

An Empirical Investigation of Islamic Banking Adoption in Brunei

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Abstract

The present study aims to evaluate the level of understanding of various Islamic banking (IB) concepts and categorises the factors that influence the adoption of Islamic banking services (IBS) in Brunei. The impact of the level of understanding, relative advantage, compatibility, complexity, observability, uncertainty, and service quality was examined through Rogers (2003) Diffusion of Innovation (DOI). Data was collected from 245 Bruneian bank customers through a self-administered survey questionnaire. The findings revealed that the level of understanding of various IB concepts was below average among the customers. The multiple regression analysis revealed that the level of understanding, perceived attributes of innovation, and service quality positively impact the adoption of IBS.

Keywords: Diffusion of Innovation, Adoption, Islamic Banking, Brunei

Paper type: Research paper

1. Introduction

The contemporary economic models have evolved a new dimension due to the recent developments in the Islamic financial system. Conforming to the favourable economic sentiments, the Islamic financial system has surpassed the USD 2 trillion mark (IFSI stability report, 2018). Islamic banks are the standardized interest-free financial institutions which are regulated through Shariah (Islamic) laws (Hassan and Lewis, 2007). Simply, Islamic banking refers to the management and supervision of banking operation according to Islamic teachings (Haque et al., 2007). The core elements guiding the activities of Islamic banking business include the prohibition of riba (usuary), maisir (gambling), gharar (speculated trading) in all forms of transactions, the implication of reasonable and legitimate profit and abstinence from a monopoly (Haron, 1997). These are the basic differences between Islamic and conventional banking system.

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IB is emerging as the fastest growing industry over the past few decades with an average growth rate of 18 per cent per annum (IFSI stability report, 2017). IB has received enormous acceptance in the whole world including Muslim and non-Muslim countries breaking through its expansion boundaries (Aziz, 2006). In the context of Brunei Darussalam, the government has envisioned to develop Brunei into international Islamic finance hub. The sultanate has constructed an efficient and supporting financial environment for the progressive and robust growth of the IB industry (Norjidi, 2017). The core competitive edge in developing Brunei into an international Islamic finance hub is its strong Islamic philosophy ingrained in the lives of Bruneians.

Despite the creation of supporting and flexible microenvironment, Islamic banks' growth in Brunei is inconsistent due to stiff competition and frequent transformations in the macroenvironment. The deflation in the prices of hydrocarbons has resulted in less liquid market and limited growth opportunities for Islamic banks (Baiduri Bank annual report, 2015). While the growth opportunities for Islamic banks remain low, there is a dire need to initiate customized products and services to propagate in the competitive financial industry.

Recently, rigorous banking competition has escalated not only in Brunei but also in many Islamic countries. The increasingly volatile global economic environment, implementation of protectionist policies by the major economies, and increasing trade and tariffs have nourished today's ferocious business competition (IFSI stability report, 2018). Brunei's Islamic banks are the indexed participants of the country's financial industry and are exposed to increasing competition from deep-rooted local and international conventional banks. Moreover, Islamic banking business dimensions have significantly transformed from existence for the mere religious obligation to become potential competitors of conventional banks (Hidayat and Akhmad, 2015). It clearly emphasizes to recognize the changes in the preferences of Islamic bank customers. Bruneian Islamic bank customers' positive perception is critical towards Islamic banking as 78.8 per cent population is Muslim (DEPD, 2016). Furthermore, Islamic banks are exposed to persistent competition against earlier well established and accepted conventional banks.

Several studies were broadly conducted to investigate the IB marketing issues especially associated with the adoption of IBS. However, the Bruneian context does not contain any prospective study in the literature

which has investigated the elements of Islamic banking adoption (IBA). Therefore, this study embarks on the latent ingredients of IBA in Brunei. It is consequential to procure inclusive understanding and knowledge of customers' discrete needs as it will help to implement pertinent marketing strategy to apprehend substantial market share (Ahmad and Haron, 2002).

