

Analyzing the linkage between Islamic financial literacy and Islamic banking services adoption: evidence from Turkey

Islamic
banking
services
adoption

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Abstract

Purpose – The purpose of this study is twofold. First, this research explores the level of Islamic financial literacy of customers in the context of Islamic banking. Second, this study examines the determinants of customer adoption of Islamic banking in Turkey.

Design/methodology/approach – This study gathered sample data from 409 participants determined using the purposive sampling method. In the study, first, the reflective measurement model is used to examine the reliability, validity and multicollinearity problems of the variables. Then, AMOS structural equation model (SEM) is used to reveal the relationship between Islamic financial literacy and Islamic banking services. Additionally, this study performed both descriptive and inferential analysis to understand customer literacy about Islamic banking and their adoption behavior of Islamic banking.

Findings – The results obtained from descriptive assessment indicate that Turkish customers of Islamic banking possess sufficient literacy about Islamic banking. Moreover, the results from SEM indicate that the adoption of Islamic banking by customers is significantly predicted by the role of Sharia Board management, Islamic banking and purpose of financial institution, religious factor and legitimacy of Islamic financial system.

Research limitations/implications – This study focuses only on the level of knowledge and perceptions of customers who have accounts in Islamic banks or financial institutions in Turkey. It does not focus on the level of knowledge and perception of Muslims who do not have accounts in Islamic banks and financial institutions.

Originality/value – Previous studies on Islamic banking are mostly studies that investigate customers' perceptions of the Islamic banking system and why individuals prefer Islamic banks. In particular, studies



examining the relationship between individuals' Islamic financial literacy level and Islamic banking preferences are limited. This study is considered to be an original study as it investigates the relationship between the Islamic financial literacy level of individuals and their adoption of Islamic banking services in Turkey.

Keywords Islamic banking, Islamic financial literacy, AMOS, Survey method

Paper type Research paper

1. Introduction

The mid-1970s can be considered the initial days of efforts toward the interest-free banking system. Banks operating under interest-free principles were included in the financial system and became an essential alternative to conventional banks in countries with a predominantly Muslim population. On the other side, conventional banks experienced a profitability problem, especially during the global financial crisis in 2008, while interest-free banks continued their growth and profitability until the situation negatively affected the real sector (TKBB, 2021). These developments have led to increased interest in Islamic finance products, and Islamic banking and Islamic financial products have become an important alternative for both Muslims and non-Muslims (Chong and Liu, 2009; Setiawati *et al.*, 2018; Kevser and Doğan, 2021). In this regard, the banking system known as interest-free or Islamic banking in the world is called participation banking in Turkey (Parlakkaya and Çürük, 2011, p. 397).

Despite having an active account in Islamic banking and financial institutions, the low level of financial knowledge and Islamic financial literacy is a problem. The low level of financial knowledge and Islamic financial literacy may cause investments not to be made in the right investment tools, causing economic losses. After the global financial crisis of 2019, many businesses faced the danger of bankruptcy due to problems in providing credit. Keeping savings inactive and not included in the financial system is a significant loss in the economic system. Additionally, the need for financial resources and their constant circulation is essential to support a stable financial environment. Suppose a part of the money is pushed out of the economy and kept idle. In that case, financing problems start when insufficient cash is in circulation and may turn into economic problems (Uluvol, 2011). In this case, it causes a waste of financial capital, and savings cannot be used as a monetary value because they remain idle and cause challenges in the financial system. The concept of waste in financial capital describes the extravagance caused by individuals' inability to use their savings in traditional financial systems. As a result of the waste generated by these idle and unused values, there will be deficits in the savings that the financial system can use.

Furthermore, the new investments, which represent an increase in the physical capital stock of the country, cannot be made due to the lack of financing and the dependency on investors' participation. As a result of all these, a cycle will occur that feeds the rate of increase in the price level in the country (Yazıcı, 2020). Likewise, individuals with low Islamic financial literacy are often reluctant to get involved in the financial system. Therefore, it is important to investigate the existence of these problems and make suggestions according to the research results.

In summary, individuals' Islamic financial literacy knowledge levels can be determinative in financial decisions and behaviors, such as savings, investment, retirement planning and bank preference, such as interest-based financial literacy knowledge level, as in conventional banking. Theoretically, it can be expected that as the Islamic finance literacy of financial consumers increases, their orientation toward the interest-free banking system will increase. Moreover, the basis of prejudices and criticisms toward the interest-free banking system is based on financial consumers' incomplete or erroneous knowledge about Islamic finance (Yıldız, 2020). Additionally, Islamic financial literacy is a quality of financial

management (such as income and expenditure); it is not limited to basic issues such as zakat and philanthropy. It is also considered as the ability to understand finance based on Sharia compliance. Especially after the 2008 financial crisis, world economies started to focus on Islamic finance again. For that reason, the Islamic finance industry is filled with a wide variety of financial instruments and asset options for not only Muslim but also non-Muslim investors. From this point of view, this study will try to determine the harmony between the theoretical expectation and the actual behavior of individuals regarding their bank preference.

In the past literature, we observed limited studies on Islamic finance literacy in the literature. Some studies investigate why individuals prefer Islamic banks (Haque *et al.*, 2009; Gerrard and Cunningham, 2001; Chowdhury *et al.*, 2019), as well as studies that determine the level of Islamic financial literacy (Çömlekçi, 2017). Earlier studies mainly aim to assess the level of Islamic financial literacy by analyzing the perception of adopting Islamic banking services. However, past studies also investigated the level of Islamic finance literacy and the preference of participating banks, but the evidence is limited and demands more investigation. Thus, this study attempts to determine the level of Islamic finance literacy and adoption of Islamic banking services, especially for individuals who have accounts in participation banks.

Likewise, since the study provides information about the level of Islamic financial literacy and financial behavior in Turkey, we are also certain that this study contributes to the literature as it can form a basis for future research on developing strategies to increase investor behaviors in Turkey.

2. Literature review

2.1 Islamic financial literacy

The concept of financial literacy, which is discussed from different perspectives in the literature, with its most general definition; It is defined as:

The ability to evaluate one's own money efficiently, thanks to the ability to master basic financial issues such as interest, savings, inflation, and borrowing, and to make mathematical calculations regarding them (Yıldız, 2020).

As can be seen, individuals' financial literacy levels are measured with concepts and calculations based on interest. Again, the participation of financial literacy knowledge level in money and capital markets and its effects on savings and investment decisions are evaluated within this framework (Yıldız, 2020). It should be noted that in societies, there are individuals who make financial decisions based on their financial knowledge and skills, as well as individuals who shape their financial preferences in line with their beliefs and values (Yıldız, 2020). Because the religious values of individuals are important elements that regulate their lives and direct their tendencies about how they should behave in various situations. Financial needs that may arise in the process of realizing the various needs and wishes of individuals will also require them to apply their attitudes under the influence of religious provisions (Turan and Demirci, 2019). To meet these needs, the participation banking system, whose financial activities are based on profit and loss sharing and which works with the principle of interest-free, has been established (Yıldız, 2020). This system is the unit that mediates individuals, who want to avoid interest, to bring their idle funds, which are out of the financial system, to economic life (Özsoy *et al.*, 2013). It is important for individuals who want to shape their financial decisions in line with their beliefs and values to be at least basic-level Islamic finance literate. Because the level of knowledge of Islamic finance literacy is an important factor that affects individuals' attitudes toward making

financial decisions in accordance with Islamic rules. On the other hand, it is argued that the information on the difference between deposit banks and participation banks also depends on the level of Islamic finance literacy (Antara *et al.*, 2016; Yıldız, 2020).

