patrons of Conventional banks who said they belonged to the Shei'at sect

Hypothesis 9. There is no relationship between Riba characteristics and the banking patronage behavior.

This hypothesis was retained for six out of the ten risk characteristics but it was rejected with regard to involuntary exposure, personal relevance, risk control, and risk to future generations The Interest-free banks customers were identified as a group that maintained the highest scores on these characteristics There attitudes were consistent with their position as inclusive customers to the Interest-free banks The attitudes could also be interpreted as disapproving sentiment toward the risks these customers had associated with Conventional banks

Hypothesis 11· There is no relationship between the perception of sin in patronizing a bank and the banking patronage behavior.

Most people believed that Conventional banks patronage was an act conducive of sinful deeds The majority of respondents also believed that doing banking with Interest-free banks was safe enough from the religious point of view The majority of respondents among the three groups showed that they did not perceive a sin in patronizing Interest-free banks The differences between the Conventional banks and the Interest-free banks customers were significant and the differences between the Conventional banks customers and the mix patronage group were significant too Also, the majority agreed that committing a sin should be expected when patronizing Conventional banks The opinions of the Interest-free banks customers and the mix group coincided in an agreement on the possibility of committing a sin for patronizing Conventional banks The Conventional banks customers seemed to have significantly different beliefs from the other two implying their rejection of the notion of committing a sin while patronizing Conventional banks

Hypothesis 12. There is no relationship between the perception of sin in accepting Interest and the banking patronage behavior.

The two parts of this hypothesis were rejected First, the majority of people thought that sin was involved in accepting Interest from a Conventional banks The Conventional banks customers' opinions did not conform with the opinions of the Interest-free banks and the mix patronage customers group Interest-free banks clients and the mix patronage group responded with more agreement than the Conventional banks customers Second, Conventional banks customers showed significant differences from the rest of the groups on statement about a perceived sin in accepting the returns of the Interest-free banks The majority of the Interest-free banks and the mix patronage groups showed preferences towards disagreeing with the suggestion of sin in taking Interest-free banks returns

Hypothesis 14: There is no relationship between the feelings of worry attributed to the type of banking and the banking patronage behavior.

This hypothesis was rejected and a relationship was detected between the level of worrying for belonging to a certain bank and the banking practice that was being patronized The majority of Interest-free banks clients did not worry much about being clients to their banks This observation was not entirely true for Conventional banks customers of whom one fifth endured a lot of worrying for being clients to Conventional banks Evidently, analysis indicated that worrying was less associated with Interest-free banks and it was being experienced more by the customers of Conventional banks Another conclusion was that the high levels of worrying attributed to the type of banking practice troubled more people when the issue was about Conventional banks than when it was about Interest-free banks The people most worried about Conventional banks banking as an active industry were the Interest-free banks and the mix patronage groups of customers

Hypothesis 17: There is no relationship between religious orientation and banking patronage behavior.

The analysis could not support the proposed hypothesis It was therefore accepted The conclusion was Interest-free banks, Conventional banks, and the mix customer groups were unlikely to have different religious value orientations

Hypothesis 19: There is no relationship between the beliefs regarding the risk of Riba and the banking patronage behavior.

This hypothesis was rejected The dominating trend in all the result was that Conventional banks customers were likely to have stronger beliefs of trust in authority, less trust in Interest-free banks, stronger concern for development, and belief in the non existence of Riba in banking practices

Hypothesis 21: There is no relationship between the bank patronage behavior and the attitudes toward Interest.

This was a rejected hypothesis in this study Interest-free banks customers were more anti-Interest than both Conventional banks and the mix patronage customers

Conventional banks customers favored the pro-Interest stance more than the rest of the sample

Hypothesis 23 There is no relationship between peoples' attitudes toward the banks and their bank patronage behavior.

The analysis had shown that only two of the attitudes about Interest-free banks to be dependent on customer patronage behavior Therefore, the hypothesis that the people's attitudes concerning the Interest-free banks were independent on the banking patronage was maintained for the majority of the attitude statements In regard to Conventional banks, the three customer groups differed significantly on eleven out of fifteen attitudes statements For these, the independence hypothesis was rejected and the conclusion was that attitudes and banking patronage were dependent on each other Notwithstanding, the independence hypothesis could be maintained for the following attitude statements The bank is improving with years, the bank is entirely unnecessary, the bank is too changeable in its policies, and the bank suffers from deficits and deficiencies

Hypothesis 25: There is no relationship between the risk reduction methods and the banking patronage behavior.

The hypothesis was rejected for eleven out of the thirteen risk relievers except two items that concerned comparing alternative banks and abstaining from taking Interest from the bank The Interest-free banks customers disagreed on all the statements except two Loyalty to the bank and the endorsement by Muslim jurists Compared to the rest of the groups, Conventional banks customers endorsed nearly all the statements except that they showed they had less enthusiasm for the approval by Muslim jurist The people who most favored the jurists approval were the customers belonging to the Interest-free banks

Hypothesis 28 There is no relationship between the degree of perceived knowledge about the banks and the banking patronage behavior.

The knowledge about Interest-free banks and the banking patronage behavior were related The Interest-free banks group had higher amounts of knowledge about Interest-free banks than the other groups The least knowledgeable people were the Conventional banks customers The hypothesis was therefore rejected The hypothesis of no relationship between the amount of perceived knowledge about Conventional banks and the banking patronage was accepted because the analysis failed to produce significant differences among the three customer groups

Hypothesis 29: There is no relationship between the required supplementary information for comparing alternative banks and the banking patronage behavior

This hypothesis was accepted The customer groups were not different in the amount of information needed to fortify their lack of knowledge necessary for comparing banks

Hypothesis 31: There is no relationship between the grid and group dimensions and the banking patronage behavior.

A relationship was found between the grid dimension and the patronage behavior The people of a low grid profile were a majority among customers in both the mix patronage and Conventional banks groups while the majority of the Interest-free banks customers were of a high grid context Accordingly, the decision to reject the hypothesis was justified and a case of interdependence between these variables was supported On the other side, no relationship was detected between the group dimension and the banking patronage behavior So, the hypothesis of no relationship between the variables was accepted

Hypothesis 33: There is no relationship between the world views and the banking patronage behavior.

Although, the hypothesis was accepted for nature tolerant, nature benign, and nature random world views, it was rejected for the nature ephemeral world view The conclusion was that bank group membership depended on the ephemeral cosmologies of the individual

Table 76 gives a further summary for the hypothesized relationships in this section

Table 76

Bank Patronage and Study Variables Summary of Hypotheses

Hypothesis no	Decision Rule Accept	Reject
Hypothesis 7 There is no relationship between the demographic variables and the banking patronage behavior		
• Gender	✓	
• Education	✓	
• Marital Status	✓	
• Denomination		✓
• Income	✓	
• Age	✓	
• No Of children	✓	
Hypothesis 9 There is no relationship between Riba characteristics and the banking patronage behavior		
• Volunterenes of exposure		✓
• Immediacy of effect	✓	
• Knowledge of effects	✓	
• Personal relevance		✓
• Risk control		✓
• Risk novelty	✓	
• Risk selectivity	✓	
• Risk dreadfulness	✓	
• Risk severity	✓	
• Risk to future generations		✓

Table 76

Bank Patronage and Study Variables Summary of Hypotheses

Hypothesis no	Decision Rule Accept	Reject
Hypothesis 11		
There is no relationship between the perception of sin in patronizing a bank and the banking patronage behavior		
• Committing a sin in I F B s patronage		✓
• Committing a sin in C B s patronage		✓
Hypothesis 12		
There is no relationship between the perception of sin in accepting Interest and the banking patronage behavior		
• Accepting Interest from C B s		✓
• Accepting Interest from I F B s		✓
Hypothesis 14		
There is no relationship between the feelings of worry attributed to the type of banking and the banking patronage behavior		
• Worrying due to belonging to I F B s or C B s		✓
• C B s industry as a source of worry		✓
• I F B s industry as a source of worry	✓	
Hypothesis 17	✓	
There is no relationship between religious orientation and banking patronage behavior		
Hypothesis 19		
There is no relationship between the beliefs regarding the risk of Riba and the banking patronage behavior		
• Denial of risk		✓
• Concern for development		✓
• Trust in authority		✓
• Trust in I F B s		✓
Hypothesis 21		
There is no relationship between the bank patronage behavior and the attitudes toward Interest		
• Anti Interest Attitudes		✓
• Pro Interest Attitudes		✓
Hypothesis 23		
There is no relationship between peoples' attitudes toward the banks and their bank patronage behavior		
• Attitudes to I F B s	✓	
• Attitudes to C B s		✓

Table 76

Bank Patronage and Study Variables Summary of Hypotheses

Hypothesis no	Decision Rule Accept	Reject
Hypothesis 25 There is no relationship between the risk reduction methods and the banking patronage behavior		
• Approved by Muslim jurists		✓
• Endorsed by banking experts		✓
• Feeling of relieve due to ambiguity of the Interest issue		✓
• Do not take the Interest from the bank	✓	
• Endorse the bank charging lowest Interest on loans		✓
• Endorse the bank giving highest returns on deposits		✓
• Convenient location		✓
• Provides best services to the clients		✓
• Get a loan from an Interest-free bank if a loan is needed		✓
• To seek information from advertising		✓
• Join the bank and judge for myself		✓
• Comparing alternative banks	✓	
• Loyal to the bank for many years		✓
Hypothesis 28 There is no relationship between the degree of perceived knowledge about the banks and the banking patronage behavior		
• C B s	✓	
• I F B s		✓
Hypothesis 29 There is no relationship between the required supplementary information for comparing alternative banks and the banking patronage behavior	✓	
Hypothesis 31 There is no relationship between the grid and group dimensions and the banking patronage behavior		
• Grid		✓
• Group	✓	
Hypothesis 33 There is no relationship between the world views and the banking patronage behavior		
• Egalitarian		✓
• Fatalist	✓	
• Hierarchies	✓	
• Individualist	✓	