Additionally, recent studies are accustomed to pivot on adoption of new product or technology and a handful but emerging studies have focused on adoption of financial services such as online banking, mobile banking, self-service, and technology (Sathye, 1999; Meuter et al., 2005; Black et al., 2001; Gerard and Cunningham, 2003). The notable study on IBS awareness in Brunei was undertaken by Bashir, 2013. However, the findings of the study did not render knowledge of IBA factors. It indicates a significant research gap and consequently; the present study attempts to determine customers' understanding and adoption of IBS in Brunei to complement research gap exploiting (Rogers 2003) DOI theory.

2. Literature Review

2.1 Diffusion of Innovation (DOI)

Roger's (2003) Diffusion of innovation (DOI) theory is classified as the prevailing model in innovation adoption studies. Previous studies have extensively adopted and implemented DOI theory to determine adoption elements (Rogers, 2003; Thambiah et al., 2011b; Jamshidi and Hussin, 2012). DOI is a persistent motivation for many researchers to conduct research on the adoption of innovation (Thambiah et al., 2010). DOI theory is constructive in providing a reliable podium to researchers for undertaking product and services adoption of diverse individuals (Anuar et al., 2012). The majority of studies have investigated the adoption of internet banking, technology, agriculture, and health services (Al-Ghaith, 2010; Hoffmann et al, 2012; Pannell, 2003; Rogers, 2003).

However, the remarkable studies deployed DOI theory to categorise the elements impact on the adoption of IBS were crisped by (Kaabachi and Obeid, 2016; Ali and Pua, 2017; Mahdzan et al, 2017; Mbawuni and Nimako, 2017; Warsame and Ireri, 2018). The present study posited that despite propagating studies on the adoption of IBS, literature still is in need of critical research implementing revolutionary models to encompass consumer behaviour (Gait and Worthington, 2008). Jamshidi and Hussin (2012) insinuated homogeneous stance on the implication of Rogers (2003) DOI theory to test IBA. However, disregarding the scholars' efforts, the

studies on IBA are insufficient for the development of better services and products (Hidayat and Al-Bawardi, 2012).

2.2 Understanding of IB Attributes

(Rogers' 2003) DOI theory predicted that an individual undergoes five phases of the mental process prior to adopting and accepting the new products or services. At first, awareness initiates the mental process which develops into knowledge, persuasion, decision and confirmation of adoption. After the creation of awareness, individuals need to exploit the core attributes and advantages offered by the products or services. A study on IBS found that approximately 80% Muslim and 53% non-Muslims participants subscribed to IBS for monetary rewards (Haron et al., 1994). Similarly, another study on non-Muslim bank customers revealed their incapability to understand IB concepts despite having a moderate knowledge of Islamic concepts (Loo, 2010). Additionally, Awan et al. (2011) reported the existence of low awareness and knowledge of Islamic finance principles among Islamic bank employees. Khattak and Rehman (2010) found higher awareness level among IB customers aged between 21 to 40 years compared to other age groups. Similarly, another subsequent study (Mahdzan et al. 2017), found a lower understanding of IB concepts among Islamic bank customers. Echchabi and Aziz (2012) empirical studied Islamic bank customers in Morocco and found a relatively higher awareness of IB concepts. Bashir (2013) reported certain limitations among Bruneian customers' knowledge regarding IB concepts, products, and services.

2.3 Perceived Attributes of Innovation

DOI is comprised of five attributes of innovation namely relative advantage, compatibility, complexity, observability, and uncertainty. Empirical studies implemented these attributes to analyse the adoption of IBS suggested variable outcomes.

2.3.1 Relative Advantage

Consumers' superiority level against available substitutes of a product or service is known as a relative advantage (Rogers, 2003). This attribute was adopted because of its consistent significance found during the investigation of adoption factors. Tornatzky and Klien (1982) study predicted relative advantage as a vital element in innovation adoption process. Economic profitability, minimal start-up cost, flexibility, reputation, time efficiency, effort, and instant reward were regarded as core sub-dimensions of relative advantage (Gerard and Cunningham, 2003). Therefore, the subsequent study anticipates exploring relative

advantage within the dimensions of economic benefits such as profit on earning, the redundant interest burden, mutual profit and loss sharing, and fairness.