2.2 Empirical studies and hypotheses

Similar to the change and development experienced in the finance sector, it is also seen in the field of Islamic finance in the Islamic geography. Islamic finance provides an environment for individuals to evaluate their income, expenditures, savings and investments following Islamic rules. Islamic finance awareness and literacy began to gain importance as it developed and took its place in the Islamic finance sector, which is in today's financial system (Altundere Doğan, 2020). The importance of Islamic financial literacy has made it necessary to conduct research on Islamic financial literacy and define this concept. Since the concept of literacy in Islamic finance is a relatively new field, there is no generally accepted definition. This concept can be defined as a new perspective brought to the finance literature (Bekereci *et al.*, 2018). From this point of view, the concept of Islamic financial literacy is defined as the degree of knowledge, awareness and skills related to Islamic financial services (Yıldız, 2020). Another definition, Islamic financial literacy, can be defined as the ability to understand finance based on Sharia compliance (Abdullah *et al.*, 2016). Antara *et al.* (2016) defined the concept of Islamic financial literacy as the ability to have knowledge about Islamic products and services, to observe the basic principles of Islamic finance while making financial decisions and to act in the awareness of Islamic rules and rules. The most basic feature of the Islamic finance system is that it provides interest-free finance alternatives, especially to those with religious sensitivities, by carrying out its activities without using the interest-bearing transactions that the religion of Islam has forbidden (Altundere Doğan, 2020). This feature of the Islamic financial system is what distinguishes the Islamic financial system from other conventional banking systems. The main aspects that distinguish the products used by the Islamic financial system from those used by the conventional financial system are their philosophical differences. These differences are as follows: while in the conventional system, there is no obligation to base transactions on a real asset, that is, a commercial transaction, in the Islamic financial system, these transactions should be based on a real asset, that is, a commercial transaction. While there are elements that are important for customers as a source of information, such as interest, uncertainty and excessive risk in the conventional system, prohibition of illegal transactions and speculative behaviors, such as interest, excessive risk and uncertainty in the Islamic financial system. While pricing volatility is high in times of crisis in the conventional system, pricing volatility is low in times of crisis in the Islamic financial system. In the conventional system, the loan agreement (lending contract) is valid, while in the Islamic financial system, the financing and proxy contract (purchase and sale contract) is valid. Again, in the conventional system, funds are given in return for various noncompulsory assets (mortgages, etc.), while the financial support given in the Islamic finance system is given in return for a good or service (Yazıcı, 2020). Thus, this study reports the following hypotheses:

- H1.* Islamic banking and financial services information will have a significant impact on the adoption of Islamic banking.
- H2.* Islamic banking and financial services will have a significant impact on the adoption of Islamic banking.

The simplest answer to the question of why the Islamic finance system uses noninterest instruments, although perhaps it serves the same purpose, result and similar pricing with interest-free transactions, is that Islam looks at the process, not the result, in economic transactions. In other words, Islam did not prohibit generating income from commercial transactions; on the contrary, it encouraged it. However, in this incentive, he gave importance to risk sharing in the contracts between the parties. Naturally, there is always risk in a business activity. Assuming that there is no gain without risk, the risk must be shared so that the interest prohibited by religion and making money out of money are not involved (Yazıcı, 2020). At this point, it is predicted that those who want to participate in the financial system in accordance with Islamic conditions will have positive effects on their participation in the Islamic finance system if they become aware of Islamic finance and have knowledge about Islamic finance methods, that is, gaining Islamic finance awareness and literacy (Altundere Doğan, 2020). In parallel with the developments and changes in the financial system in recent years, the Islamic finance sector has developed and started to take its place in the general financial system. At this point, it has become important to determine the Islamic finance literacy level of individuals and to understand the effect of this on their adoption of Islamic banking services. Despite this importance, studies on this subject are very limited. National and international studies on the subject in the literature are summarized below. Previous studies on Islamic banking were carried out primarily to determine customers' perceptions of the Islamic banking system. There have been many studies focusing on different determinants of Islamic banking adoption, such as the role of the Sharia Board, customer relationship, education level, religion, group and awareness level. However, in addition to recent studies investigating why individuals prefer Islamic banks (Haque *et al.*, 2009; Gerrard and Cunningham, 2001; Chowdhury *et al.*, 2019), some studies determine the level of Islamic financial literacy (Çömlekçi, 2017). In the Turkish context, the literature is limited to Sharia Board and customer relationships as the determinants of Islamic banking adoption. Therefore, this research postulates the following hypotheses:

- H3. Role of Sharia Board management will have a significant impact on the adoption of Islamic banking.
- H4. Customer relations in Islamic banking and financial institutions will have a significant impact on the adoption of Islamic banking.

In the literature of studies investigating the reasons why you choose to do Islamic banking in Turkey Dayı (2019), the selection of Islamic banks has determined that it is effective to collect a fee for religious sensibilities and processes. Durak *et al.* (2017) found that the two most effective factors in choosing Islamic banking are close relations and respect for branch personnel. Anaç and Kaya (2017) found that interest and religious sensitivities were effective in choosing an Islamic bank. Özsoy *et al.* (2013) found that service and product quality is the most influential factor in the preference of Islamic banks. Karakaya and Karamustafa (2004) stated that religious reasons, corporate image and friend suggestions were effective in choosing an Islamic bank. Okumuş (2005) found that the most important factor in choosing an Islamic bank is religious sensitivities. Metawa and Almossawi (1998), in their study in Bahrain, in which they determined the factors affecting the bank preferences of the customers of Islamic banks, primarily the adherence of the customers to the principles of Islamic finance; second, they determined that they preferred the bank by considering the rate of return on the money they invested. Dusuki and Abdullah (2007), in their study in which they investigated the reasons for customers prefer Islamic banks in Malaysia, determined that the most important reason is that the personnel are

knowledgeable, talented, sincere and respectful. [Wakhid and Efrita \(2007\)](#), in their study on the customer service quality of Islamic banks in Indonesia, concluded that religious reasons are the most important factor in the adoption of Islamic banks. In a study conducted by [Amin \(2008\)](#) on the reasons for the preference for Islamic banks in Malaysia, the bank's interest-free nature, low loan rates, transparency and face-to-face financing were determined as the factors affecting the preferences of customers, respectively. [Haque et al. \(2009\)](#) studied the preferences of customers in Malaysia for Islamic banks and found that the quality and availability of services, social and religious perspectives and trust were the main determinants of influencing customers. [Bhatti et al. \(2010\)](#), in a study on the reasons for the preference for Islamic banks in Pakistan, found that religious reasons and profitability were the most effective reasons. [Amin et al. \(2011\)](#), in their studies with customers of two full-fledged Islamic banks in Malaysia, Bank Islam Malaysia Berhad and Bank Muammalat Malaysia Berhad, stated that the most influential factors were attitude, Islamic pricing and social impact. [Lee and Ullah \(2011\)](#), in their study, investigating the factors that affect customers' decision to choose Islamic banks in Pakistan, found that they prefer Islamic banks mainly because they act in accordance with Sharia laws. In their study, [Ltifi et al. \(2016\)](#) determined that the most important determinants of customer satisfaction (CS) with Islamic banking in Tunisia are the quality of services, trust and compliance with Sharia. [Thayeb \(2019\)](#) determined in his study that profit-sharing was the positive and most influential factor on the interest of non-Muslims in becoming an Islamic bank customers. In their study, [Afriani and Asandimitra \(2020\)](#) found that high profit sharing was effective in choosing Islamic banks. Hence, this study realized that the purpose of Islamic banking as a financial institution and the religious factors is important to determine the adoption behavior of customers. Therefore, we proposed the following hypotheses:

H5. Islamic banking and the purpose of financial institution will have a significant impact on the adoption of Islamic banking.

H6. The religious factor will have a significant impact on the adoption of Islamic banking.

Moreover, this study noted that the legitimacy of Islamic banking may also increase the adoption behavior of customers. This implies that Muslim customers are attracted toward the legitimacy of Islamic banking. Similarly, the CS is also an important factor to increase the level of Islamic banking adoption. In this regard, [Ali and Raza \(2017\)](#) argued that Islamic banking CS is an essential factor to understand the customer inclination toward Islamic banking. In the Turkish context, our literature search highlights that fewer studies have generated inferences that explain Islamic banking adoption in relation to the legitimacy of Islamic banking and CS. Thus, this study intends to explore this relationship and suggest the following hypotheses:

H7. Legitimacy of the Islamic financial system will have a significant impact on the adoption of Islamic banking.

H8. Customer Satisfaction will have a significant impact on the adoption of Islamic banking.

3. Methods

3.1 Research approach

This study used a quantitative research approach due to the subject of the research is based on the cause-and-effect relationship. In other words, it is to reveal the relationship between

dependent and independent variables using relevant statistical approaches. In this study, the effect of independent variables related to Islamic financial literacy on the acceptance of Islamic banking dependent variable is investigated.