4 5 PART 5 DISCUSSION OF FINDINGS

The purpose of this study is to determine the effects of the perceived risks on the patronage behavior and to understand how the perceived risks and the bank selection are influenced by customer characteristics The medium for the investigation has been a series of hypothesized relationships in the context of a controversial problem in the Islamic banking industry, the prohibition of Interest according to the Islamic juridical law, which is rarely a matter of investigation from a consumer behavior perspective The themes of the inquiry have paralleled other research on environmental or technological risk perceptions and the conventional research on risk perception in the consumer behavior discipline The results in the previous analysis have demonstrated that there is evidence for interaction between the risk perception and the Interest-free banks and Conventional banks patronage as well as influences on both variables, the perceived risks and banking selection, by a host of consumer characteristics The results of the previous analysis will be commented upon in this section

4 5.1 Risk Perception and Banking Patronage:

The perceived risk involves elements of uncertainty and consequences The importance of the consequences to bank customers has been demonstrated by previous research on bank selection criteria For example, customers value loan availability, employee competence, banking hours, progressiveness, loan interest rates, location, and speed of service, Durand et Al (1978) They value financial soundness, accuracy, and convenience, Riggall (1980) The present study has demonstrated that these variables have represented a performance dimension in the perceived risks concept Other variables important to the Muslim customers are Interest-free transactions and operations according to the business laws of Islam which has been represented as an ethical dimension in the perception of risk Parts of the ethical risks dimension, i e the perceived ideological and psychological risks have significantly discriminated between three patronage groups The perceived risk of Riba has come to be the highest risk in Conventional banks, an ethical risk In Interest-free banks, the highest risk was the perceived financial risk due to incompetence, a performance risk Despite Erol and El-Bdour (1989) claim that religious motives were not important in Interest-free banks selection, the present results has shown that the ethical or religious concerns are of prime importance in differentiating among bank customers

4 5 2 The Demographic Variables:

Laroche et al (1986) study on bank selection criteria determined that lower income customers favored such factors like bank proximity to home and making of less trips to their banks, thus emphasising importance of convenience, while higher income customers emphasized wider range of services, credit and financing facilities, and clossenes to work But Grimm (1974), who sought to determine which bank selection factors were important, found that age and income were weak predictors of bank characterstics Also Mason and Mayer (1974) found little differences between high and low income account holders on importance of bank locational convenience and friendly personnel Incidently, these two factors were ranked highest among bank selection criteria Lower income people were different from higher income customers on influence of relatives, advise from friends, and favorable loans The higher income customers ranked favorable loans higher

In this study, the perceived performance risk consists of a number of risks that all relate to bank performance like the perceived time and convenience loss or the expectations of inferior services The perceived performance risk has correlated positively with Age and income and negatively with the number of children For the number of children, Cunningham (1967) found that there was an inverse relationship between the number of children and perceived risk for certain products Similar relationship was found in this study Those with no children experienced higher amounts of perceived performance risk than those with one child or more

The three variables (income, age, number of children) are related to each other in some way It has been noted earlier that job seniority corresponds with the number of years in the teaching profession, and as people grow older, they establish families and raise children Generally, this usually means that higher salaries are associated with older age and more children The observed relationship may exists because as consumers gain more income and grow older, they tend to maintain higher deposits or savings with their banks than their younger collegue teachers Thus, because of their higher stakes, they have more to lose if banks do not operate as they expect them to perform

Despite the evidence that the perceived envirnmental risks vary with the variation in the demographic variables, no such results were confirmed here in regard to the perceived ethical risks The outcome of the analysis for the influence of the demographics variables on the selection of Conventional banks and Interest-free banks, the expected risk, indicated that all of these variables, and apart from the denomination categories, were not of an apparent influence on the selection of a financial institution There was a visible tendency for the clients of Interest-free banks to be Sunni's An opposite pattern appeared for the Conventional banks that had a Shei'at customer base More than two thirds of the respondents who reported that they were patronizing both banks belonged to the Sunni's sect By contrast, less than ten percent of the customers who had done their banking with Interest-free banks were Shei'at Overall, the distribution of the data by religious denomination groups indicated that the Interest-free banks were appealing more to the Sunni clientele

The extent to which culture has been observed to affect customer behavior was reported by Foxall and Goldsmith (1994) The social behavior of subcultural groups was described as being composed of specific factors held in common by group members These were listed as including shared values, language, religion, and other forms of behavioral expectations They proposed that, by studying the consumer behavior of cultural groups, a clear pattern of cultural expectations relative to that particular market segment would emerge Other research had shown that ethnicity had an influence on a number of variables related to the consumption patterns For example, Hoover et al (1978) studied differences in risk perception for American and Mexican customers and found that significant differences existed between the members of the two samples in the perceived risk levels where the Mexicans reported lower levels of the perceived risk The researchers also found that Mexicans had higher brand loyalty for the grocery products covered in the study Another research by Wallendorf and Reilly (1983), who searched garbage bins for traces of meat, eggs, bread, and other edible items, indicated that the consumption patterns of the Mexican Americans were different from patterns of consumption of both White Americans and Mexicans Other research by Valencia (1989) on value orientation differences between Mexican and White Americans reported results confirming the hypotheses of the study that there was indeed differences between the ethnic groups involved on the Rockeach value survey Such propositions by previous studies on the influence of ethnic subcultures were supported by the results in this section with regard to the effect of customer identification with a particular sect or denomination on the their banking selection

Today, the natives in Bahrain are divided into two main Islamic sects, the Sunni and Shei'at Muslims At present, the exact number of either sect remains unknown The Sunni government census dropped the items regarding religious denominations to which individuals were affiliated for political reasons, a matter that may indicate that the number of Shei'at exceeds the number of Sunni There is little known about the extent to which Sunni and Shei'at are differential users of specific products or services Research in this area is lacking so there is no literature to contrast the present significant finding with Considering that Shei'at have there own points of religious reference that sometimes differ greatly from their Sunni counterparts, one can only speculate that Shei'at may not be religiously impressed by Interest-free banks concept that first emerged in the "Sunni" Egypt

4 5 3 Risk Characteristics of Riba:

The analyses confirmed the hypothesis of no association between many risk characteristics and the perceived performance and ethical risks An exception applied to the three characteristics of risk severity, dreadfulness, and threat to future generations for which the hypothesis was refuted only with regard to the ethical risk Lack of a relationship was maintained for the rest of the attributes The second hypothesis of no relationship between the banking patronage behavior and the risk characteristics of Riba could not be substantiated for four out of ten characteristics The customer groups differed on volunteraness of exposure, personal relevance, risk control, and risk to future generations The common factor that correlated both with this risk perception and the banking patronage was the risk to future generations The absence of variation among the three groups was observed for the rest of the attributes

Slovic, Fischhoff, and Lichtenstein (1980, 1981) who studied the factors influencing risk perceptions for various technologies found that people's perceptions of the magnitude of the risks were influenced by the perceived risk characteristics Generally, the risks perceived to be under individual control were more acceptable than risks perceived to be controlled by others, risk perceived to be statistical were more accepted than risks perceived to be catastrophic, risks perceived to effect adults were more accepted than risks perceived to effect children, risks perceived to be dreaeded were less accepted than risks arousing little fear, risks perceived to be severly fatal were less accepted than risks perceived to be benevolent, people who perceived themseleves at the mercy of the risk accepted the risk less than the peopel who thought they were at a safe distance from it, and voluntary risks were more accepted than risks perceived to be imposed

The analysis found that perception of risk's severity, dreadfulness, and threat to future generations intesified as the perceived ethical risk increased No variation with the perceived performance risk was noticed The risk volunerness was not significantly correlated to the perceived ethical or performance risks but the Interest-free banks customers, more than the other patronage groups, perceived the exposure to the risk of Riba to be voluntary Likewise, they thought it resembled a threat to future generations, could be avoided and and they were not at risk of being affected by its consequences Even though these results are not consistent with previous literature, the Interest-free banks customer perceptions were consistent with their patronage to Interest-free banks as people who did not accept the Conventional banks along with the risks they associated with it Their position was that they had chosen to patronize Interest-free banks because the risks were voluntary and avoidable Therefore, they had removed themselves from its mercy but it still was going to pose trouble for future generations The Conventional banks and the mix patronage groups viewed their situation differently Contrasted with the Interest-free banks customers, they understood that they were exposed to an involuntery risk that they could not control or avoid because there was lack of alternatives which made their actions void of choice In their opinion, future generations were not threatened but they, themselves, were at risk

<u>4 5.4 The Perceived Sin:</u>

Sin is often connected with immorality and could be defined as transgression of the Law or the Will of God, Scobie (1975) Such transgression normally means acting contrary to the norms of the society Sin is associated with guilt which is a feeling experienced after committing a sin if the person expects the consequences to be unpleasant, Scobie (1975) These unpleasant consequences could include attitude changes toward the person by important others or psychological distress Generally, high levels of guilt could be experienced if the person violates societal ethics and moral behavior By means of this construction of sin, bank patronage could be viewed as a way to either alleviate the experienced guilt or as a mean to avoid social stigmatization Either way, sin perception is closely connected with the perceived ethical risk and the findings of this study confirmed it Committing sin by the use of banking was a matter more applicable to Conventional banks than Interest-free banks The Interest-free banks customers responses had a pattern that was close to that of the mix group, and both differed significantly from the Conventional banks customers' answers Interest-free banks and the mix patronage groups agreed more than the Conventional banks customers with the claim that customers might commit sins if the customers patronized Conventional banks or if they accepted the interest accruing to the Conventional banks accounts On the other hand, the two groups disagreed, more than the Conventional banks customers, on the likelihood of committing sin for patronizing Interest-free banks or getting interest payments from them The perceived sin in Conventional banks was also responsible for a significant difference in the magnitude of the perceived ethical risk The customers who perceived the highest ethical risk strongly agreed on the possibility of committing sin because of accepting interest from Conventional banks Similarly, the customers who perceived the lowest magnitude of the ethical risk strongly disagreed with the possibility of committing sin by patronizing Conventional banks