2.3.2 Compatibility

It is the level of consistency and compatibility of a new product or service according to customers' needs beliefs, values, experiences, habits, skills and work practices (Harrington and Ruppel, 1999). The extent of products and services suitability is explored based on consumers' IB needs, beliefs, values, experience, and habit. Islamic financial institutions are expected to obtain and muster deposits under Shariah compliance (Perry and Rehman, 2011). (Rogers 2003) ascertained that, individuals incline collaborating ideas according to their best interest, needs, and prevailing attitudes. The studies of (Al-Ghaith et al. 2010) and (Amin et al. 2013) predict that compatibility bears a significantly positive influence on innovation adoption. Echchabi and Aziz (2012) explored users' adoption of IBS in Morocco and revealed a significant impact of compatibility to adopt IBS. Withal, (Tornatzky and Kliens 1982) meta-analysis of innovation adoption ratified significant linkage between compatibility and individuals' values and beliefs.

2.3.3 Complexity

It is an indication of users' understanding or difficulty in innovation usage (Rogers, 2003). A few innovations are characterized as explicit in such a way that prospective adopters determine it as simple and user friendly while some users find it complicated which negatively affects the adoption. DOI predicted the initial positive effect of complexity during adoption, which eventually dominates usage in opposite direction (Arts et al., 2011). Numerous studies found complexity negatively influencing the adoption of a product or a service. (Tan and Teo 2000), found no significant impact of complexity in the adoption of internet banking services. (Ostlund 1974), combat these findings and delineated the positive impact of complexity towards internet banking adoption. Butt et al. (2011) explored complexity impacts on adoption and found that ambiguous products, transactions and complex procedures are a barrier to adopt and subscribe to IBS. Complexity perception affects customers' understanding and results in incredulity on the adoption of a specific product or service. However, the study found that users understanding level may facilitate to diminish perceived complexity (Thambiah et al, 2011b). The study on the adoption of IBS in Malaysia found an insignificant relationship between complexity and adoption (Mahadzan et al, 2017). Another study on the acceptance of

IB in Pakistan found a significant positive relation of complexity and adoption of IB (Ali and Puaah, 2017). Similarly, a study on Tunisian IBS adoption found its negative impact during the adoption process (Kaabachi and Obeid, 2016).

2.3.4 Observability

The level of visible outcomes of innovation in the minds of consumers is known as observability (Rogers, 2003). A few concepts are simple to observe and communicate with others: whereas, in case of innovation it becomes difficult to describe it to others. The study concluded that the intangible nature of services hampers visible attributes of usage (Yusof, 1999). The study on internet banking adoption found that observability does not contribute to adoption as internet banking users are not interested in displaying the outcomes of their financial transactions to others. However, during IBA study, Muslim consumers found relatively easier to evaluate and explain the benefits of IB to others which proved the positive relationship between adoption and observability (Yusof, 1999). The other parallel studies predicted that in terms of IB, it requires a casual effort to explain the benefits of IB to others (Kaabachi and Obeid, 2016; Ali and Puaah, 2017).

2.3.5 Uncertainty

Uncertainty refers to consumers' perception over available substitutes during the adoption of a product or service (Rogers, 2003). Uncertainty initiates information collection which represents an anxious mental condition. The newness of adoption and associated risks create an uncertain perception among consumers (Rogers, 2003). The perceived newness, associated doubts, and risks drive consumers towards acceptance or rejection of innovation (Kotler and Armstrong, 2001). IBS adoption and the doubts on full Shariah compliance creates a number of concerns in consumers' minds. The study found that adoption and uncertainty are negatively related (Yusof, 1999). The higher uncertainty level leads to rejection of adoption (Rogers, 2003). IBS adoption in Tunisia also indicated a negative relationship between uncertainty and innovation (Kaabachi and Obeid, 2016). However, the acceptance of IBS study in Pakistan found a positive relationship between uncertainty and adoption (Ali and Puaah, 2017).