3.2 Research framework

To measure the effects of Islamic financial literacy on the adoption of Islamic banking services, [Zaman et al. \(2017\)](#) conceptual model was used along with past empirical support. The basis for the derivation of this model is that the foundations of Islamic banking theory are based on Sharia law. In terms of Islamic banking, Sharia law is based on the idea that interest is prohibited because it has a wide variety of negative effects on society ([Haron and Azmi, 2009](#)). Additionally, we used a survey-based instrument for data collection. This design was chosen because it is suitable for documenting the opinion of individuals on Islamic banking ([Amin and Isa, 2008](#); [Zaman et al., 2017](#); [Ali et al., 2022](#); [Amin et al., 2022](#); [Ali et al., 2017](#)).

This study developed a model based on the assumptions of the research that aims to determine the Islamic financial literacy of individuals and to reveal how effective Islamic financial literacy is in adopting Islamic banking services. Our model foundation is rooted in [Zaman et al. \(2017\)](#) study due to several reasons. The first is that Pakistan has the largest Muslim community in the world ([Ali et al., 2021](#)). Second, the ethnic structure in Pakistan and Turkey is quite similar due to the Muslim majority. In other words, the existence of various ethnic groups, the majority of the Sunni and Hanafi sect and approximately 96% of its people are Muslim. The third is that Islamic provisions based on the Quran and Sunnah are implemented in Pakistan. Because the purpose of the establishment of Islamic banking is to prohibit the phenomenon of interest in the Quran and Sunnah, which are the source of religious values of individuals. Thus, [Figure 1](#) shows the hypothesized model of this study.

The variables within the scope of the research are variables of a reflective nature. Because each item in the scale is an indicator of the variable being measured, and they are shaped by the variable. The expressions of the scales in the research reflect the structure they represent. In our research framework, we used nine independent variables, while the acceptance of Islamic banking variable was used as the dependent variable. The independent variables include the following: the role of the Shari'ah council administration, Islamic banking and financial service knowledge, Islamic banking and the purposes of financial institutions, religious factors, legitimacy of the Islamic financial system (LIFS), customer relations (CR) in Islamic banking and financial service organizations, CS and Islamic bank and financial service; hence, [Table 1](#) illustrates the description of variables used in this study.

3.3 Data and sampling

The analysis of the study is conducted at the level of individuals who have commercial and/or individual accounts in any Islamic bank or Islamic financial institution. The sample data was collected from individuals situated in Turkey with accounts in Islamic banks or Islamic financial institutions. There are six banks under the name of participation banking that carry out Islamic banking activities in Turkey. These are, respectively, Albaraka Türk Katılım Bankası A.Ş., Kuveyt Türk Katılım Bankası A.Ş., Türkiye Emlak Katılım Bankası A.Ş. Türkiye Finans Katılım Bankası A.Ş., Vakıf Katılım Bankası A.Ş. and Ziraat Katılım Bankası A.Ş. This study used a purposive sampling technique and distributed a total of 427 questionnaires. Later, we eliminated 18 responses from the research because of incomplete and missing information. The possible reason could be that the respondents paid a lack of attention or interest to participate in the survey. Therefore, a total of 409 usable

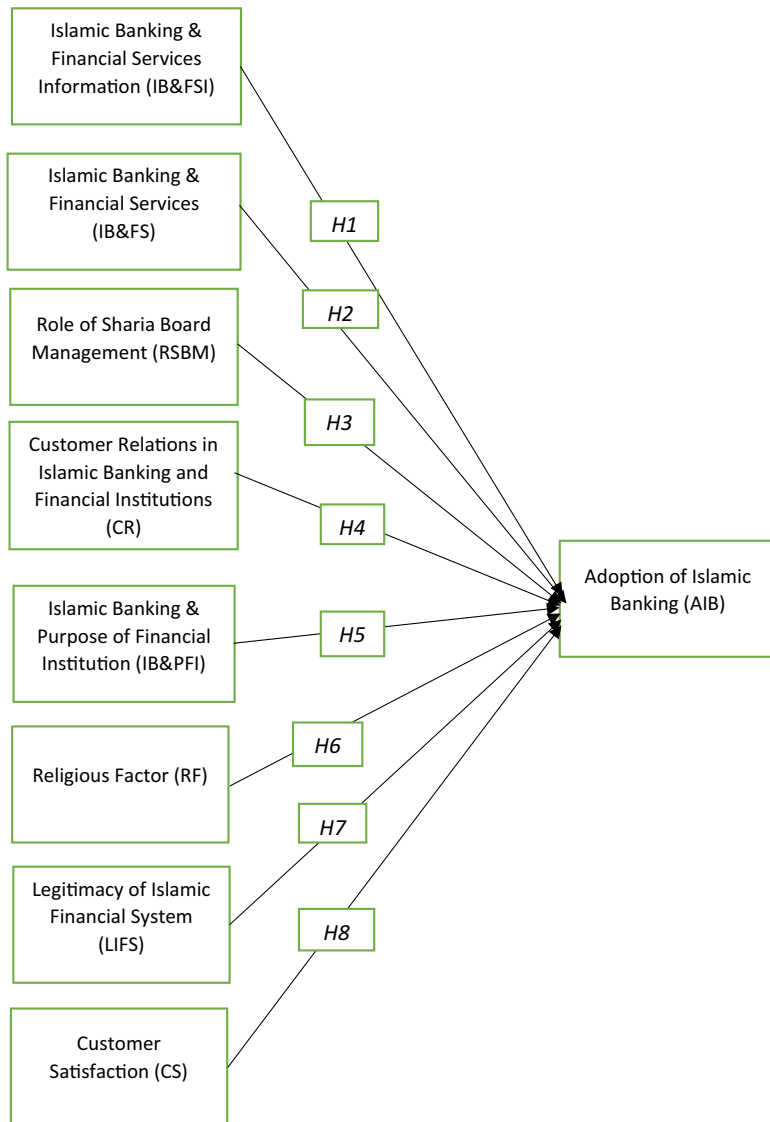


Figure 1.
Research framework

Source: Figure by authors

questionnaires were analyzed in the statistical process. The survey was conducted in May 2019 and November 2019.

3.4 Measurement instrument

As mentioned above, we gathered sample data using the survey technique due to its features of obtaining quality data in primary studies. Our questionnaire was divided into two

Variable	Abbreviation
Islamic banking and financial service information	IB&FSI
The role of Sharia Board management	RSBM
Customer Relations in Islamic banking and financial institutions	CR
Purposes of Islamic banking and financial institutions	IB&PFI
Religious factors	RF
Legitimacy of the Islamic financial system	LIFS
Customer satisfaction	CS
Islamic bank and financial services	IB&FS
Adoption of Islamic banking	AIB

Source: Authors' creation

Table 1.
Variable description

sections. The first part of the questionnaire measures demographic information, such as gender, age, education level and region of residence of the participants. The second and third parts consist of statements about the participants' acceptance of Islamic financial literacy and Islamic banking. These questions exist in the literature, [Zaman et al. \(2017\)](#) based on the scale we adopted in this study. The questions in the scales are converted to Turkish, taking into account the opinions of the academicians and experts. For all the questions about Islamic financial literacy and accepting Islamic banking, a five-point Likert-type scale is used. Five-point Likert type scale, which is classified as 1 (Strongly Disagree), 2 (Disagree), 3 (Undecided), 4 (Agree) and 5 (Strongly Agree).

4. Data analysis

4.1 Demographic

According to the personal information of the participants included in the sample, the distribution and the answers given by the participants to the questions are summarized in [Tables 2–11](#).

[Table 2](#) shows the demographic information of the study. The results indicate that 67.7% of the participants are men and 32.3% are women. It is seen that among these participants, those between the age range of 18–25 represent 40.3% of the total sample, and those with 63 and above represent only 0.5%. It is observed that the majority of the participants are undergraduate graduates, 41.4%, and the least participants are primary education graduates, only 0.7%. Likewise, when the regions of the participants are examined, it is determined that most of them are from the Güney Doğu Anadolu region at 31.8%, and the least participant is from the Ege region at 17%.

