

The Relationship between Knowledge Awareness and Intention to Adopt Islamic Finance in Syria

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ABSTRACT

The progress of Islamic Banking and Finance in Syria has been limited due to various factors, such as insufficient support from regulatory bodies and customers. Small and medium enterprises (SMEs) play a crucial role in Syria's national economy and employment, but they may not receive adequate backing from Islamic Banking and Finance. There is limited literature to link SMEs with the Islamic financial system, especially in Syria. Determining the importance of the Islamic finance system in SMEs in Syria specifically and other Muslim states requires tackling this research subject and providing an empirical analysis, this represents the problem of the study. This study investigates the relationship between knowledge awareness and intention to adopt Islamic finance among SMEs in Syria. Study helps individual practitioners as well as the academic and theoretical communities. The conclusions will impact policy, and the advisory council and the management of the SMEs will work together to build the strategy. Quantitative analysis was applied to measure the impact of the independent variable on the dependent one, and quantitative measures can identify subtle differences and variations between individuals. The tool used for this study is a questionnaire. The research population consists of 600 small and medium-sized companies in Syria, while the study sample consisted of 400 small and medium-sized companies to which the questionnaire was distributed. The findings revealed that the direct relationship independent variable (Knowledge Awareness) is significant factor in the adoption of Islamic Finance among SMEs in Syria. This study proves that the FinTech greatest challenge is not only to create opportunities to use modern technology in Islamic banking sector, but it can also design a framework for a digital economy based on Islamic principles according to the objectives of Shari'a principles. As a contribution, this study will serve as a guide for investors and managers to verify the compliance and adoption of Islamic finance among small and medium-sized enterprises in Syria by utilizing FinTech.

Keywords: Knowledge Awareness, Adopt Islamic Finance, SMEs, FinTech

RESEARCH BACKGROUND

The development of Islamic Banking and Finance in Syria has been hampered by various factors, including insufficient support from regulatory bodies and customers, particularly within the Small and Medium Enterprises (SMEs) sector, which plays a pivotal role in Syria's economy and employment. This study investigates the impact of Financial Technology Adoption on the adoption of Islamic Banking and Finance products and services among Syrian SMEs. The global Muslim population, estimated at 1.6 billion in 2010, is projected to reach approximately 2.8 billion by 2050, indicating significant growth. This demographic expansion has opened up opportunities for the Islamic finance industry, extending its influence beyond Muslim-majority regions (Lipka & Hackett, 2015).

One of the primary reasons for the global acceptance of Islamic finance is its adherence to Sharia principles, designed to align with the religious beliefs of clients (Metawa & Al-Mossawi, 1998; Naser et al., 1999; Bley & Kuehn, 2004). Sharia encompasses a set of rules and restrictions that Muslims must follow in their daily lives, including the avoidance of interest (Riba), speculative transactions (Gharar or Maysir), and engagement in prohibited (haram) activities, such as trading in alcohol, pornography, firearms, pork, and conventional banking practices. Consequently, any Islamic financial instrument must adhere to these fundamental Sharia principles to gain acceptance among Muslims. Sharia draws its principles from two primary Islamic sources: the Holy Quran and the Sunnah, which encompass Prophet Muhammad's actions and statutes. Additionally, other jurisprudential tools, such as Ijma (Common Agreement), Ijtihad (scholarly interpretation), and Qiyas (analogical deduction), are employed to address contemporary issues. Islamic finance offers alternatives to conventional banking, with Sharia-compliant businesses like Halal certificates gaining prominence (Yusuf et al., 2017). Halal certification ensures that products conform to Islamic principles, emphasizing cleanliness and quality. However, research is scarce regarding the advantages of this compliance for business owners.

The progress of Islamic Banking and Finance in Syria faces challenges due to limited support and awareness, particularly within the SME sector. The growth of the global Muslim population presents opportunities for the expansion of Islamic finance, grounded in Sharia principles derived from the Quran, the Sunnah, and other jurisprudential sources. Sharia-compliant businesses, including Halal certificates, play a significant role in this ecosystem, although further research is needed to explore their benefits for business owners.