2.4 Service Quality

Gronross (1982) defined service quality as, "the procedure containing a succession of more or less intangible diversion usually but not necessarily

always, through the interaction between consumers and service provider personnel or resources focus to meet customers' needs." Simply, it is a gap between customers' expectations and perceptions. The low gap represents an acceptable service quality leading to permanent adoption of innovation. Erol and El-Bdour (1989) findings indicate that efficient services, bank's prestige, image, and confidential policies were considered the most significant criteria by customers for the selection of banks. Dusuki and Abdullah (2007) suggested that a combination of Islamic and financial reputation was the most significant component of bank selection among Malaysian customers.

Conforming to the mixed findings of past studies and variance in scholars' opinion, the present study focuses to discover the impact of the above variables on the adoption of IBS postulating following hypotheses:

H1: The level of understanding and awareness has a positive impact on the adoption of IBS in Brunei.

H2: Relative advantage has a positive impact on the adoption of IBS in Brunei.

H3: Compatibility has a positive impact on the adoption of IBS in Brunei.

H4: Complexity has a negative impact on the adoption of IBS in Brunei.

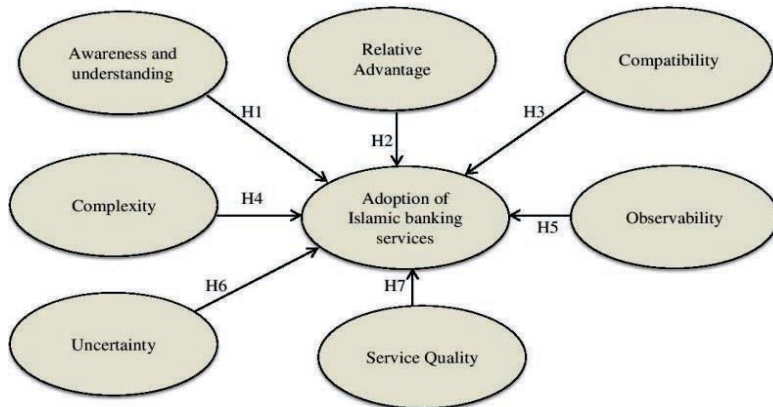
H5: Observability has a positive impact on the adoption of IBS in Brunei.

H6: Uncertainty has a negative impact on the adoption of IBS in Brunei.

H7: Service quality has a positive impact on the adoption of IBS in Brunei.

The theoretical model of this research is illustrated below in figure 1.

Figure 1: Theoretical model



3. Methodology

This study adopted a quantitative approach to achieve its objectives. The targeted respondents were Islamic and conventional bank customers located in the major district (Muara) of Brunei. The convenience non-probability data collection technique was adopted as it was impossible to procure inclusive details of customers because of banks' confidential policies. The primary data was collected through a self-administrated questionnaire. The research instrument was developed through Rogers (2003) DOI theory through an additional construct of service quality. The survey questionnaire was drafted in English using simple and easily understandable words.

The questionnaire comprised of three sections. Section 'A' exhibited respondents' demographics such as gender, age, religion, education level, occupation, and income. Section 'B' contained the adoption of IB using three simple coding questions. The first question was, "Are you an Islamic banking customer?" The respondents were provided with dichotomous options of 'Yes' or 'No' (Yes=1; No=0) to answer this question. This measurement was adopted with slight modifications of the prior study (Lassar et al, 2005) from online banking to IB adoption context. The study indicated that even though usage of such technique may represent limited behaviour measurement; however, it is adjudged adequate as the implication of such measurement enabled the researcher to gauge consumers' actual behaviour in the area under investigation. Additionally,

this was composed and less complicated and determined respondents' adoption of IBS. The second question was an indication of types of IB products (saving/current account, credit card, property financing, auto financing and personal financing) held. The third question measured respondents' knowledge about numerous IB concepts such as *riba*, *shariah*, *Ijarah*, *mudarabah*, *musyarakah* and *Murabaha* through 5-scale Likert (Very low=1 to Very high=5).

The third section 'C' exhibited 17 items representing 3 items for each variable of relative advantage, compatibility, complexity, observability and service quality, whereas, uncertainty utilized only 2 items. Relative advantage items were acquired from Mahadzan et al (2017); compatibility, complexity and uncertainty items were acquired from Al-Jabri and Sohail (2012). Observability items were acquired from Rugimbana and Iversen (1994) and service quality items were obtained from the Carter model (Othman and Owen, 2003). The respondents were provided 5 scale Likert (strongly disagree=1 to strongly agree=5) to respond to these questions. Initially, 263 samples of the online questionnaire were circulated and respondents returned 250 completed questionnaires, out of which 5 were incomplete and 245 samples were used for data analysis.