4 5 5. Worrying:

Taylor (1974) linked anxiety with the perceived risk in consumer behavior although he had not followed it up with an empirical confirmation Breznitz (1971) explained that uncertainty was stressful in its own right, and the higher the uncertainty about the consequences, the higher the worrying involved in the situation The present study has found evidence linking the two constructs The Interest-free banks customers who perceived higher ethical risks worried little about being clients to Interest-free banks Conversely, Conventional banks clients who perceived higher ethical risks worried a lot for being clients to Conventional banks Opinions on industry wide practices provided evidence linking worrying concerned with Conventional banks practices and the perceived ethical risk, i e , customers who perceived higher ethical risk scored high on the worrying scale Moreover, for being a customer of Conventional banks, the clients showed more worrying than displayed by clients of Interest-free banks but the Conventional banks clients worrying levels, about the Conventional banks industry as whole, were less than these expressed by the Interest-free banks and the mix patronage groups Worrying could result in a change of attitude as noted by MacGregor (1991) that, although the more the individuals felt they were helpless in confronting events, the more they were worried, worrying could function as a motivation to take action against the source of worry

4 5 6 Religious Orientation:

Yavas (1988) in a study that compared bank account holders and non holders speculated that religious views and beliefs hamper the diffusion of modern banking among the people of Saudi Arabia Parallel to this, Delener (1990) reported that level of religious orientation of her sample affected the level of risk in a purchasing situation (cars and ovens) By contrast, the apparent absence of a relationship between religious orientation and the patronage behavior supported a similar finding in the Jordanian context that found religious motivation to be an insignificant primary criterion for the selection of Interest-free banks' services, Erol and El-Bdour (1989) Yet, this finding might support the interpretation that the Interest-free banks were probably able to gain the trust of a wide spectrum of people including the religiously uncommitted But, this explanation might account for the missing relationship between the religious orientation and bank patronage However, it was not adequate enough to justify the lack of relation between the perceived risk and religiosity Alternatively, one might deduce that the dedicated Muslims were not conscious about the risks involved in patronizing Conventional banks, and therefore continued their patronage, which might sound contradictory at first until one remembers that Shie'at customers were a majority within Conventional banks in the present sample This interpretation becomes more likely because Shie'ats apparently have different understanding as to what stands as the sanctioned and the prohibited in Islam

4 5 7 Risk Beliefs:

Risks perceived to be generated by a trusted source are more accepted than risks perceived to be generated by an untrusted source, Fischhoff et al, (1981) The current results had shown that the perceived risks and trust were inversely related As trust in the banking supervisory institutions increased, the perceived ethical and performance risks declined This finding indicated that trust had an effect on the perceived risk in the banking context in a way that followed a similar pattern to that found in the environmental hazards field It corresponded to the results that trust in authority could influence the public perception of risk found for example by Flynn, et al (1992) who studied the determinant factors in influencing the opposition to a radioactive waste repository in Nevada, USA They found that the perceived risk and trust in the repository management were strongly and inversely related

The evidence showed that bank patronage was contingent on trust and on the way banks were perceived in relation to Riba More than any other group of customers, the Conventional banks clients held the strongest trust in regulatory authorities and the weakest trust and confidence in Interest-free banks commitment to the Islamic principles and policies in banking By contrast, the Interest-free banks clients group showed that they had invested significantly more in trusting that their banks were abiding by the Islamic regulations in their financial practices They also had the least confidence in the regulatory authority This observation was supported by others like Bord and O'Connor (1990) who reported that trust in business and industry and the government regulators was the major indicator of irradiated food trying behavior Gardner, et al (1982) in studying personal action for or against nuclear power found that the degree of self-reported action was systematically correlated with the confidence in various risk-management institutions and organizations

The issue of concern for development shared an inverse relationship with the perceived ethical risk in banking in this study The people who tended to perceive lower ethical risk tended to be the people who did not see the Interest-free banks as a catalyst for economic development On the contrary, they were disposed to view it as a hindering element that might jeopardized the benefits that were realized through the present banking regime By contrast, the individuals who perceived higher ethical risks seemed to disagree on the possibility of negative economic implications that might be associated with a wider expansion of Interest-free banks in the society The results also showed that the Conventional banks' customers shared the concerns for loss of development significantly more than the clients of the Interest-free banks

Fischhoff et al (1981) noted that risks perceived to have clear benefits are more accepted than risks perceived to have little or no benefits The benefits associated with an advanced banking industry range from increased employment, the purchase of goods and services from the local firms, tax revenues, insurance, to the difficult to measure returns such as higher standards of living and a better quality of life This relationship between the perceived risk and the perceived returns or the costs-benefit perceptions of alternative solutions observed here had been cited by other research in the area of technological hazards For example, Mishan (1981) suggested that hazardous facilities would be supported by the public as long as the benefits sufficiently exceeded the risks The customers who accepted I F banking and who had higher risk levels seemed reluctant to accept that the Interest-free banks, as alternatives to the present banking system, might undermine the developments' benefits gained from it Flynn, et al (1992) showed that the perceived economic loss of tourism to the State of Nevada, made the Nevadan residents highly critical to the proposed nuclear repository in their locality This is similar to the position of the Conventional banks clients who thought that the significant economic development gains might be threatened if a serious departure from the current situation of Conventional banks dominance happened

The denial of the risk, or the refusal to admit to its presence in the banking environment had been observed here to be positively related to the perceived ethical and performance risks The customers who had a high feeling of ethical risk were more likely to acknowledge the risk This relationship was not so strong with the performance risk although it shared a similar direction

The acceptance of the risk expressed in bank patronage was also significantly related to the denial of its presence Conventional banks customers had scored lowest on the denial scale Compared to the other two clientele groups, they distinctively denyed the risk and did not see enough reason to discontinue the patronage of their current banks The Interest-free banks clients refused to deny the presence of the risk Therefore they scored the highest on the denial scale Many people who endorsed Conventional banks felt comfortable with the assertions that "Interest is not Riba but a service surcharge" Or that they might reasoned that "Banking Interest is a permitted activity in Islamic business laws" The individual in these cases might be envisaged to offer an escapist route to maintain his or her system of beliefs This rationality was capable of offering the person the assurance and the comfort to proceed with the elected way of life and to protect against others criticisms and interventions During the focus interviews, some participants reasoned that the important elements needed to complete a Riba transaction were missing For example, they claimed that the client entered a contract with the bank upon the initiation of an account whereby a prerequisite of a fixed return was not specifically demanded by the client The customer motives for opening an account in this case were not induced by the intention to invest, as much as by the intention to keep the money in a secure place The Interest accruing to the account was therefore viewed by the client as an unsolicited monetary contribution from the bank that resembled a gift bearing the bank's appreciation The Conventional banks customers were apparently escaping the problem by manipulating the definition of Riba to accommodate for their interests Research on personality has established that individuals can be involved in counterfactual thinking by envisioning scenarios made up as alternatives to factual or causal thinking, Wells et al (1987) Eventhough people know that Riba is related directly to violation of religous teachings, they may find comfort in envisioning cases of people who are safe and sound, enjoying the wealth they earned from sources related to Riba Some interviewed participants reasoned that the Interest banks' charged on their loans or the Interest they let on deposits protected the value of money against monetary devaluation due to time and inflation That could not be linked to the issues of Riba and particularly applied to banks that charged "moderate" Interest rates on loans Besides, others maintained, that as long as the banks operated in Islamic countries, or they operated with funds of which the majority of it belonged to Muslims or Muslim governments, then the association of Interest giving or taking practices of the local banks with the issues of Riba was an invalidated argument[6]

4 5 8 Attitudes to Risk:

These relationships demonstrated that, on the societal level, the advocates of societal risk taking perceived lower ethical risk than the peopel who showed higher risk levels In addition, Conventional banks customers had demonstrated that they favored a risk taking position as long as the Interest in banking presented them with the opportunities to advance and prosper In a distinct contrast to them, the Interest-free banks customers viewed Interest as a major threat to society and rejected the proposition that it could be a potential vehicle for progress and development

[6]Views expressed by participants who patronized Conventional banks in focus interviews

These observations were consistent with the conclusions reached by others on the relevance of the perceived benefits to the perception of risk The studies that asked people to judge the risks and benefits across a number of hazards had consistently found an inverse relationship between the perceived risk and perceived value, Alhakami and Slovic (1994) For example, Fischhoff et al (1978) found on the examination of the perceived risk for thirty technologies that the lower the perceived risk, the greater the perceived worthiness, and vice versa Similar conclusions were reported by Slovic et al (1991) who found that the perception of risk was inversely related to the perceived value of prescribed drugs in Canada In Germany, the green ecological movement began as a handful of dissenters who doubted the benifits of unlimited growth in the society, Himmelweit and Gaskell (1990) The finding related to Riba in this study reinforced these results and showed that they were supported in the banking environment too For the concerned, Interest in banking is perceived as a wreaking havoc, while for the less concerned the Interest is viewed as presenting chances for gain and progress, and, perhaps, the attepts to eradicate it are viewed as potentially reducing the values gained from increasing the standards of living

4 5.9. Attitudes Toward the Banks:

The interaction of Conventional banks and the Interest-free banks in Bahrain resulted in a situation whereby ideologies compete to win the confidence of a small market The image of banking has undoubtedly been affected by this struggle of ideologies and by the Islamic teachings that made some participants view Interest, and its supporting institutions and agencies, as an evil threatening people and society