[Table 3](#) is about the independent variable scale, which includes explanations of the awareness of Islamic banking products. When [Table 3](#) is analyzed, it is seen that the average of the answers given by the participants to the eight questions regarding the scale of Islamic banking and financial service knowledge ranged from 2.56 to 3.19. This situation indicates that the participants are undecided about "Islamic banking and financial service knowledge."

[Table 4](#) relates to the scale of the independent variable, which includes explanations of the role of the Shariah Board management. When [Table 4](#) is examined, it is seen that the average of the answers given by the participants to the four questions regarding the role of Shariah council management ranged between 2.56 and 2.72. This situation shows that the participants are undecided about the "role of the Shariah board management."

	Frequency	%
<i>Gender</i>		
Male	277	67.7
Female	132	32.3
<i>Age</i>		
18–25	165	40.3
26–33	126	30.8
34–41	78	19.1
41–48	24	5.9
48–55	11	2.7
55–63	3	0.7
63 and over	2	0.5
<i>Education status</i>		
Primary education	3	0.7
Secondary education	10	2.4
High school	27	6.6
Associate degree	71	17.4
Undergraduate	169	41.4
Master and doctorate	129	31.5
<i>The region you live in</i>		
Marmara	50	12.2
Ege	17	4.2
Akdeniz	32	7.8
Karadeniz	72	17.6
Doğu Anadolu	72	17.6
Güney Doğu	130	31.8
İç Anadolu	36	8.8

Table 2.
Demographic
information

Source: Authors' estimation

Substance	N	Mean	SD
I am aware of Islamic banking products	409	3.19	1.34
I understand the concept of Islamic banking	409	3.18	1.34
I know what is <i>Mudarabah</i>	409	2.59	1.40
I know what is <i>Musarakah</i>	409	2.57	1.40
I know what is <i>Murabahah</i>	409	2.56	1.33
I know what is <i>Ijarah</i>	409	2.85	1.46
I know that Islamic banking includes the profit and loss sharing principle	409	3.12	1.44
There is no significant difference between the products and services offered by Islamic banks or traditional banks, except for their names	409	2.73	1.43

Table 3.
Answers to the
Islamic banking and
financial service
knowledge scale

Source: Authors' estimation

Table 5 is related to the independent variable scale, which includes explanations about CR in Islamic banking and finance institutions. When Table 5 is examined, it is seen that the average of the answers given by the participants to three questions regarding the CR scale ranged from 2.49 to 2.72. This situation indicates that the participants are hesitant about the explanations regarding “customer relations in Islamic banking and financial institutions.”

Table 6 is related to the independent variable scale, which includes explanations of the purposes of Islamic banking and financial institutions. When Table 6 is analyzed, it is seen that the average of the answers given by the participants to the five questions regarding the scale of the aims of Islamic banking and financial institutions varied between 2.25 and 3.15. This situation indicates that the participants are undecided about the explanations regarding the “purpose of Islamic banking and financial institutions.”

Table 7 is about the independent variable scale, which includes explanations for Islamic banks and financial services. When Table 7 is analyzed, it is seen that the average of the

Substance	N	Mean	SD
Products are offered after close examination by the Shariah Board	409	2.56	1.20
New products are started to be applied after passing the Shariah Board	409	2.63	1.17
Shariah Boards give opinion to Sharia on new product	409	2.59	1.14
Sharia Board acts as consultant	409	2.72	1.22

Table 4.
Answers to the role of
Sharia Board
management scale

Source: Authors' estimation

Substance	N	Mean	SD
Islamic banks do not abuse their customers in any way	409	2.49	1.27
Islamic banks do not make misleading advertisements	409	2.59	1.25
Islamic banking and financial institutions comply with the principles of fair dealing, justice and charity	409	2.72	1.26

Table 5.
Answers to the
customer
relationship scale in
Islamic banking and
financial institutions

Source: Authors' estimation

Substance	N	Mean	SD
Profit maximization is the main purpose of Islamic banks	409	2.73	1.26
They increased awareness of saving	409	2.25	1.21
They provide the opportunity to earn income according to Islamic values	409	2.76	1.20
A good resource for promoting Islamic values	409	3.15	1.33
They offer applicable and competitive financial products	409	2.87	1.28

Table 6.
Answers to the scale
of the purpose of
Islamic banking and
financial institutions

Source: Authors' estimation

Substance	N	Mean	SD
Offers enough retail products	409	2.71	1.21
Contributes to social welfare	409	2.79	1.26
It is the collection and distribution of zakat	409	2.44	1.29
Performance is evaluated only with a good percentage of profit/return	409	2.78	1.22
Uses modern technology to perform banking transactions	409	3.09	1.34
The Islamic banking system provides a completely alternative banking system	409	2.85	1.27

Table 7.
Answers the scale of
the Islamic bank and
financial services

Source: Authors' estimation

answers given by the participants to the six questions regarding the Islamic banking and financial services scale ranged from 2.44 to 3.09. This shows that the participants are indecisive about “Islamic banking and financial services.”

Table 8 is related to the independent variable scale that contains explanations for religious factors in Islamic banking. When Table 8 is examined, it is observed that the average of the answers given by the participants to the four questions on the scale of religious factors ranged from 2.81 to 3.24. This indicates that the participants are undecided about the explanations regarding “religious factors in Islamic banking.”

Table 9 is related to the independent variable scale, which contains explanations for the LIFS. When Table 9 is examined, it is seen that the average of the answers given by the participants to the three questions regarding the legitimacy scale of the Islamic financial system varies between 2.73 and 2.76. This situation demonstrates that the participants are undecided about the explanations regarding the “legitimacy of the Islamic financial system.”

Table 10 is related to the independent variable scale containing explanations for CS in the Islamic banking and finance system. When Table 10 is examined, it is seen that the average of the answers given by the participants to three questions regarding the scale ranged from 2.91 to 2.98. This situation shows that the participants are hesitant about the explanations regarding “customer satisfaction in the Islamic banking and financial system.”

Table 8.
Answers on the
religious factors scale

Substance	N	Mean	SD
Religious reasons behind using Islamic banking	409	3.07	1.46
The Islamic banking system was introduced as Muslims are forbidden to receive and pay interest	409	3.24	1.46
Nonmuslim customers do not use Islamic products and services	409	2.86	1.38
Islamic banking is only for Muslims	409	2.81	1.42

Source: Authors' estimation

Table 9.
Answers the
legitimacy scale of
the Islamic financial
system

Substance	N	Mean	SD
Islamic banking and finance personnel have adequate knowledge about Islamic teachings and work in this direction	409	2.60	1.22
Islamic banking acts according to Islamic principles	409	2.76	1.23
Rules and regulations given by Shariah experts follow the Quran and Sunnah	409	2.73	1.22

Source: Authors' estimation

Table 10.
Answers to the
customer satisfaction
scale

Substance	N	Mean	SD
Transparency practices of Islamic banks are more pronounced than traditional ones	409	2.91	1.20
Islamic banks offer important factors such as assurance, reliability and empathy for customer satisfaction	409	2.98	1.19
Products and services in Islamic banks are more expensive than traditional banking	409	2.94	1.26

Source: Authors' estimation

Table 11 is related to the dependent variable scale, which includes explanations for the acceptance of Islamic banking. When Table 11 is examined, it is seen that the average of the answers given by the participants to the four questions regarding the acceptance of Islamic banking scale ranged from 2.83 to 3.03. This situation demonstrates that the participants are undecided about the “acceptance of Islamic banking.”

4.2 Measurement model

Explanatory factor analysis (EFA) and confirmatory factor analysis (CFA) were used to test the construct validity of the scales within the scope of the study, and Cronbach’s alpha method is used to test the reliability (internal consistency) of the scales in question. In the literature, Cronbach’s alpha coefficient of 0.70 or above is considered sufficient (Cronbach, 1951; Nunnally and Bernstein, 1978). SPSS and AMOS software is used to analyze the data.

Even if the scales used in the study have already adopted a validated measurement model (structure), EFA has been performed because the dimensions of the structure may have changed in the current study context. In the EFA, the rotated factor matrix is run to obtain nameable and interpretable factors of the scales. In the study, the varimax method, which ensures the minimum number of variables with a high load on a factor in orthogonal rotation methods, is preferred due to its ease of interpretation and frequency of use (Albayrak, 2006, p. 163). As a result of the EFA, it is determined that the scale questions were loaded on nine different factors.