4. Findings and Discussion

4.1 Respondents' Demographics

A brief overview of the respondent's profile reveals that from a total of 245 respondents, 47.34% (116) were males and 52.65% (129) were females. The majority (67.74%) of participants aged from 20 to 39 years and others (below 19 and 40 to above 50 years) were 32.23%. In terms of religion, 69.79% were Muslim, most (68.57%) of the respondents held a bachelor degree. 34.28% were employed in the government sector, and the income for the majority (58.36%) of participants ranged from 1,001 to 5,000 Brunei dollars. Table 1 outlines the detailed demographic profiles of the respondents.

Table1: Respondents' demographic profile

Items	Frequency	Percentile %
<i>Gender</i>		
Male	116	47.34
Female	129	52.65
Total	245	100
<i>Age</i>		
Below 19	34	13.87
Between 20-29	84	34.28
Between 30-39	82	33.46
Between 40-49	30	12.24
Above 50	15	6.12
<i>Religion</i>		
Muslim	171	69.79
Christian	23	9.38
Buddhist	38	15.51
Others	13	5.30
<i>Education</i>		
Diploma	25	10.20
Bachelor	168	68.57
Master	35	14.28
Doctorate	17	6.93
<i>Occupation</i>		
Government Sector	84	34.28
Private Sector	64	26.12
Academic Staff	26	10.61
Student	40	16.32
Others	31	12.65
<i>Income (BND)</i>		
Below 1,000	42	17.14
Between 1,001-5,000	143	58.36
Between 5,001-10,000	41	16.73
Above 10,000	19	7.75

4.2 Islamic Banking Adoption

The adoption of IBS was determined asking whether respondents are Islamic bank customers. It may seem a simple question; however, it was assumed as an effective method because the question was easy to understand and it exceptionally measured respondents' adoption of IBS. The results of customers' IBA are exhibited in table 2. The estimated results represent that 86.53% were Islamic and 13.46% were non-Islamic bank customers. The table further presents IB products and services used by the customers. It is notable that customers utilise different IB products and services known as saving and current account, credit card, personal and auto financing. The majority (82.44%) of the respondents held a saving account with Islamic banks.

Table 2: IB adoption

<i>IB customers</i>	Frequency	%
Islamic bank customers	212	86.53
Non-Islamic bank customers	33	13.46
Total	245	99.99
<i>Types of IB products</i>		
Saving account	202	82.44
Current account	20	8.16
Saving/current account	12	4.89
Saving/current account/credit card/auto/personal financing	11	4.48

Understanding and awareness of IB concepts

A cardinal objective in this research was to map the customers' level of understanding of numerous IB concepts. In order to achieve this objective, the study investigated customers' understanding and awareness of IB concepts such as riba, Shariah, mudarabah, musyarakah and murabahah. The test results of understanding level are reported in table 3. The overall awareness and understanding level of IBS was calculated through addition of the mean values of the implemented concepts (riba, Shariah, mudarabah, musyarakah and Murabaha) divided by a number of concepts ($11.61/5=2.32$).

Table 3: Mean values for the understanding level of IB concepts

Concepts	Mean	SD
Riba	3.07	1.256
Shariah	3.02	1.619
Mudarabah	1.93	.907
Musarakah	1.86	.844
Murabahah	1.73	.836
Average mean	2.32	-

The findings show that the average of customers' understanding level was 2.32. The mean values of IB concepts further indicate awareness and understanding of each concept. The results of riba and Shariah indicate that customers' awareness and the understanding level was above average with mean values 3.07 and 3.02. This outcome is parallel with Mahadzan et al. (2017) and Khan et al. (2008). These studies suggested that riba and Shariah are the basic, well understood, and popular IB concepts and most of the customers procure a fair knowledge of these concepts. The mean values of mudarabah (1.93), musarakah (1.86) and Murabaha (1.73) indicated below average ($\mu = 2.32$) awareness and understanding of these concepts among customers. The overall findings indicate that customers' level of understanding of IB concepts is below average. The overall findings of customer understanding and awareness level corroborate the findings of earlier studies administrated by Gerrard and Cunningham (1997), Naser et al. (1999) and Ramdhony (2013). These findings suggest the dire need for improvement in understanding and awareness level of Bruneian customers. Regulators and Islamic financial institutions are required to provide formal education to Bruneians on a permanent basis for the achievement of its long-term goals to develop Brunei as an Islamic finance hub.