Through their experiences, customers have formulated different subjective expressions of the competing banks and their operating philosophies For the banks, these expressions may be as important consideration in branding because bankers are dependent on the confidence of the public, who frequently use their limited knowledge and experiences of banking operations to evaluate the banks The perceived risk and banking patronage are variables that affect the banking image and get effected by it The customers who perceived higher ethical risks attributed positive qualities to the Interest-free banks and negative qualities to Conventional banks Whereas, the customers who perceived lower ethical risks ascribed positive characteristics to Conventional banks and negative ones to Interest-free banks Additionally, the patronage has an effect on the image customers have formulated about the Conventional banks For example, the Interest-free banks patronage group has been skeptical about Conventional banks positive attributes and found Conventional banks to resembles negative characteristics Contrary, the Conventional banks customer group has held a favorable image of their banks and attributed less negative qualities to them

4 5 10. Knowledge:

The lack of the relevant knowledge is the most important determinant of the process of search for more information, Punj and Staelin (1983) The amount of knowledge which the customers command about the alternative banking systems may be helpful in anticipating the likelihood that the customers will search the environment for new information during decision making This is because information search is less likely when consumers perceive themselves as possessing adequate amounts of information, Engel et al (1990) Consumers commanding high levels of relevant knowledge may need to undertake low search activities because they can rely on their own reserve of information By contrast, consumers possessing limited knowledge may feel incompetent to undertake an elaborate search and analysis Instead, they may try to solve their consumption problems by relying on advice from others The search for more information is affected by consumer's uncertainty about which alternatives to choose given their available features, the importance of the features, and the performance of the alternatives, Urbany et al (1989) Wilton and Passemier (1981) found higher levels of information influenced consumers' evaluations of products by reducing the uncertainty of their perceptions of the products Despite its importance, Riggall (1980) found that pre-knowledge about the banks did not show evidence of being a major element in bank selection

From a different viewpoint, Graumann and Kruse (1990) argued that the media contributed to a large extent in arousing the sensitivity by which people perceived their natural environment The media stories about accidents and catastrophes from oil spills to ozone depletion have raised people's awareness about accidents occurring around the world and have brought to people's senses that accidents are more common than otherwise thought to be Effectively, what the media has accomplished successfully, apart form creating anxiety and sometimes panic, is educating people about the risks involved in the daily life Without such knowledge, people might have neither been aware of the traumatic experiences of others nor learnt about the possible causes behind them Therefore, the people's increased knowledge about the environment, facilitated by the media in this case, contributed to a growth in their awareness and perception of risks In this study, as customers' knowledge about Conventional banks increased, their perceptions of the performance risks increased too However, an increased knowledge about Conventional banks brought about a reduction in the perceived ethical risks whereas higher needs for more information about the differences between Conventional banks and Interest-free banks have been associated with higher ethical risk perception Moreover, The amount of knowledge has influenced the patronage variable whereby Conventional banks customer group has the least amount of knowledge about the Interest-free banks

4.5 11 Grid-Group and World-Views:

The pressure on an individual to confirm with the norms of the groups comprising important others seems to exerts some influence on the way people select their banks This supports the results reported by Yavas (1988) on the effect of interpersonal influence on bank patronage He found that the bank account holders, compared to non account holders, scored higher on the interpersonal influence dimension In our case, the persons who were under strong social prescriptions were more likely to choose Interest-free banks than Conventional banks But a social context of a high or low behavioral regulation did not necessary imply that the individual was likely to have a correspondingly higher or lower risk perception On the other hand, the perceived risk of Riba and the risk taking behavior as approximated here by banking patronage could not be claimed to be dependent on group bonds That is, whether the person was strongly or weakly integrated in a group of friends or family had no effect on his or her perceived or accepted risk of Riba

Equilibrium is a fundemental quality in the Muslims' way of perceiving the relationship of human beings to the universe as a whole Harmony and balance have been major characteristics of beliefs that could be very clearly seen in instances of Islamic arts and architecture This awareness of equilibrium indicates a perceived interrelatedness of forms and parts to the whole that should be preserved in the societal systems as well as in the systems of man, nature, and society, McDonough (1984) This is point of ethics that might explain the results obtained in this study with regard to the person's world views The results indicated that egalitarians view of the world was inversely related to the perception of the perceived ethical risk This world view was associated with higher perceptions of the risk than the other world views This result might be attributed to the idea that people who embraced a benign view of nature would associate greater dangers with the banking system They believed that societal systems were vulnerable and people would easily inflict harm upon their fragile existence In this sense it might be said that the benign world view contributed to predicting the perceived ethical risk and banking patronage better than any other world view

The lack of correlation between the perceived risks and the hierarchists and individualists world views could be explained by recalling that these two world views shared more optimistic impression of how the society functions Hierarchists believed that risks could be managed by experts in a way that improved life Individualists saw society as a system of unlimited capacity that could absorb and overcome the risks of the present world Fatalists thought that the world was random consisting of chains of lotteries that could not be predicted and the implications of risks on the society's' systems could not be known with any degree of accuracy

4.5.12. Risk Reduction Activities:

Roselius (1971) noted that loyalty and buying the major brands were significantly favored to reduce all types of losses In a study by Derbaix (1983), loyalty was not supported as a favorable risk reduction method for all the products he had investigated Mitchell and Greatorex (1994) tried to investigate the possibilities that the relations between the risk relievers and the perceived losses were not product specific but their data failed to support their hypothesis In another study, Mitchell and Greatorex (1992) noted that the use of risk relievers varied with the type of services For example, for the services they investigated, loyalty came first for hairdressing, restaurants, and fast food, but it came the second for sport centers and it was less useful for banking In this study, loyalty came the second favorite after the choice of banks for quality of services Selecting banks for their convenient locations came to be the third preferred activity consistent with others findings like Riggall (1981) who reported that nearly three quarters of his sample selected a bank based on locational convenience Additionally, the perceived ethical risks have influenced the choice of eight relievers whereas the perceived performance risk influenced one Higher perceptions of the ethical risks associated with consulting the Muslim jurists' advise and abstaining from taking the Interest from the banks Likewise, higher perceived ethical risks associated with weaker agreement with experts opinions, feeling relieved because of the ambiguity of the issues, and four relievers linked with bank performance and quality of services For the perceived performance risks, agreements with the suggestion to get loans from Interest-free banks, if loans were needed, were stronger for the customers who perceived higher performance risks The differences concerning the use of relievers among the patronage groups were all significant apart from two, i e , the comparison of alternative banks and the abstinence from acquiring the Interest form them

CHAPTER 5: SUMMARY AND CONCLUSION

5 1 INTRODUCTION

5 2 SUMMARY OF RESULTS

5 3 RESEARCH CONTRIBUTION

5 4 RESEARCH LIMITATION

5 5 AREAS OF FURTHER RESEARCH

CHAPTER 5

SUMMARY AND CONCLUSION

5 1. INTRODUCTION:

Towards the end of the century, groups of Muslims around the world had started to realize that their lives had become contaminated with moral impurities One of the causes and main sources of concern was the use of Riba that had penetrated into Muslim's economic lives through banks Riba was an issue that had been prohibited by Islam and all Muslims had been cautioned against using it It had been distinguished as an anti-Islamic and unethical practice that had accumulated to unacceptable levels in the business community Muslim jurists and economists started to feel that a solution to the interest problem in banking should be invented, and eventually they resolved to creating an alternative banking that was based on profit and loss sharing principles Muslim jurists proceeded to warn against using Riba and presented the issue as a serious offence to the teaching of the religion that was threatening individuals and communities with the possibilities of being scourged, sooner or later, with divine punishments This situation presented Muslims with an ethical dilemma and effectively placed them in an ethical patronage position where they had to choose among ideologically different options, that not only differed in their business philosophies and practices, but also on their perceived business risk loading too In doing their routine banking transactions, customers had to come to terms with the consequences of two risks Risking their religious convictions to unethical banking or risking their convenience, time, services, and perhaps their money to a novel and somewhat inexperienced model of banking

Realizing that the risk of Riba in banking provided an attractive opportunity for studying public perceptions of risk, and recognizing that a shortage of research existed in this area, it was decided to study the risk perception (ethical and performance) and patronage and a host of attitudinal and behavioral correlates in banking among the Bahraini customers with the expectation that the publics' reactions and perceptions of risk in banking could be predicted In fact, it was found that the appropriateness of individual reactions and perceptions to Riba could be, to some extent, queried based on respondents' answers to a survey inquiry Following an initial qualitative investigation, the study polled a randomly selected sample of customers from the population of Bahraini teachers Questionnaires were distributed to 400 teachers of which 327 were retained as usable data for further analysis In order to obtain an in depth understanding of the customer, the respondents were grouped based on their bank patronage behavior and then the groups were profiled with respect to the relevant variables of interest In correspondence with the typical risk research found in the literature, the customers of commercial banks were tapped on the type of risks they felt Through this endeavor, novel risks of ideological and religious nature pivoted around a common dominator of ethics that concerned threats to ways of life the people wanted to live were uncovered These were new risk types that extended the perceived risk research to the perceived ethical risk in consumer behavior Of particular importance to this inquiry, several findings were reported about the risk of Riba for the first time First, the data presented in the current study showed that Riba was an issue about which many Muslims were still confused despite the fact that the Muslim jurists produced accumulated evidence that linked interest to Riba and therefore depicted it as a risk to whole communities of Muslims Second, the public reaction to it ranged from indifference to anxiety and this should have serious implications for banking patronage Third, risk of Riba posed a serious threat but was essentially under individual control, it was up to the individual customer to remedy it in his or her life The study also evaluated many general areas of public concerns to Riba like the emotional reactions, the banking patronage, and various relevant attitudes and beliefs Data used to predict bank patronage and perceived ethical and performance risks included attitudes, beliefs and world views, worrying, sin, religiousness, Riba characteristics, perceived banking knowledge, social contexts, and the risk handling activities Taken individually, each area provided insight into a part of the customer's banking behavior in general and the ethical and performance problems pertaining to it in particular Through the utilization of descriptive and univariate statistics, factor analysis, analysis of variance, and discriminant analysis, thirty three hypothesis were investigated The rest of the chapter will discuss the conclusions of these hypothesis and their implications on the study's objectives, their contribution are presented besides suggestions for further research