In structural equation modeling (SEM), testing of models and/or models is done with fit indices. How well the predetermined models explain the data is determined by the fit statistics. These fit statistics test the appropriateness of the parameters of the proposed models and the statistics obtained from sample data. In the analysis, there is no certainty as to which fit indices will be evaluated. However, in general, Chi-square, CMIN/SD, comparative fit index (CFI), goodness-of-fit index (GFI), normed fit index (NFI), root mean square error of approximation (RMSEA), etc., indexes are provided (Karagöz, 2019). Statistical values for these values are given in Table 12.

4.3 Reliability and validity analysis of scales

The most common method used in the SEM literature to evaluate whether the data support the model is the two-stage method (Anderson and Gerbing, 1988). As the first step in the analysis, first, the measurement model is tested (Huchting *et al.*, 2008); it is checked whether the measurements of the structures in the model measure the relevant structures correctly, and in the second stage, the structural models are examined. If the researcher does not have an accurate measurement, if the statements he assumes to measure the structures do not adequately measure the structure in question, there will be no point in analyzing the

Substance	<i>N</i>	Mean	SD
I should be willing to switch to a halal Islamic banking product that is provided with the same quality as traditional banking services	409	2.90	1.42
The perception that Islamic banks do not follow Islamic principles fully hinders the adoption of Islamic banking	409	3.03	1.39
I can prefer Islamic banking without financial opportunities	409	2.83	1.32
I agree to a profit and loss contract to compensate for losses	409	2.84	1.31

Source: Authors’ estimation

Table 11.
Answers the
acceptance of Islamic
banking scale

structural model (Dursun and Kocagöz, 2010). Therefore, reliability and validity analyze of the scales are important for the continuation of the study.

Accordingly, the reliability and validity analysis results of the scales within the scope of the research are given in Tables 13, 14, 15, 16, 17, 18, 19, 20, 21 and 22.

Reliability analysis results regarding the EFA, CFA and the obtained factors to test the construct validity of the Islamic banking and financial service information scale are summarized in Table 13. As a result of the EFA, one of the questions in the questionnaire regarding the scale of Islamic banking and financial service knowledge, the question, “There is no significant difference between the products and services offered by (IB and FHB8) Islamic banks or traditional banks, except the difference between their names” is under another factor for that reason it has been removed from the analysis. Likewise, the question of “(IB and FHB1) I am aware of Islamic banking products” is also excluded from the analysis due to the interlocking situation because it takes place in more than one factor and the difference between the values in these two factors is less than 0.10. When the analysis results of the remaining six variables are examined, it was found that the Cronbach’s alpha coefficient took the value of 0.913, and thus, the scale is quite reliable. When the factor loadings (EFA) are examined, it is seen that it took values between 0.56 and 0.81. Since these values are above the 0.50 threshold value stated in the literature, the factors are considered valid. The Kaiser–Meyer–Olkin (KMO) value being greater than the 0.70 threshold value (0.874) stated in the literature indicates that the sample is sufficient for factor analysis. The fact that the result of the Bartlett test is also significant ($p = 0.000$)

Table 12. Statistical values regarding the fit of the structural equation model

Model fit criterion	Good fit	Acceptable fit
χ^2 (Chi-square) fit test	$0.05 < p \leq 1$	$0.01 < p \leq 0.05$
CMIN/SD	$\chi^2/sd \leq 3$	$\chi^2/sd \leq 5$
NFI	$0.95 \leq NFI$	$0.90 \leq NFI$
CFI	$0.97 \leq CFI$	$0.95 \leq CFI$
RMSEA	$RMSEA \leq 0.05$	$RMSEA \leq 0.08$

Source: Authors’ estimation

Table 13. Explanatory factor analysis (EFA), confirmatory factor analysis (CFA) and reliability analysis results of Islamic banking and financial service knowledge scale

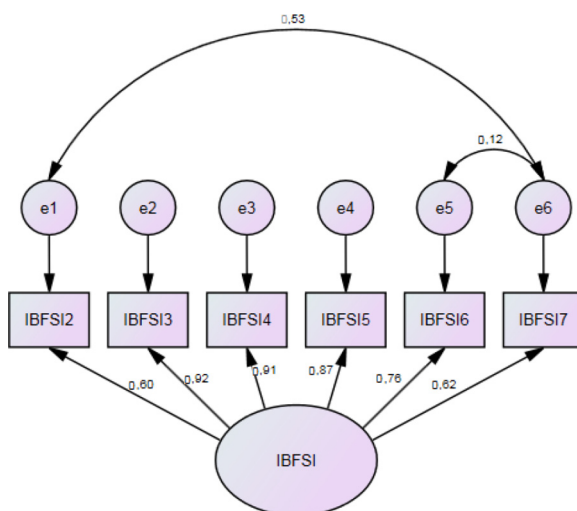
Scale items	Cronbach's alpha (α)	Factor loads	
		EFA	CFA*
IB&FSI2. I understand the concept of Islamic banking	0.913	0.56	0.60
IB&FSI3. I know what is <i>Mudarabah</i>		0.81	0.92
IB&FSI4. I know what is <i>Musarakah</i>		0.78	0.91
IB&FSI5. I know what is <i>Murabahah</i>		0.77	0.87
IB&FSI6. I know what is <i>Ijarah</i>		0.68	0.76
IB&FSI7. I know that Islamic banking includes the profit and loss sharing principle		0.60	0.62
Disclosed variance (%)			69.94
Eigenvalue			4.196
Kaiser–Meyer–Olkin (KMO)			0.874
Bartlett’s test (degree of sphericity)			1,806.987; Sig. (p) = 0.000

Notes: (*) CFA results refer to the modified model. Standardized coefficients for CFA are reported
Source: Authors’ estimation

indicates that there is a high correlation between variables and that the data come from multiple normal distributions (Karagöz, 2019, p. 121). These two test results show that the data are suitable for factor analysis. The cumulative variance amount explained by the eigenvalues explains 69.94% of the total variance. Since this value is above the 60% value (Karagöz, 2019: 122), which is accepted as the best subvalue for social sciences, the model structure ensures its validity.

When Table 13 is examined, it is seen that CFA was applied to evaluate the compatibility of the single-factor structure obtained as a result of the EFA with the data. While creating the CFA model, the covariance definition is made between the error terms of some variables representing the same factor, taking into account the modification indices proposed to contribute to the model fit (Şimşek, 2007: 89–90; Sezerel et al., 2015: 103). In this context, the error terms of “IB and FSI2” with “IB and FSI7” and “IB and FSI6” and “IB and FSI7” variables are associated (Figure 2), and after this step, the modified structure specified in all tested models is used. While the fit index values before improvement were (χ^2/df : 17.423, CFI: 0.918, GFI: 0.890, NFI: 0.985, RMSEA: 0.201), postimprovement fit index values (χ^2/df : 2.784, CFI: 0.993, GFI: 0.985, NFI: 0.989, RMSEA: 0.066) and it is seen that these values are at acceptable levels.

EFA has been made to reveal the structure of Shariah Board management’s role, and as seen in Table 14, it has been grouped under one factor in line with institutional expectations. When the table is examined, Cronbach’s alpha coefficient is 0.958, and this shows that the scale is quite reliable. Likewise, when factor loadings (EFA) are examined, it is seen that they take values between 0.86 and 0.91. Since these values are above the 0.50 threshold value stated in the literature, the factors are considered valid. The KMO value being greater than the 0.70 threshold value (0.850) stated in the literature indicates that the sample is sufficient for factor analysis. The fact that the result of the Bartlett test is also significant ($p = 0.000$) indicates that there are high correlations between variables and that the data come from multiple normal distributions. These two test results show that the data are suitable for factor analysis. The cumulative variance amount is explained by the eigenvalues explain



Source: Figure by authors

Figure 2. Path diagram of Islamic banking and financial service knowledge scale

89.02% of the total variance. Since this value is above 60%, which is accepted as the best subvalue for social sciences, the model provides structure validity.