THEORETICAL FRAMEWORK

This study aims to advance research in Islamic finance adoption by Small and Medium Enterprises (SMEs) in Syria, offering contributions both in theory and practice. It conducts empirical analysis, filling a significant gap by examining the subject from the perspective of the Islamic financial industry. Factors influencing Islamic finance adoption, providing valuable insights into SME decision-making. The study delves into the behavioral aspects of individuals in Islamic financial markets, particularly focusing on the influence of perceived behavioral control (PBC) and subjective norms (SNs) on Islamic finance adoption. This research enhances our understanding of how these factors shape attitudes and behaviors. The findings of this study are expected to benefit researchers, academics, and industry professionals, offering a substantial dataset for future research on SMEs in Syria and their preferences regarding Islamic finance. Moreover, the study's conclusions are likely to impact policy formulation, with implications for the advisory council and SME management in developing strategies. Practically, this study guides SME decision-makers toward Islamic finance adoption. It underscores the importance of effective communication between management and shareholders to improve SME attitudes toward Islamic financing.

LITERATURE REVIEW

Wirtz and Mattila (2003) describe knowledge as the condition or fact of being acquainted with something, gained through experience or education. On the other hand, awareness signifies possessing or exhibiting an understanding, comprehension, insight, or viewpoint about a particular overarching situation or reality. More precisely, awareness suggests a belief in, and an engagement with, a specific subject. Nevertheless, it's perceived that knowing about the existence of something or comprehending a current situation or problem relies on certain facts or data (Omar, 2015). Yet, awareness often pertains to the information gleaned through sensory perception or the application of knowledge. This research aims to scrutinize the relationship between the behavioral intentions of SMEs and their awareness and understanding of the Islamic banking system within the Syrian Islamic banking landscape, utilizing the definitions of knowledge

and awareness. Consequently, for this study, we adopted the definition of knowledge as proposed by Wirtz and Mattila (2003).

Awareness is the term used to describe a person's comprehension and knowledge of anything, such as a place, a person, or services, etc. This helps a person make decisions based on their actions toward an issue, whether they are favorable or unfavorable. The influence indices that determine whether cheerful outlook increases or diminishes are awareness and cognition. According to Rasheed, Siddiqui, and Rahman (2018), awareness is the initial phase in a person's product adoption process before information, thinking processes, decisions, and verification.

The potential for the Islamic banking system was created by the traditional banks' limited capacity to provide their services to meet the financial needs of SMEs in the business world. These banks' efforts to provide SMEs with the Sharia-compliant goods and services they need are lacking. This demonstrates the hesitant conduct of Islamic banks, which may be caused by an unclear company strategy or a perception of excessive risk. SMEs have a high demand for Islamic finance, but there are supply-side and demand-side problems that impede development (Nafis, 2015). A disincentive to the growth of SMEs has included, among other things, the level of awareness of SMEs about Sharia-compliant products and logistics, and Islamic banks are not entirely conclusive. For instance, both traditional and Islamic banking systems with Islamic windows make product information available in a variety of widely spoken languages, such as English, Hindi, Urdu, Persian, and Arabic, but explained in simple Shari'a language, which the owner of SMEs does not understand; even middle-tier bank officials confirm this (Mohiuddin, 2016). The past study in this area has only looked at a single customer's attitude. There is a pressing need to quantify this parameter because not enough research has been done on how well-informed SMEs are about Islamic finance. Numerous Islamic banking services and products are available, but owing to a lack of consumer awareness, selecting an appropriate product can be challenging. As a result, it's important to weigh your alternatives so that you can choose the best course of action.

The study has noted that awareness is a critical aspect that influences attitudes about the decision to use Islamic banking products and services in various settings (Daud et al., 2011; Keong et al., 2012; Thambiah et al., 2013). Some studies have shown the beneficial connection between attitude and awareness (Obeid & Kaabaci, 2016; Wahyuni, 2012).

Awareness tends to be high for generic brand products like savings and current bank accounts. However, when it comes to specific products like Ijarah, Murabaha, and Musharakah, this may not be the case (Khan and Asghar, 2012). In the context of SMEs, awareness and knowledge have been identified as key determinants for the adoption of financial products (Jaffar & Musa, 2016). While personal awareness has been broadly studied within Islamic finance, research determining the extent of SMEs' understanding of Islamic banking remains limited. Some studies have also focused on SMEs' involvement with the Islamic finance system in the Syrian context, aiming to identify levels of awareness. While theories of behavioral intention have been used to study individual behavior, limited empirical evidence exists on SMEs' behavioral patterns using the Theory of Planned Behavior (TPB). In this study, it is hypothesized that awareness influences SMEs' usage of Islamic financing.

H1: Awareness has a major role in the intention to adopt Islamic finance.

METHODOLOGY

Quantitative analysis was applied to measure the impact of each independent variable on the dependent one, and quantitative measures can identify subtle differences and variations between individuals. the tool used for this study is a questionnaire. the research population consists of 600 small and medium-sized companies

in Syria, while the study sample consisted of 400 small and medium-sized companies to which the questionnaire was distributed.