5 2. SUMMARY OF RESULTS:

This study was set out to initiate an exploration into the correlates effecting the behavioral tendencies in banking patronage of Muslim consumers by examining two major objectives during the course of this research The objectives which were outlined above are restated here as follows

- To determine the effects the perceived risk have on the patronage of Conventional banks and Interest-free banks in Bahrain

- To determine the influence of cultural, attitudinal, psychological, social, and demographic variables have on the behavior of perceived risk and on bank patronage behavior

After a review of the appropriate literature, five hypotheses were proposed to guide the investigation of the effects of the perceived risk on the patronage of Conventional banks and Interest-free banks (1st objective) These are restated here

- Hypothesis The customers' ranking of the perceived risk types is similar for Conventional banks and Interest-free banks
- Hypothesis There is no relationship between the banking patronage behavior and the perception of risk types
- Hypothesis No specific risk type can discriminate among the group of bank customers in terms of the patronage behavior
- Hypothesis The performance and ethical risks are perceived by the public in equal amounts
- Hypothesis The three bank customer groups perceive the ethical and performance risks in equal amounts

The outcome of each hypothesis enforced the outcome of the rest and led to the conclusion that there is indeed a relationship between risk perception and banking behavior This inference was not widely shared, however, because Morris et al (1994) had the opinion that risk perception does not necessarily forecast judgments about a product's use, or bank patronage in the present case They quoted Oglethorpe and Monroe (1987) for implying that a limitation of the risk research has been the failure to distinguish clearly between the perceived risk as beliefs about product's hazards as measured on a series of perceptual dimensions, and the risk acceptability as the interpretations of the risk beliefs leading to a decision and behaviors By incorprating the behavioral dimension through the use of banking patronage, the design of this study made it possible to overcome such limitations

The banking performance concerns which were proposed at the outset of the study (especially these pertaining to the Interest-free banks' novelty and inexperience like the inferior returns and services besides loss of time and money) were found to rank highest among the perceived risks in Interest-free banks The risk of Riba and the concerns for loosing financially because of Riba, both were ethically induced, were among the first concerns in Conventional banks In fact, the data had shown that all the perceived risks in Conventional banks, with the exception of the perceived risk of inferior returns and loss of time, were significantly higher than their countering risks in Interest-free banks Contrary to the held expectations, these findings led to the conclusion that the consumers had associated higher risk levels with Conventional banks than with Interest-free banks Furthermore, after the results of the factoring procedure, the customers had also demonstrated that customers held higher levels of the perceived ethical risk than the perceived performance risk within the banking context The perceived ethical risk had posed a threat to the Interest-free banks customers more than all other groups, and had shown particular agitation to the perceived risk of Riba in Conventional banks as well as to the perceived psychological and ideological risks, and the physical and financial losses that might have been incurred for reasons of Riba related to Conventional banks Of particular importance in significantly discriminating among the banking patronage groups were the two ethically connected risks in Conventional banks and in Interest-free banks, the perceived ideological and psychological risks The first risk referred to the violations of one's principles and own way of life resulting from engaging in Riba and the second involved the emotional strain emitted from the engagement in activities related to Riba These two risks among others were highly correlated with a distinctive factor representing the perceived ethical risk in banking Specifically, the study had underlined that consumers deliberated the ethically prominent issue of Riba as well as performance concerns throughout their banking patronage experience These concerns were manifested in the impression customers gave about their perceived ethical and performance risks by a factoring procedure that was run on 20 perceived risks in both Interest-free banks and Conventional banks The fact that the two resulting risks were perceived in different amounts by customer groups showed their particular uniqueness and effect on patronage behavior Notwithstanding, no one performance related risk was distinguished as important in differentiating between the types of banks' groups

For determining the influences of several cultural, attitudinal, psychological, social, and demographic factors on the behavior of perceived risk and on bank patronage behavior (2nd objective), ten sets of variables containing elements applicable to the banking experience and the social and psychological context of the consumer were tested using a series of statistical tests Each set of variables was tested for relationships with the two factors Perceived risks (ethical and performance) and banking patronage (Interest-free banks, Conventional banks, and the mix groups of customers) The hypotheses are repeated for both the perceived risk and banking patronage

- Hypothesis There is no relationship between the demographic variables and the perceived ethical risk, the perceived performance risks, or the patronage behavior
- Hypothesis There is no relationship between the risk characteristics of Riba and the perceived ethical risk, the perceived performance risks, or the patronage behavior

- Hypothesis There is no relationship between the perception of sin in patronizing a bank and the perceived ethical risk, the perceived performance risks, or the patronage behavior
- Hypothesis There is no relationship between the perception of sin in accepting the accruing interest and the perceived ethical risk, the perceived performance risks, or the patronage behavior
- Hypothesis There is no relationship between the worrying feelings and the perceived ethical risk, the perceived performance risks, or the patronage behavior
- Hypothesis There is no relationship between the religious orientation of the customers and the perceived ethical risk, the perceived performance risks, or the patronage behavior
- Hypothesis There is no relationship between the beliefs about the risk of Riba and the perceived ethical risk, the perceived performance risks, or the patronage behavior
- Hypothesis There is no relationship between attitudes toward interest and the perceived ethical risk, the perceived performance risks, or the patronage behavior
- Hypothesis There is no relationship between the peoples' attitudes toward the banks and the perceived ethical risk, the perceived performance risks, or the patronage behavior
- Hypothesis There is no relationship between the risk reduction methods and the perceived ethical risk, the perceived performance risks, or the patronage behavior
- Hypothesis There is no relationship between degree of knowledge claimed about the banks and the perceived ethical risk, the perceived performance risks, or the patronage behavior

- Hypothesis There is no relationship between the required supplementary information for comparing alternative banks and the perceived ethical risk, the perceived performance risks, or the patronage behavior
- Hypothesis There is no relationship between the grid and group dimensions and the perceived ethical risk, the perceived performance risks, or the patronage behavior
- Hypothesis There is no relationship between the world views and the perceived ethical risk, the perceived performance risks, or the patronage behavior

The different reactions to the variables the customers had indicated through testing the above hypotheses demonstrated that the bank clients, of the different banks and those of different risk levels, were diverse in many aspects of their social, psychological, and demographic composition They differed on a number of factors such as religious denomination, perception of sin, perception of risk characteristics, worrying, attitudes and beliefs, information needs, risk handling activities, the grid and group factors, and the world views Conversely, other variables were equally not successful in distinguishing among the customers in relevance to their perceived risks or banking patronage

An observation about the results was that the perceived ethical risk registered an association with a higher number of reported variables than did the perceived performance risk Also, unlike the perceived performance risk, a large number of the variables that significantly related to patronage behavior had produced significant relationships with the perceived ethical risk (see Exhibit 2 below, page 321) This observation substantiated the conclusion that the perceived ethical risk and the banking patronage behavior were linked and a number of similar variables were affecting their behaviors simultaneously It had also shown that the bank customers had a nearly homogenous perception of the performance risk despite their differences on the other factors reported by the study

The study has presented evidence that Shei'at are a majority in Conventional banks and a minority in Interest-free banks, and Sunnies were a majority in Interest-free banks and a minority in Conventional banks This major finding for the population of teachers stands to be revalidated among more diverse groups of customers and the causes for its presence needed to be investigated and put into the proper context Apart from this, all the demographic variables tested were insignificantly related to the perceived ethical risk but a number of the variables had been observed to correlate with the perceived performance risk More amounts of this risk were perceived as the monthly income and the age of the respondents increased and as the number of children decreased

Despite their demographic differences, almost all respondents viewed Riba as a societal threat Hence, the risk of Riba characteristics were determined and ten profiles were identified Four of them were believed to differ significantly among the patronage groups and three witnessed a variation in proportion corresponded to the changes in the perceived ethical risk One of these characteristics was the risk to future generations which attained a significant relationship with banking patronage and the perceived ethical risk Higher threats to future generations were perceived by people who subscribed to Interest-free banks and by people who had higher levels of the perceived ethical risk Moreover, higher perceived ethical risk was matched by more consciousness of risk dreadfulness and severity On the patronage side, Interest-free banks customers demonstrated, more than the other groups did, that the exposure to the risk of Riba was voluntary, controllable, and that they were not personally at the mercy of the risk As for the perceived performance risk, its behavior or change was independent from any changes in the perception of the risk characteristics of Riba Overall, this analysis should contribute to a better understanding of people's feelings for Riba and more research is required to incorporate this method in analysis of other threats within the consumer perceptions of risks

The awareness of the banking threats derives its meaning and content from its relevance to the Islamic idea of legitimacy The overwhelming majority of Muslim jurists built evidences supporting the decision, in several conventions, that banking as was practiced by Conventional banks was unlawful in the laws of Islam To the committed Muslims, such consensus is upsetting because Conventional banks were cast to represent a risk if one's intentions were to ignore the case and continue granting Conventional banks personal acknowledgment and acceptance Specifically, a Muslims risks committing a sin, a prohibited act that requires an immediate repenting by renouncing Conventional banks patronage and restoring, to the best of one's ability, to the permissible alternatives available This issue of sin in banking was categorized, in this study, in two threads depicting the sin by holding an account with Interest-free banks and Conventional banks on one hand, and the perception of sin in receiving the accumulated interest on the other