When Table 14 is examined, it is seen that CFA was applied to evaluate the compatibility of the single-factor structure obtained as a result of the EFA with the data. While creating the CFA model, considering the modification indices proposed to contribute to the model fit and which can be accepted as logical in terms of theory, a covariance definition was made between the error terms of “RSBM3” and “RSBM4” variables were associated (Figure 3), and after this step, the modified structure specified in all tested models was used. While the fit index values before improvement were (χ^2/df : 21.981, CFI: 0.978, GFI: 0.946, NFI: 0.977, RMSEA: 0.227), postimprovement fit index values (χ^2/df : 2.391, CFI: 0.999, GFI: 0.997, NFI: 0.999, RMSEA: 0.058) and it is seen that these values are at acceptable levels.

Table 14. Explanatory factor analysis (EFA), confirmatory factor analysis (CFA) and reliability analysis results on the role of Sharia Board management scale

Scale items	Cronbach's alpha (α)	Factor loads	
		EFA	CFA*
RSBM1. Products are offered after close examination by the Shariah Board	0.958	0.89	0.94
RSBM2. New products are started to be applied after passing the Shariah Board		0.91	0.96
RSBM3. Shariah Boards give opinion to Sharia on new product		0.91	0.91
RSBM4. Sharia Board acts as consultant		0.86	0.86
Disclosed variance (%)			89.02
Eigenvalue			3.561
Kaiser–Meyer–Olkin (KMO)			0.850
Bartlett's test (degree of sphericity)			1,899.014; Sig. (p) = 0.000

Notes: (*) CFA results refer to the modified model. Standardized coefficients for CFA are reported
Source: Authors' estimation

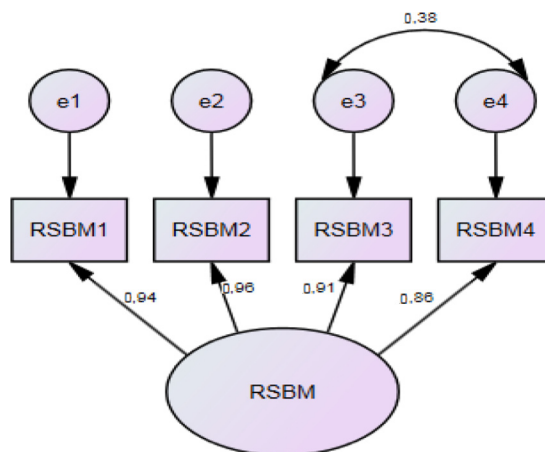
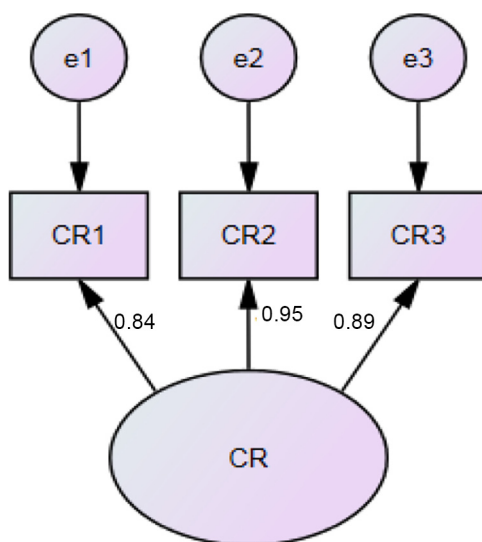


Figure 3. Path diagram of the scale of the role of the Shariah Board governance

Source: Figure by authors

Figure 4 illustrates the structure of CR in Islamic banking and financial institutions. EFA has been made, and as seen in Table 15, it has been gathered under a single factor following corporate expectations. When the table is examined, it can be said that Cronbach's alpha coefficient is 0.919, and with this value, the scale is quite reliable. Likewise, when the factor loadings (EFA) are examined, it is seen that they take values between 0.83 and 0.90. Since these values are above the 0.50 threshold value stated in the literature, the factors are considered valid. A KMO value greater than the 0.70 threshold value (0.744) stated in the literature indicates that the sample is sufficient for factor analysis. The fact that the result of the Bartlett test is also significant ($p = 0.000$) indicates that there are high correlations between variables and that the data come from multiple normal distributions. These two



Source: Figure by authors

Figure 4. Path diagram of the customer relationship scale in Islamic banking and financial institutions

Scale items	Cronbach's alpha (α)	Factor loads	
		EFA	CFA*
CR1. Islamic banks do not abuse their customers in any way	0.919	0.83	0.84
CR2. Islamic banks do not make misleading advertisements		0.90	0.95
CR3. Islamic banking and financial institutions comply with the principles of fair dealing, justice and charity		0.86	0.89
Disclosed variance (%)		86.14	
Eigenvalue		2.584	
Kaiser-Meyer-Olkin (KMO)		0.744	
Bartlett's test (degree of sphericity)		920.854; Sig. (p) = 0.000	

Notes: (*) CFA results refer to the modified model. Standardized coefficients for CFA are reported
 Source: Authors' estimation

Table 15. Explanatory factor analysis (EFA), confirmatory factor analysis (CFA) and reliability analysis results on customer relationship scale in Islamic banking and financial institutions

test results show that the data are suitable for factor analysis. The cumulative variance amount explained by the eigenvalues explains 86.14% of the total variance. Since this value is above 60%, which is accepted as the best lower value for social sciences, the model provides construct validity.

When Table 15 is examined, it is seen that CFA is applied to evaluate the compatibility of the single-factor structure obtained as a result of the EFA with the data. As a result of the analysis, it is determined that the model fit values of the three variables representing the scale of CR in Islamic banking and financial institutions (χ^2/df : 0.000, CFI: 1.000, GFI: 1.000, NFI: 1.000) were at acceptable levels.

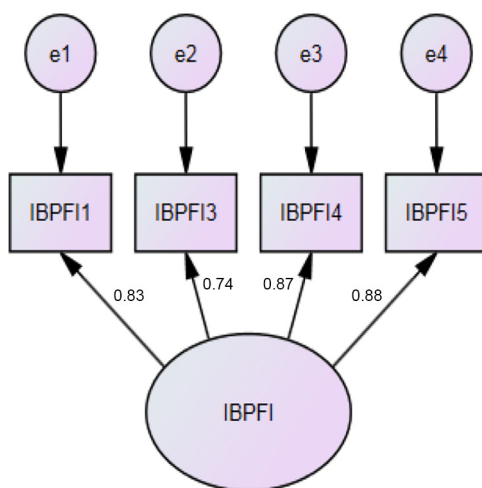
When Table 16 is examined, it is seen that all fit indices are at acceptable levels. This indicates that the model is acceptable. RMSEA value is not given in the table. The RMSEA value is greatly affected by the sample size. The number of samples in the model may cause the RMSEA value to exceed its acceptable level. In the study, the RMSEA value is not taken into account in DFA in order not to reject the model because the RMSEA is found to be much higher than its acceptable level.

EFA was conducted to reveal the structure of the purpose of Islamic banking and financial institutions (Figure 5). As seen in Table 16, it was grouped under one factor in line with institutional expectations. As a result of the EFA, the factor load of the question “(IB and PFI2) Increase awareness of saving” from the questions in the questionnaire regarding the purpose and scale of Islamic banking and financial institutions were excluded from the analysis because it was far below the threshold value of 0.50 stated in the literature. When the analysis results of the remaining four variables are examined, it is seen that Cronbach’s alpha coefficient has a value of 0.894, and the scale is reliable. Likewise, when factor loadings (EFA) are examined, it is seen that they take values between 0.67 and 0.81. Since these values are above the 0.50 threshold value stated in the literature, the factors are considered valid. The KMO value being greater than the 0.70 threshold value (0.836) stated in the literature indicates that the sample is sufficient for factor analysis. The fact that the result of the Bartlett test is also significant ($p = 0.000$) indicates that there are high correlations between variables and that the data come from multiple normal distributions. Both of these test results show that the data are suitable for factor analysis. The cumulative variance amount explained by the eigenvalues explains 75.90% of the total variance. Since

Table 16. Explanatory factor analysis (EFA), confirmatory factor analysis (CFA) and reliability analysis results for the scale of the purpose of Islamic banking and financial institutions

Scale items	Cronbach's alpha (α)	Factor loads	
		EFA	CFA*
IB&PFI1. Profit maximization is the main purpose of Islamic banks	0.894	0.76	0.83
IB&PFI3. They provide the opportunity to earn income according to Islamic values		0.67	0.74
IB&PFI4. A good resource for promoting Islamic values		0.81	0.87
IB&PFI5. They offer applicable and competitive financial products		0.79	0.86
Disclosed variance (%)		75.90	
Eigenvalue		3.036	
Kaiser–Meyer–Olkin (KMO)		0.836	
Bartlett's test (degree of sphericity)		967.283; Sig. (p) = 0.000	

Notes: (*) CFA results refer to the modified model. Standardized coefficients for CFA are reported
Source: Authors' estimation



Source: Figure by authors

Figure 5. Path diagram of the purpose of Islamic banking and financial institutions

this value is above 60%, which is accepted as the best lower value for social sciences, the model structure provides validity.