4.4 Factors Influence IB Adoption

Prior to determining the factors that influence the adoption of IBS, it is mandatory to determine the reliability and adequacy of collected samples. Reliability test facilitates to establish consistency among respondents' response. Reliability test is computed by Cronbach's alpha, Nunnally (1978) suggested 0.70 alpha (α) value of acceptable reliability measurement. Table 4 outlines the Cronbach's alpha values of adopted variables. The overall computed value is .822 which satisfies the reliability of the measurement instrument.

The sampling adequacy was verified using Kaiser-Meyer-Olkin (KMO) and Bartlett's tests. KMO and Bartlett's test values are reported in table 5.

KMO test value for all the items is .700 which is 70%. It indicates the adequacy of collected samples as the KMO value is higher than the minimum criteria of 0.50 (Leech et al., 2005).

Table 4: Reliability test results

Variables	Items	Cronbach's alpha
Relative advantage	3	.824
Compatibility	3	.777
Complexity	3	.728
Observability	3	.788
Uncertainty	2	.720
Service quality	3	.726
Overall	17	.822

Table 5: KMO and Bartlett's test results

KMO measure of sampling adequacy and Bartlett's test of Sphericity	0.700
Approximately chi-square	451.559
df	136
Significance	0.000

After fortifying the reliability and adequacy of collected samples, the study investigates Bruneian customers willingness to adopt IBS. To accomplish this objective one sample t-test and multiple regression analysis were performed. The t-test was performed by setting the test value as '3' as the neutral point. The values of the t-test are reported in table 6.

Table 6: One sample t-test results

Test value =3

Adoption determinant	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Awareness and understanding	2.600	245	0.000	.588	.22	.96
Relative advantage	3.666	245	0.000	.322	.12	.53
Compatibility	4.666	245	0.000	.951	.65	.25
Complexity	1.000	245	0.000	.004	.71	.30
Observability	3.666	245	0.000	.927	.71	.14
Uncertainty	2.000	245	0.000	.355	.16	.55
Service quality	4.000	245	0.000	.396	.18	.61

The t-test results suggest that all items are significant at 95% confidence level, which signifies Bruneian bank customers' responsiveness towards the adoption of IBS. The positive difference in mean values further confirms customers' willingness to adopt IBS. The results of t-test value assert rejection of hypothesis 4 and 6 as customers did not perceive any negative influence of complexity and uncertainty in the adoption of IB. Table 7 elaborates the factors affecting the adoption of IB.

Table 7: Regression coefficients (dependent variable: IBS adoption)

Constant	Unstandardized coefficient (B)	Standard error	Standardized coefficients Beta	t	Sig.
Awareness and understanding	.577	.162		.424	.583
Relative advantage	.845	.375	.281	.615	.539
Compatibility	.612	.049	.281	.275	.204
Complexity	.675	.056	.262	.301	.194
Observability	.204	.023	.493	.842	.162
Uncertainty	.724	.022	.408	.970	.152
Service quality	.187	.024	.449	.830	.269

The results indicate that standardized Beta value for all the constants is positive which implies that all independent variables positively impact the dependent variable (adoption of IBS). It is inferred that the overall understanding of IB positively impacts the adoption of IBS, hence; hypothesis 1 is accepted. This result is consistent with the findings of Thambiah et al, 2012; Mbawuni and Nimako, 2017; Ali and Puah, 2017; Mahadzan et al, 2017, that understanding and awareness of IB have a significant positive impact on the adoption of IBS.