The findings suggested that the majority of the people surveyed had associated committing the sin with Conventional banks and had freed Interest-free banks from such connotations A similar pattern of responses was observed for the other issue of accepting interest from the banks The response patterns were dependent on the patronage type because the majority of Interest-free banks and the mix patronage group customers agreed with a varying degrees on the proposition of committing sin for opening accounts with Conventional banks as well as taking possession of the accruing interest, also the majority had viewed Interest-free banks to be safe from the religious violation Even though the majority of Conventional banks customers shared the views of the rest of the groups, their response frequencies were not as high and a significant difference was detected The responses were also dependent on the levels of the perceived ethical risk whereby agreement or disagreement with accepting interest from Conventional banks or holding accounts with them varied according to the amount of this perceived risk It was observed that the more the person perceived an ethical risk in the situation, the stronger the person would agree with a sinful association in Conventional banks The change in the perceived ethical risk did not have a corresponding variation neither with the opinions on the realization of sin in holding and account nor with accepting interest accruing in both types of banks

Another remark was that the religious orientation of the individual as measured in this study did not show a relationship with neither the perceived risks nor the banking patronage This might shed doubts about the validity of the measurement scale used for gauging religiousness, but it is worth remembering that interpreting religiousness and perceived risk was made complicated by the two religious sects (Shei'at and Sunnis) whose presence had significant effects on banking patronage In this case, the Sunnis customers were more likely than Shie'at to patronize Interest-free banks, and the Shei'at were more likely than Sunnies to patronize Conventional banks Without a replication and further investigation though, the results for religiousness stand unexplained

The perceived risk and the concerns over threats produce states of worrying and anxiety This subject was pursued in this investigation in relation to two major themes of which the first was worrying for being a client to a bank, and the second one reflected the societal concerns that were summarized by worrying over the of which the first was worrying for being a client to a bank, and the second one reflected the societal concerns that were summarized by worrying over Conventional banks and Interest-free banks as the models for banking institutions The results of this inquiry had determined that the Conventional banks clients were struggling with feelings of worrying more than the Interest-free banks clients just because they had been involved in business with Conventional banks Similarly, higher levels of worrying were observed that concerned the wider diffusion of Conventional banks in the banking industry, and the extremes were traced to the Interest-free banks and the mix patronage groups Moreover, worrying over being a client of a bank was dependent on the level of the perceived ethical risk for the person For example, Conventional banks customers who struggled with elevated levels of worrying had also perceived higher amounts of the ethical risk At the same time, an inverse correlation had dominated the relationship between the perceived ethical risk and worrying whereby the individuals who worried less for patronizing Interest-free banks had higher levels of the perceived ethical risk Additionally, worrying over the Conventional banks industry was dependent on the amount of the perceived ethical risk where the proportion of changes in their behaviors were positively related On the other side, the evidence available supported the conclusion that variation in worrying level was independent from the amounts of the perceived performance risk

The effects of four beliefs and attitudes on the perceived risk and bank selection were explored in this study These beliefs included the denial to recognize the risk, the concern for developments' benefits, the trust in authority, and the trust in Interest-free banks It emerged that the group differences were marked by a significant difference in the conviction each group had held It was found that the Conventional banks customers had the strongest trust in the banking authority, had the highest concern for the developmental benefits to vanish, and expressed the hardest denial position against the presence of the risk of Riba in banking On trusting Interest-free banks, the Interest-free banks customers had the strongest faith and trust in their banks While each patronage group held different opinions, three of the beliefs investigated were positively dependent on the perceived ethical risk in which higher perceived risk correlated with more recognition of risk of Riba in banking, with less concerns for loss of developmental gains, and with lesser trust in regulative authorities People's trust in Interest-free banks diminished as their perceived performance risk increased

Attitudes toward the banks had been addressed and the customers groups as well as the perceived risks relationships were assessed in comparison to them The results had shown that the favorable attitudes to Interest-free banks were positively interrelated with the perceived ethical risk, i e , the higher the perceived ethical risk was, the higher the number of the positive attitudes were toward the Interest-free banks The inverse of this relationship had been observed for the attitudes to Conventional banks The perceived performance risk was independent from these attitudes On the other hand, the groups' attitudes to Interest-free banks could not be differentiated except for two attitude statements, but they differed significantly on most of their attitudes to Conventional banks The majority of Conventional banks customers attributed positive qualities to Conventional banks , whereas the majority of Interest-free banks customers attached a bad image to Conventional banks

Interest was once portrayed as an opportunity for progress and the next time as a threat to people Customers' opinions on these issues changed with the variation in the perceived risks and the banking patronage The anti-Interest attitudes aggravated as the perceived ethical risk increased while the pro-Interest attitudes strengthened The Interest-free banks group, compared to the others, were more convinced that interest posed a threat to society but the Conventional banks customers welcomed interest as a mean for progress and development

Thirteen risk reduction activities were explored in this study with the effect of their impact on the perceived risks and banking patronage The large majority of customers asserted that they would not compromise on services; that they were loyal to their banks, that their patronage was affected by location preferences, that they shopped around for better deals, and that they depended on jurists opinions Out of the thirteen activities, the responses to eight statements varied significantly with the perceived ethical risks and only one activity responded to the change in the perceived performance risk To this effect, a high perception of the ethical risk corresponded to abiding by the jurists' opinions and to abstaining from taking interest from banks It also corresponded to a reluctance to accept experts' opinions, to be unstirred by the controversy of interest, to compromise on the interest charges on loans or returns on deposits as well as on the banking services, and would not be particularly concerned about the convenience of the location A high perceived performance risk corresponded to only one risk reduction activity of resorting to loans charging interest if these loans were needed As for the customers comparisons on the risk reduction, the groups were different on eleven activities out of thirteen The Conventional banks customers were found, more than others, to discard the jurists' opinions They also, more than others, used the experts' opinions, favored lower rates on loans, responded to competitive services and the provisions of higher returns on deposits, were effected by the proximity of bank location, queried information in advertising, relied on personal judgment on basis of experience, and felt at ease because of the ambiguity surrounding interest The mix patronage group was least loyal to the bank and could be expected, more than the other groups, to get loans from Interest-free banks if they needed them

Banking knowledge and information needs and deficiencies were among the issues investigated in the study The majority of the customers required a great deal of information to support the gap in their knowledge about the differences and similarities between the two banking regimes The information amount needed depended on the perceived ethical risk where it was noted that individuals requiring a great deal of information were expected to have perceived higher ethical risks and the people who had perceived lower ethical risk were satisfied with the amount of information they had Also, it had been noted that knowing more about Conventional banks was associated with perceiving lower ethical and higher performance risks In the same time, the Conventional banks patronage group was the least knowledgeable group of people about the Interest-free banks

The outcome for the grid and group variables conceived from the Cultural theory fell short of expectations The Group factor did not retain any relationships with either the risk perception or banking patronage The Grid factor, after a tune up procedure, showed some relationship with the banking patronage but not the with the perceived risks A positive result brought about by this exercise in the area of consumers' social relationships was that the Grid and the Group factors had different impact on risk perception and acceptability and they should be treated as separate issues in future research on consumer behavior Another positive result for the Cultural theory is its ability to distinguish people according to their world views This was confirmed for customers behavior in respect of banks as well as variation in the perceived ethical risk level

The world views as were depicted by the Cultural Theory had received attention by investigating their relationship to the perceived risks and the patronage behavior Three world views (the fatalists, the hierarchests, and the individualists) were unrelated to the either the perceived risks nor to the banking patronage but the fourth (the egalitarian view) reinforced with the increment in the perceived ethical risk only This view was stronger among the mix patronage group more than the Interest-free banks and Conventional banks customers

In general, there were substantial and statistically significant differences among the three customer groups in terms of their general values, attitudes, and perceptions of the banking situation These groups had also resembled an approximation of the risk acceptance behavior and the analysis had shown how the various variables in the investigation related to the them and to the perceived risk It had been illustrated that bank patronage depended significantly on the perceived psychological and ideological risks The other attitudinal and behavioral elements contributed in different ways to risk acceptability and perception Exhibit 2 summarizes these differences and provides a comparison between risk perception and banking patronage The emphasis in this Exhibit is on the variables that produced significant relationships only

Exhibit 2
Comparisons between risk perception and banking patronage behavior (as approximated for risk acceptability) in regard to their correlates with the study variables

Variable groups	Patronage behavior (Risk Acceptability)	Risk Perception Ethical risk	performance risk
Demographics	Religious denomination	No relationship	Income, age, no of children
Riba characteristics	Voluntariness of exposure, personal relevance, risk control, risk to future generations	Risk dreadfulness, severity, risk to future generations	No relationship
Perception of Sin	Perceived sin in patronizing and accepting Interest from I F B s and C B s	Perceived sin in C B s patronage	No relationship
Religious orientation	No relationship	No relationship	No relationship
Worrying	Worrying for belonging to I F B s or C B s, and worrying due to C B s as an industry	Worrying for being client to C B s and I F B s, and worrying due to C B s as an industry	No relationship
Risk beliefs	Risk denial, concern for development, trust in authority, trust in I F B s	Risk denial, concern for development, trust in authority	Trust in authority, trust in I F B s
Attitudes to Interest	Anti and pro Interest attitudes	Anti and pro Interest attitudes	No relationship
Attitudes to banks	Attitudes to C B s	Attitudes to C B s and I F B s	No relationship
Risk reduction	Loyalty to the bank Approval by Muslim jurists Endorsement by banking experts Lowest Interest charges on loans Provision of best services Highest returns on deposits Judging the bank by self Seeking information from advertising Convenient location Feeling of relieve due to the ambiguity of the Interest issue Geting a loan from an Interest-free bank if a loan is needed	Approval by Muslim jurists Endorsement by banking experts Feeling of relieve due to ambiguity of the Interest issue Leaving Interest to the bank Endorsing the bank charging lowest Interest on loans Endorsing the bank giving highest returns on deposits Convenient location Best services provision	Get a loan from an Interest-free bank if a loan is needed
Perceived knowledge	Amount of knowledge about I F B s	Amount of knowledge about C B s, and deficiency of information on the difference between I F B s and C B s	Amount of knowledge about C B s
Grid and group factors	The grid factor	No relationship	No relationship
World views	Egalitarian view	Egalitarian view	No relationship