When Table 16 is examined, it is seen that CFA was applied to evaluate the compatibility of the single-factor structure obtained as a result of the EFA with the data. As a result of the analysis, it was determined that the fit values of the model belonging to four variables representing the scale of the purpose of Islamic banking and financial institutions (χ^2/df : 2.967, CFI: 0.996, GFI: 0.993, NFI: 0.994, RMSEA: 0.069) are at acceptable levels.

EFA is conducted to reveal the structure of Islamic banks and financial services. As shown in Table 17, they are grouped under one factor in line with corporate expectations. As a result of the EFA, the question “(IB and FS3) is the collection and distribution of Zakat” is excluded from the analysis because it is under another factor. Here, it can be concluded that Cronbach’s alpha coefficient is 0.902 and the scale is reliable. Likewise, when factor loadings (EFA) are examined, it is seen that they take values between 0.62 and 0.77. Since these values are above the 0.50 threshold value, the factors are considered valid. The KMO value is greater than the 0.70 threshold value, indicating that the sample is sufficient for factor analysis. The fact that the result of the Bartlett test is also significant ($p = 0.000$) indicates that there are high correlations between variables and that the data come from multiple normal distributions. Both of these test results show that the data are suitable for factor analysis. The cumulative variance amount is explained by the eigenvalues explain 71.88% of the total variance. Since this value is above 60%, which is accepted as the best lower value for social sciences, the model structure provides validity.

When Table 17 is examined, it is seen that CFA was applied to evaluate the compatibility of the single-factor structure obtained as a result of the EFA with the data. While creating the CFA model, considering the modification indices proposed to contribute to the model fit and which can be accepted as logical in terms of theory, a covariance definition was made between the error terms of some variables representing the same factor. In this context, the error terms of the variables “IB and FS1” and “IB and FS2” were associated (Figure 6), and the modified structure specified was used in all models tested after this stage. While the fit index values before improvement (χ^2/df : 4,561 CFI: 0.986, GFI: 0.978, NFI: 0.982,

RMSEA: 0.093) were (χ^2/df : 1.807, CFI: 0.997, GFI: 0.993, NFI: 0.994, RMSEA: 0.044) and these values seem to be at acceptable levels.

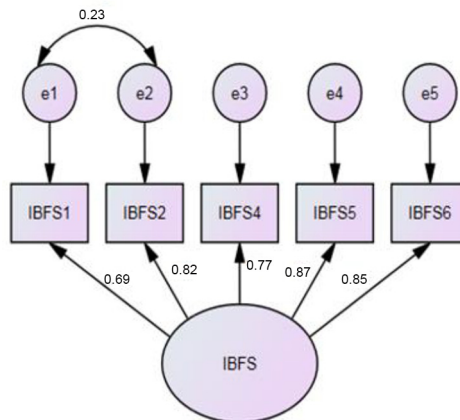
EFA is performed to reveal the structure of religious factors, and they are grouped under one factor following institutional expectations, as seen in Table 18. When the table is examined, it can be said that Cronbach's alpha coefficient is 0.939, and this result makes the scale quite reliable. Likewise, when factor loadings (EFA) are examined, it is seen that they take values between 0.75 and 0.90. Since these values are above the 0.50 threshold value stated in the literature, the factors are considered valid. The KMO value being greater than the 0.70 threshold value (0.804) stated in the literature indicates that the sample is sufficient for factor analysis. The fact that the result of the Bartlett test is also significant ($p = 0.000$) indicates that there are high correlations between variables and that the data come from multiple normal distributions. These two test results show that the data are suitable for

Table 17. Explanatory factor analysis (EFA), confirmatory factor analysis (CFA) and reliability analysis results of Islamic banking and financial services scale

Scale items	Cronbach's alpha (α)	Factor loads	
		EFA	CFA*
IB&FS1. Offers enough retail products	0.902	0.62	0.69
IB&FS2. Contributes to social welfare		0.76	0.82
IB&FS4. Performance is evaluated only with a good percentage of profit/return		0.68	0.77
IB&FS5. Uses modern technology to perform banking transactions		0.77	0.87
IB&FS6. The Islamic banking system provides a completely alternative banking system		0.76	0.85
Disclosed variance (%)			71.88
Eigenvalue		3.594	
Kaiser–Meyer–Olkin (KMO)		0.878	
Bartlett's test (degree of sphericity)		1,235.937; Sig. (p) = 0.000	

Notes: (*) CFA results refer to the modified model. Standardized coefficients for CFA are reported
Source: Author's estimation

Figure 6. Path diagram of the Islamic banking and financial services scale



Source: Figure by authors

factor analysis. The cumulative variance amount is explained by the eigenvalues explain 84.60% of the total variance. Since this value is above 60%, which is accepted as the best lower value for social sciences, the model structure provides validity.

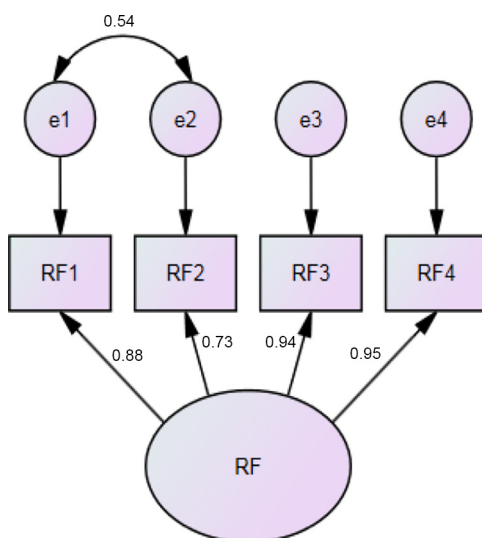
In Table 18, this study performed a CFA to evaluate the compatibility of the single-factor structure obtained as a result of the EFA with the data. While creating the CFA model, considering the modification indices proposed to contribute to the model fit and which can be accepted as logical in terms of theory, a covariance definition was made between the error terms of some variables representing the same factor. In this context, the error terms of “RF1” and “RF2” variables are associated (Figure 7), and the modified structure specified

Scale items	Cronbach's alpha (α)	Factor loads	
		EFA	CFA*
RF1. Religious reasons behind using Islamic banking	0.939	0.90	0.88
RF2. The Islamic banking system is introduced as Muslims are forbidden to receive and pay interest		0.75	0.73
RF3. Nonmuslim customers do not use Islamic products and services		0.86	0.94
RF4. Islamic banking is only for Muslims		0.87	0.95
Disclosed variance (%)		84.60	
Eigenvalue		3.384	
Kaiser–Meyer–Olkin (KMO)		0.804	
Bartlett's test (degree of sphericity)		1,632.633; Sig. (p) = 0.000	

Table 18. The explanatory factor analysis (EFA), confirmatory factor analysis (CFA) and reliability analysis results of the religious factors scale

Notes: (*) CFA results refer to the modified model. Standardized coefficients for CFA are reported

Source: Authors' estimation

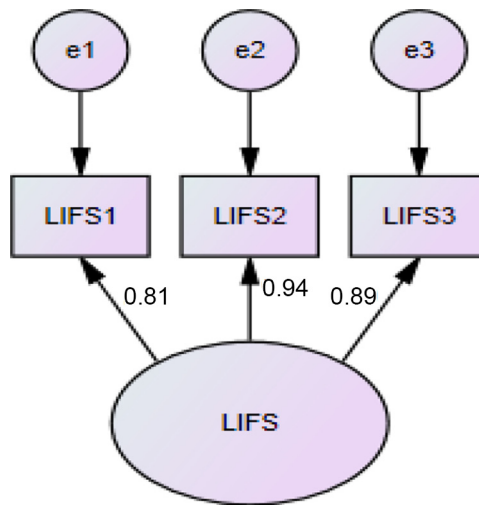


Source: Figure by authors

Figure 7. Path diagram of religious factors scale

was used in all models tested after this stage. While the fit index values before improvement (χ^2/df : 56,691 CFI: 0.932, GFI: 0.875, NFI: 0.931, RMSEA: 0.369) were (χ^2/df : 2.138, CFI: 0.999, GFI: 0.997, NFI after improvement: 0.999, RMSEA: 0.053), it is seen that these values are at acceptable levels.