An overview of predicted results in table 7 demonstrates that relative advantage holds a positive impact on the adoption of IBS hence, hypothesis 2 is accepted. The predicted outcome is parallel with the finding of (Mahadzan et al., 2017; Ali and Puah, 2017; Thambiah et al., 2013; Echchabi and Aziz, 2012). The compatibility results indicate the positive impact towards the adoption of IBS that proves the acceptance of hypothesis 3. It is consistent with prior findings that IB services are relevant and suitable with bank customers' needs and life style Fisher and Chu (2009), Nor (2005), Mahadzan et al. (2017), Ali and Puah (2017).

Complexity results indicate its positive impact on the adoption of IBS signifying that consumers did not perceive the complexity of IB products and services impact towards adoption, hence hypothesis 4 is not accepted. The suitable explanation of this result is respondents' education level. Since

the majority of the respondents held bachelor's degrees, which asserts that, respondents had acquired a fair understanding of IB products and services. This result is parallel to the findings of Ali and Puah (2017), Al-Jabri and Sohail (2012) studies. However, it contradicts Echchabi and Aziz (2012), Kaabachi and Obeid (2016) findings, as these studies indicate negative relationship between complexity and the adoption of IBS.

Observability was found to have a positive impact on the adoption of IBS; it supports the hypothesis 5 of this study. These findings are consistent with Rugimbana and Iversan (1994), Thambiah *et al.* (2013), Ali and Puah (2017) findings. Uncertainty showed a positive influence on the adoption of IBS; therefore, hypothesis 6 was not accepted. The findings are consistent with the findings of Ali and Puah (2017); whereas, these contradict the studies of Echchabi and Aziz (2012), Kaabachi and Obeid (2016). The impact of service quality proved a positive influence on adoption signifying that service quality positively contributes towards the adoption of IBS. It proves the acceptance of hypothesis 7 of this study. It reinforces the notion that better service quality assurance will enable customers to positively adopt IBS (Bashir, 2013).

Overall, findings represent that customer's understanding and awareness of IB concepts was below average. All the variables (understanding and awareness, relative advantage, compatibility, complexity, observability, uncertainty, and service quality) had a positive impact on the adoption of IBS. According to the findings, the hypotheses *H1, H2, H3, H5, and H6* were accepted while hypotheses *H/4 and H/6* were rejected.

5. Conclusion

This study focused to gauge Bruneian bank customers' willingness to adopt IBS. The study has exceptionally explored the significant variables that may influence customers' adoption of IBS. The factors that influence the adoption of IBS were adopted from Rogers (2003) DOI theory. The inclusive factors were understanding and awareness, relative advantage, compatibility, complexity, observability, uncertainty, and service quality. The findings predicted that Bruneian customers are willing to adopt IBS. The study found that customers' understanding and awareness of Islamic banking concepts was below average. However, despite below average understanding and awareness level, customers held above average understanding of the basic IB concepts. The study proved that understanding and awareness level, complexity, and uncertainty of IB

products and services do not hinder Bruneians to adopt IBS. Additionally, relative advantage, compatible services and products, observability and service quality are the positive instruments of IBS adoption.

The study has exceptionally contributed to the knowledge complimenting the past studies especially in the context of Brunei. The literature does not exhibit any formal study embarking on the latent components which influence Bruneian bank customers to adopt IBS. Hence, the outcome of this study contributes to benefit practitioners, stakeholders, regulators, and policymakers of Islamic financial industry. The regulators and policymakers of Islamic financial industry may gauge these findings to develop Brunei into hub of global Islamic finance. Additionally, these findings suggest the practitioners and stakeholders to implement relevant measures to enhance knowledge and awareness of IB concepts by educating Bruneians about numerous IB concepts.

The present study has certain limitations such as implemented research instrument, sample size, and geographical location for data collection. The research instrument is the major limitation as the inclusion of cultural dimensions and bank employees' competence may represent different adoption level of Bruneian customers. The sample size of 245 customers may consider limited and unreliable to generalise the findings to the entire Bruneian bank customers. Lastly, data collection was restricted to only one district of Brunei; whereas, the expansion of geographical locations for data collection may alter the outcome of this study.

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