5 3 RESEARCH CONTRIBUTION:

Since the combination of disciplines and cross examination of methods stimulates new knowledge and results in fusion and new syntheses, Drottz-Sjoberg (1992), this study has brought two research areas together The perceived risk in consumer behavior and the public acceptability of innovations or technologies that are considered as sources for pollution or danger Studying patronage behavior (accepted risk) as opposed to intentions (risk acceptability) provides for greater confidence that the findings are related to actual consumer behavior

This study has added revelations about the understanding of the Muslim consumer with regard to the impacts of religion on banking which is a vital area in the consumer life Throughout the course of the study, many variables were investigated here for the first time for their effects on risk perceptions and banking behavior An example, would be the effect of religious denomination which was and still is a taboo subject in the Bahraini community The discovered relationships among the variables are hoped to advance our knowledge and appreciation of the complexities of consumer decisions and behavior in that area of the world As far as this author knows, the study is the first field survey directly investigating the characteristics of risk of Riba and its implications on the Muslim consumers in the banking market The findings reported for the current study implied the generic influence on the selection of a bank of such perceived risks as the religious, ideological, and psychological Related findings have offered valuable insights into peoples' feelings about banks and banking The knowledge gained about the differences among people in their social, psychological, and demographic spheres can facilitate development of more appropriate marketing programs and communication policies for the different segments A possible application of the study could involve an increase in the marketing efforts employed by banks to reduce the psychological tensions for both the existing and potential customers with regard to the perceived risks Findings from the consumer's profile have offered new understanding into risk perception, values, banking perceptions, and risk reduction methods This factual information about the consumers can provide foundation for consumer policies and has many managerial implications According to the findings, there are generally substantial and statistically significant differences among three sample groups - Interest-free banks, Conventional banks, and the mix banking patronage group of customers - in terms of social values and world views, attitudes toward banks and interest, and sin and worrying The knowledge of the differences among people patronizing different banks can facilitate development of more appropriate consumer policies and marketing strategies for the customer segments with different backgrounds according to what this study has demonstrated Based on study's findings, banks' strategists can work to insure that their institutions' images and banking practices are reinforced in a way that matches the realities of their consumers' perceptions It adds a new dimension to Smith (1990) thesis by broadening the ethical purchasing behavior to incorporate the risk perception concept by including the ethical issues in the consumption experience exemplified in the concerns for Riba in banking Moreover, the investigation of specific perceptual and psychological issues related to ethical and performance risks and the banking patronage consequences of them have the potential of providing insights to risk communication strategies

5.4. RESEARCH LIMITATION:

While this study reveals some interesting relationships between the perceived risk and banking patronage, the results should be interpreted with a degree of caution The following discussion addresses the limitations of this project

- One limitation of the study concerns the quality of the data gathered from the respondents There was a lack of control in the administration of the survey While respondents were given explicit instructions and directions were clearly printed on the questionnaire forms, there is little guarantee that the respondents followed them to the letter
- The survey forms contained items that were generated through a review of risk perception literature as well as through a series of focus group interviews Still, it is possible that the questionnaires did not include other items that were critical in determining the risk perception and banking patronage
- Although much care was taken to select the most relevant items for measuring the study variables, there still might be distinctions between the actual variables and the manner in which they were assessed in this research Further, some might question the suitability of a questionnaire to assess a complex range of perceptions, expectations, and social relations aspects in the behavior of consumers This measurement problem exist in this study and remedies for it should be considered in further research
- An inspection of the demographic variables presented earlier demonstrate that the respondents data may not be representative of the population as a whole Therefore, results should be taken as indicators for a general state among the population but specific generalizations should not be made beyond the teachers population

A number of respondents expressed the opinion that the questionnaire was too lengthy This might have resulted in respondent fatigue, which could have influenced the results Due to the exploratory and descriptive nature of the study, the length of the questionnaire was required to capture a wide range of aspects of the consumers' perceptions However, through more careful selection procedures, the number of questions can perhaps be reduced to eradicate this problem

5 5. AREAS OF FURTHER RESEARCH:

This study is primarily exploratory in nature with the purpose of investigating the influences on the perceived risk and banking patronage The questions it raises are more than the answers it provides Areas that suggest the need for further research include the following

- Research is needed to validate this study This was the first comprehensive multidimensional study of perceived risk and morality of Riba in banking To have a lasting impact, additional research that has the purpose of validating the results and conclusions of the research herein presented is called for An issue that needs to be urgently addressed is the influence of religiousness on the way consumers feel and think in their consumption contexts
- The banking situation among the commercial banks in Bahrain represents only a small section of the wider banking market of the Arabian Gulf Countries, Future research should include the regional markets as well, such as of the neighboring countries of Saudi Arabia, Kuwait, etc
- The teachers sample of this study represented a limited segment of bank customers which may not be representative of the country as a whole Future research is needed to

validate this study on a national level and other attempts should include other segments or a wider population range Future attempts should also test the best predictors of bank patronage from the significant variables that were examined in this thesis on a larger scale

- Although, various researchers have explored the role of values in the consumer behavior and the decision process, research that studied the effect of values and beliefs on risk perception are lacking This study have found that specific world views and beliefs have influenced customers perception of risk and banking patronage behavior Further research should empirically consider the merit of such world views in consumer behavior Furthermore, Rockeach list of values should not escape the necessary attention to underline the role of values in influencing the perceived and accepted consumer risks
- The interaction of social elements like the group involvement and pressure to comply with rules of conduct can, in theory, bring about differences in peoples' attitudes and perceptions Segmentation models may benefit from the simultaneous application of these two factors to support other demographic and sociographic variables Research is needed in this area
- A number of differences between the Interest-free banks and Conventional banks customers were found in relation to their risk perception Research is needed to explore the possibility of more differences in other areas of consumption and life style
- While this study has revealed ethical views and concerns of consumers, other research should tackle the important perspective of management views on banks' social responsibility to the community and its customers Riba is an issue charged with emotions and sentiments that have wider social, economic, and political implications

The understanding of arguments for and against the social responsibility of controversial banking institutions may provide better interaction between the banks and their customers Attempts to provide answers to the question of should banks be more socially conscious to the religious norms of the community can build up on the results of this study and advance new insights for the social responsibility of business

- There is little known about the extent to which the subcultures of Sunni and Shei'at are different in terms of use of specific products and services Research in this area is lacking and research is called for to address this neglected area
- Research is needed to investigate other ethical issues in banking that effect risk perception and the decision making process Such issues include frauds, malpractice, and the controversial types of banking operation like weapons financing and loans to oppressive regimes that are depressing democracy

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Appendix 1

Questionnaire Specifications

1 The perceived consequences of Riba

1 Do you think that Riba may bring about bad consequences on man and society?

[YES, NO, UNSURE]

3 Perception of sin in banking

2 One may commit a sin for patronizing C B s

3 One may commit a sin for patronizing I F B s

4 Accepting Interest from C B s may be considered as a sinful practice

5 Accepting Interest from I F B s may be considered as a sinful practice

[STRONGLY AGREE STRONGLY DISAGREE]

4 Characteristics of Riba

6 Exposure to Risk Do people get exposed to Riba in banking transactions voluntarily or involuntarily?

[Voluntary 1 2 3 4 5 6 7 8 9 Involuntary]

7 Immediacy of effect To what extent are the consequences of Riba immediate?

[Delayed 1 2 3 4 5 6 7 8 9 Immediate]

8 Knowledge of consequences To what extent do the people exposed to Riba know about its effect?

[Informed 1 2 3 4 5 6 7 8 9 Ignorant]

8 Personal relevance To what extent do you believe that you are personally at risk from Riba in banking?

[Not at risk 1 2 3 4 5 6 7 8 9 : Much at risk]

10 Risk control To what extent can you avoid the consequences of Riba if you are exposed to it in banking?

[Can be avoided 1 2 3 4 5 6 7 8 9 : Can't be avoided]

11 Risk novelty Are the consequences of Riba new and novel or old and familiar to the society?

[New 1 2 3 4 5 6 7 8 9 Old]

12 Risk selectivity Would the Riba consequences discriminate among people or would they have its effect upon all?

[Common 1 2 3 4 5 6 7 8 9 Selective]

13 Risk dreadfulness Are Riba consequences a matter that people would face with calmness or would it seize people with fear and apprehension?

[Fear 1 2 3 4 5 6 7 8 9 Calmness]

14 Risk severity Would the impact of the consequences of Riba be fatal or mild if any would materialize

[Fatal 1 2 3 4 5 6 7 8 9 mild]

15 Risk to future generations What is the extent to which Riba poses a threat to future generations?

[Great threat 1 2 3 4 5 6 7 8 9 No threat]

5 The importance of avoiding Riba and its related consequences

16 How important is it to you that the business of the bank you are patronizing is free from Riba?

17 How important is it to you to avoid a physical harm inflected from a divine source because of Riba?

18 How important is it to you to avoid a financial loss emanating from a divine source because of Riba?

19 How important is it to you to avoid an emotional distress for being engaged in activities related to Riba?

20 How important is it to you to avoid people looking down on you for reasons related to Riba?

21 How important is it to you to avoid violating your principles or your way of life by engaging in Riba?

22 How important is it to you to avoid inferior service?

23 How important is it to you to avoid inferior returns?

24 How important is it to you to avoid loss of time during transacting with the bank?

25 How important is it to you to avoid financial losses because of managerial incompetence in the bank

[Of Great Importance   Important   Some Importance   Little Importance   Of No Importance Whatsoever]

7 Uncertainty

7 1 In C B s

26 How likely that C B s businesses encompass elements of Riba?

27 How likely that you would get a physical harm emanating from a divine source for transacting with C B s?

28 How likely that you would get a financial loss emanating from a divine source for transacting with C B s?

29 How likely that you would get an emotional distress for transacting with C B s?

30 How likely that people would start looking down on you for transacting with C B s?

31 How likely that you would violate your principles or your way of life by transacting with C B s?

32 How likely that you would get inferior service while transacting with C B s?

33 How likely that you would get inferior returns by transacting with C B s?

34 How likely that you would suffer loss of time during transacting with C B s?

35 How likely that you would sustain a financial loss due to managerial incompetence in C B s?

[Very Unlikely   Unlikely   Can't say   Likely   Very Likely]

7 2 In I F B s

36 How likely that I F B s businesses encompass elements of Riba?

37 How likely that you would get a physical harm emanating from a divine source for transacting with I F B s ?

38 How likely that you would get a financial loss emanating from a divine source for transacting with I F B s ?

39 How likely that you would get an emotional distress for transacting with I F B s ?

40 How likely that people would start looking down on you for transacting with I F B s ?

41 How likely that you would violate your principles or your way of life by transacting with I F B s ?

42 How likely that you would get inferior service while transacting with I F B s ?
43 How likely that you would get inferior returns by transacting with I F B s ?
44 How likely that you would suffer loss of time during transacting with I F B s ?
45 How likely that you would sustain a financial loss due to managerial incompetence in I F B s ?