INSTRUMENT’S RELIABILITY

Pilot test decides the dependability of the instruments of estimation before the execution of the real observational work. In Gay and Airasian (2006), dependability identifies with the level to which a test unswervingly gauges what is it should. Further, the underlying unwavering quality of the inside consistency of the information from the pilot study is estimated utilizing Cronbach’s alpha (Cronbach, 1984). As Zander and Kogut (1995), Cronbach’s alpha worth can be expanded in either the number of things or the normal relationship.

Table 1: Scale Reliability Alpha – Pilot Test of Model’s Questionnaire (N=400)

Variable	N. of Items	Alpha (a)
Intention to Adopt Islamic Finance	10	.919
Knowledge Awareness	4	.938

DATA ANALYSIS AND RESULTS

- **Assumption of Normality**

In order to comprehend the symmetrical curve with scores that have the largest frequency in the middle and smaller frequencies toward the two-sided ends, normality analysis is typically performed (Byrne, 2013). Fundamental ideas, programming, and applications for structural equation modeling with Mplus. The assessment of normalcy should consider the values of skewness and kurtosis, as recommended by certain researchers (e.g., Kline, 1998; Pallant, 2001), regarding the scores’ dispersion for the dependent and independent variables. This is due to the fact that the majority of social science constructs are evaluated using scales that contain scores that can be distorted either positively or negatively (Pallant, 2001). Kurtosis, which takes the form of a distribution, is another property. The degree to which observations cluster around a central mean is known as kurtosis. According to Hair et al. (2013), skewness values above +1 to -1 indicate a distribution that is significantly skewed. Kline (1998) hypothesized that skewness values between +3 and -3 would be considered acceptable. The skewness values in this investigation were discovered to be within the range of -3 to +3. Coakes and Steed (2003) also suggested that the values of kurtosis should fall between +3 and -3. The kurtosis levels in this investigation, however, were all within the suggested range of +3 to -3. (Table 2). The dataset did not deviate from the assumption of normality, as shown by the results, indicating that the variables were all normally distributed.

Table 2: Kurtosis as well as Skewness regarding the analysis for reliability

Constructs	Skewness	Kurtosis
Intention to Adopt Islamic Finance	.185	.173
Knowledge Awareness	.196	1. 98

- **Result Of Hypothesis Testing**

Hypothesis 1: The result revealed that the proposed relationship between knowledge awareness and intention to adopt Islamic Finance shows a positive relationship ($\beta = 0.162$, $t = 4.121$), and hence, the hypothesis was supported.

Table 3: Result of Direct Hypothesis Testing

#	Relationship	Beta	t-value	p-value	Decision
Hypothesis 1	Knowledge awareness has a major effect on the intention to adopt Islamic finance.	0.162	4.12	0	Supported

The researcher assumed that Knowledge Awareness would have a statistically significant connection with Intention to Adopt Islamic Finance in the suggested model (H1). The parameter estimation findings for the aforementioned hypothesis (H1: Knowledge Awareness Intention to Adopt Islamic Finance (= 0.162, t = 4.121, p-value = 0.00) were both positive and statistically significant. This implies that knowledge awareness has a favorable impact on the desire to adopt Islamic finance in Syria. As a result, this theory was adopted. This study contradicts previous findings (Bodibe et al., 2016), which indicated a clear link between awareness and the desire to accept Islamic finance. Furthermore, according to Albaity and Rahman (2019), awareness has a substantial influence on the intention to utilize Islamic banking and finance. Al Balushi et al. (2019) also discovered that their inclination to acquire Islamic money is influenced by their knowledge and awareness of Islamic finance. According to Shabbir et al. (2016), consumer identification of Islamic banking goods and services is the most important aspect that influences customer acceptance of Islamic banking and finance. This means that knowledge and information play an important role in decision-making and investor attitudes toward Islamic banking.

SUMMARY

This study investigated the influence of knowledge awareness on Islamic Finance adoption among SMEs in Syria. The empirical studies provided new findings that may serve as a foundation for Islamic banking in Syria. The independent variables (Knowledge Awareness) are important factors in determining Islamic finance adoption in ensuring the success and increase in the adoption and acceptance of Islamic finance in Syria. Consequently, this research work has achieved all its objectives completely. For future studies in this research area, this work has laid a foundation by recommending many possibilities and open questions. The scope of the research is currently limited to SMEs only, but it can be extended to larger organizations and the government sector. Moreover, many modern and advanced technologies can be further explored from the perspective of the Syrian economic system in particular, and the Islamic world in general.

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