[Very Unlikely Unlikely Can't say Likely Very Likely]

11 Worrying

46 Are you worried for being a client to an I F B s ?
47 Are you worried for being a client to C B s ?
48 Does conventional banking as it is practiced in Bahrain represent a source of worry to you?
49 Does Interest-free banking as it is practiced in Bahrain represent a source of worry to you?

[Not worried at all 1 2 3 4 5 6 7 8 9 10 Very much worried and concerned]

12 Attitudes towards Interest in banking

12 1 The pro-Interest attitudes

49 All this talk about the risks of the present banking system is neglecting the many benefits that we derive from it
50 Since people are wealthier now and live better lives than ever before, then it is wrong to say that life in our society will become more risky because certain ways of doing things are not adopted (e g Interest- free banking)
51 Our society is becoming overly sensitive to unwarranted risks that may result from our present banking system
52 The risks associated with the banking system have been unduly exaggerated by few Islamists

[STRONGLY AGREE STRONGLY DISAGREE]

12 2 The anti-Interest attitudes

53 Risks from Interest in banking are so dangerous that we should abolish the system before too late

54 We should be more concerned with Interest in banking before we do damage we that can not be reversed

55 We should slow down the rate of our development before the risk of Interest become too great

56 Our society should become more aware of the risks we are facing because of Interest in banking

[STRONGLY AGREE STRONGLY DISAGREE]

14 Attitudes towards the bank

Please indicate which banking group that, to the best of your judgement, fits the discription in each of the following statements

57 Aids the client in wise use of money (Favorable)

58 Is improving with years (Favorable)

59 Is detrimental to society (Favorable)

60 Has more good points than other banks (Favorable)

61 Gives real help in solving economic problems (Favorable)

62 Is fundamentally sound (Favorable)

63 Is increasing in its value to society (Favorable)

64 Is improving in its services (Favorable)

65 Is not appreciated by the general public (Favorable)

66 Is necessary until a better alternative can be found (Unfavorable)

67 Is entirely unnecessary (Unfavorable)

68 Is too changeable in its policies (Unfavorable)

69 Has always cheated society (Unfavorable)

70 Must be discarded immediately (Unfavorable)

71 Suffers from deficits and deficiencies (Unfavorable)

Options [C B s - I F B s - Both - Non - Unsure]

13 Other attitude correlates of perceived risk in banking

13 1 Trust in authority

72 I believe that the authorities and the regulative bodies are confident enough to say that the current practices of banks are Islamicaly sound

73 I believe that the authorities and the regulative bodies are confident enough to say that the current practices of banks are financially sound and free from malpractice and financial errors

[STRONGLY AGREE STRONGLY DISAGREE]

13 2 Trust in I F B s

74 How confident are you that I F B s truly apply the Islamic trade and commerce principle in their banking operations?

The measurement scale for this item ranged from [total confidence (1) to total skepticism (5)]

13 3 Concern for development and growth

75 Unless we are prepared to risk the possibility of a low standard of living and of being overshadowed by countries willing to accept greater risks, we must become more tolerant of the risks that our present banking system may bring

76 The excessive concern with Riba in the present banking system is hampering the development in the country

77 The Interest-free banking is still immature that adopting it in place of the present system may bring further economic risks to our society

78 Our banking industry can not be converted to an Interest free system because dealing with the rest of the world will become unnecessarily difficult

[STRONGLY AGREE STRONGLY DISAGREE]

13 4 Denial of Riba in today's banking

79 Dealing in Interest transactions like what is being practiced by conventional banks is a permitted business from an Islamic view

80 Interest in banking transactions has no connection to the concept of Riba

81 The Interest conventional banks charge on their loans is a form of service surcharges and not Riba that has been distinctly distinguished in Islam

[STRONGLY AGREE STRONGLY DISAGREE]

15 Religious orientation

82 We should use Islamic policies to accomplish social goals in a manner that encourages Islamic values and lifestyles

83 I try hard to carry religion to over to all other dealings in life

84 My religious beliefs lie behind my whole approach to life

85 One should try to behave him or her self according to the Islamic code of conduct

86 Society is all right as long as people live their lives according to the divine laws of nature and universe

87 Society's problems will soon get solved once people restrict their conduct to the Islamic regulations

[STRONGLY AGREE STRONGLY DISAGREE]

16 Risk reduction methods

88 I have not changed my bank for many years

89 I would not patronize the banks that would not be endorsed by Muslim jurists

90 I would not patronize the banks that would not be endorsed by banking experts

91 I would not patronize the banks that would not charge the least Interest on loans

92 I would not patronize the banks that would not provide the best services to their clients

93 I would not patronize the banks that would not give the highest returns on deposits

94 I would try the bank first then I would judged for myself either to stay or to leave

95 I believe that bank advertising and promotions influenced my patronage decision

96 I believe that my preference for the convenience of bank's location influenced my patronage decision

97 I shop around comparing alternative banks before I make my decision

98 The ambiguity of the Interest issue in banking today is a matter that makes me feel at ease whenever I deal with banks

99 I would give away any Interest I had received from the bank and would never spent it on myself or my family

100 If I needed a loan, I would get one from an Interest- free bank

[STRONGLY AGREE STRONGLY DISAGREE]

17 Information acquisition and needs

101 How much do you no about the Conventional banks?

102 How much do you know about the Interest free banks?

[I know everything about them I don't know anything about them]

103 How much more information do you need, as a supplement to what you already know about banking, for adequately comparing the Conventional and the Interest free banks in terms of their differences and similarities?

[I need a great deal of information . I don't need any more information]

18 The grid and group dimensions in the social context

18 1 The group dimension

104 Interests My friends (family) and I enjoy a lot of activities and things that we share doing together

105 Commitment I am willing to put a great deal of effort in order to keep the group of my friends (family) going

106 Involvement I share my best activities with my friends (family)

107 Decision making I consults with other friends (family) before *settling on my decisions*

108 Proximity I approach everyone else among my friends (family) directly without anyone going in between

109 Frequency I am a person who spend most of the time with his friends (family)

110 Dependence I depend on friends (family) in conducting most of my affairs

111 Transitivity I approve the friends of my friends (family)

112 Coalition I consider my friends (family) as a closely knit people

[STRONGLY AGREE STRONGLY DISAGREE]

18 2 The grid dimension

113 Pressure to comply Are there always sources of requests and demands on you to comply to a certain way of conducting yourself?

114 Compliance Do you usually comply with other peoples' wishes when they request them from you?

115 Control by powerful others Do you feel like what happens in your life is mostly determined by powerful people?

116 Powerlessness Do you feel like being regimented that there is not much room for choice even in your personal matters?

117 Role rigidity In general, do you feel obliged to adhere to specific roles in conducting yourself?

118 Role ambiguity Do you feel doubtful about what has to be done and not done in performing your duties?

119 Rule control Are your daily activities structured by some means of rules or regulations?

120 Rule rigidity Is it difficult for you to get rules changed in your life?

121 Relation rules Are you required to stick to certain manners in conducting your relations with others?

122 Sanctions Do you get treated unwell when you do things that are not expected from a person like yourself?

[Always Never]

19 The world-views dimension

19 1 A benign world - The Individualists world view

123 The World is a forgiving place No matter what happens to it, the World will return to its state of balance

124 Learning about the World is accomplished through trial and error

125 Making mistakes in the process of experimenting with World's systems is essential for learning and development

126 The World can take care of itself

127 The World's bounties are realized through skill and enterprising

128 The World is there for people to truck, barter, and exchange

[STRONGLY AGREE STRONGLY DISAGREE]

19 2 An ephemeral World - The Egalitarian world view

129 The world is an unforgiving place The least disturbance or interference with its systems leads to disasters

130 One should be very careful not to make mistakes when learning about the world

131 The mistakes people incur in learning by experimentation can lead to the destruction of the world

132 The World is fragile and vulnerable

133 Nature must be held strictly accountable

[STRONGLY AGREE STRONGLY DISAGREE]

19 3 A perverse and tolerant World - The Hierarchies world view

134 The world tolerates most disturbances but extreme actions can expose it to disasters

135 Experimentation should be allowed only by people known for their expertise and competence

136 Life is forthcoming if it approached properly by experts

137 Life should be lived according to one's position in society in order to sustain its comforts and security

138 Nature is bountiful within strictly accountable limits

139 Mild and restricted violations to the laws of nature could not endanger our lives

[STRONGLY AGREE STRONGLY DISAGREE]

19 4 A random World - The Fatalist world view

140 There is no use for one to learn about the world It is luck, not learning, that from time to time brings fortunes our way

141 The individual's action can make no difference in life

142 Our World is unpredictable

[STRONGLY AGREE STRONGLY DISAGREE]