EFA is conducted to reveal what kind of structure the LIFS will take place (Figure 8). As seen in Table 19, it is grouped under one factor in line with institutional expectations. When the table is examined, it can be stated that Cronbach's alpha coefficient is 0.910, and this result makes the scale quite reliable. Likewise, when factor loadings (EFA) are examined, it is seen that they take values between 0.80 and 0.89. Since these values are above the 0.50 threshold value stated in the literature, the factors are considered valid. The KMO value being greater than the 0.70 threshold value (0.738) stated in the literature indicates that the sample is sufficient for factor analysis. The fact that the result of the Bartlett test is also



Source: Figure by authors

Figure 8. Path diagram of the legitimacy scale of the Islamic financial system

Table 19. Results of explanatory factor analysis (EFA), confirmatory factor analysis (CFA) and reliability analysis of the legitimacy scale of the Islamic finance system

Scale items	Cronbach's alpha (α)	Factor loads	
		EFA	CFA*
LIFS1. Islamic banking and finance personnel have adequate knowledge about Islamic teachings and work in this direction	0.910	0.80	0.81
LIFS2. Islamic banking acts according to Islamic principles		0.89	0.94
LIFS3. Rules and regulations given by Shariah experts follow the Quran and Sunnah		0.86	0.89
Disclosed variance (%)			84.73
Eigenvalue			2.542
Kaiser-Meyer-Olkin (KMO)			0.738
Bartlett's test (degree of sphericity)			853.186; Sig. (p) = 0.000

Notes: (*) CFA results refer to the modified model. Standardized coefficients for CFA are reported
Source: Authors' estimation

significant ($p = 0.000$) indicates that there are high correlations between variables and that the data come from multiple normal distributions. These two test results show that the data are suitable for factor analysis. The cumulative variance amount is explained by the eigenvalues explain 84.73% of the total variance. Since this value is above 60%, which is accepted as the best lower value for social sciences, the model structure provides validity.

When Table 19 is examined, it is seen that CFA is applied to evaluate the compatibility of the single-factor structure obtained as a result of the EFA with the data. As a result of the analysis, it is determined that the model fit values of three variables representing the legitimacy scale of the Islamic financial system ($\chi^2/df: 000$, CFI: 1.000, GFI: 1.000, NFI: 1.000) are at acceptable levels.

When Table 20 is analyzed, it is seen that all fit indices are at acceptable levels. This indicates that the model is acceptable. RMSEA value is not given in the table. The RMSEA value is greatly affected by the sample size. The number of samples in the model may cause the RMSEA value to exceed its acceptable level. In the study, the RMSEA value is not taken into account in DFA in order not to reject the model because the RMSEA is found to be much higher than its acceptable level.

Figure 9 illustrated the EFA to reveal the structure of CS and has been collected under a single factor following corporate expectations, as seen in Table 19. When the table is examined, it shows that Cronbach's alpha coefficient is 0.940, and this result indicates that the scale is quite reliable. Likewise, when factor loadings (EFA) are examined, it is seen that they take values between 0.85 and 0.92. Since these values are above the 0.50 threshold value stated in the literature, the factors are considered valid. The KMO value being greater than the 0.70 threshold value (0.747) stated in the literature indicates that the sample is sufficient for factor analysis. The fact that the result of the Bartlett test is also significant ($p = 0.000$) indicates that there are high correlations between variables and that the data come from multiple normal distributions. These two test results show that the data are suitable for factor analysis. The cumulative variance amount explained by the eigenvalues explains 89.45% of the total variance. Since this value is above 60%, which is accepted as the best lower value for social sciences, the model structure provides validity.

When Table 20 is examined, it is seen that CFA was applied to evaluate the compatibility of the single-factor structure obtained as a result of the EFA with the data. As a result of the analysis, it was determined that the model fit values of three variables representing the CS scale were ($\chi^2/df: 000$, CFI: 1.000, GFI: 1.000, NFI: 1.000, RMSEA: 0.081) at acceptable levels.

Scale items	Cronbach's alpha (α)	Factor loads	
		EFA	CFA*
CS1. Transparency practices of Islamic banks are more pronounced than traditional ones	0.940	0.92	0.96
CS2. Islamic banks offer important factors such as assurance, reliability and empathy for customer satisfaction		0.92	0.95
CS3. Products and services in Islamic banks are more expensive than traditional banking		0.85	0.85
Disclosed variance (%)		89.45	
Eigenvalue		2.684	
Kaiser-Meyer-Olkin (KMO)		0.747	
Bartlett's test (degree of sphericity)		1,173.754; Sig. (p) = 0.000	

Notes: (*) CFA results refer to the modified model. Standardized coefficients for CFA are reported

Source: Authors' estimation

Table 20.
Explanatory factor analysis (EFA), confirmatory factor analysis (CFA) and reliability analysis results of the customer satisfaction scale

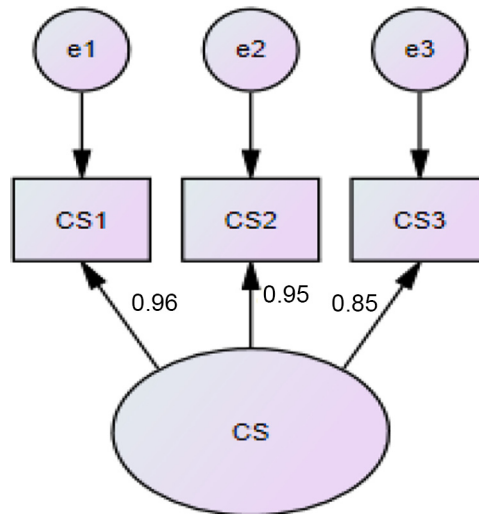


Figure 9.
Path diagram
of customer
satisfaction scale

Source: Figure by authors

EFA is conducted to reveal the structure of the acceptance of Islamic banking, and it was grouped under one factor following corporate expectations, as seen in Table 21. When the table is examined, it can be said that Cronbach’s alpha coefficient is 0.928, and this result makes the scale quite reliable. Likewise, when factor loadings (EFA) are examined, it is seen that they take values between 0.80 and 0.85. Since these values are above the 0.50 threshold value stated in the literature, the factors are considered valid. The KMO value is greater than the 0.70 threshold value (0.822) stated in the literature, indicating that the sample is

Scale items	Cronbach’s alpha (α)	Factor loads	
		EFA	CFA*
AIB1. I should be willing to switch to a halal Islamic banking product that is provided with the same quality as traditional banking services	0.928	0.81	0.91
AIB2. The perception that Islamic banks do not follow Islamic principles fully hinders the adoption of Islamic banking		0.80	0.83
AIB3. I can prefer Islamic banking without financial opportunities		0.85	0.82
AIB4. I agree to a profit and loss contract to compensate for losses		0.83	0.92
Disclosed variance (%)		82.29	
Eigenvalue		3.291	
Kaiser–Meyer–Olkin (KMO)		0.822	
Bartlett’s test (degree of sphericity)		1,321.963; Sig. (p) = 0.000	

Table 21.
Explanatory factor
analysis (EFA),
confirmatory factor
analysis (CFA) and
reliability analysis
results of the Islamic
banking acceptance
scale

Notes: (*) CFA results refer to the modified model. Standardized coefficients for CFA are reported
Source: Authors’ estimation

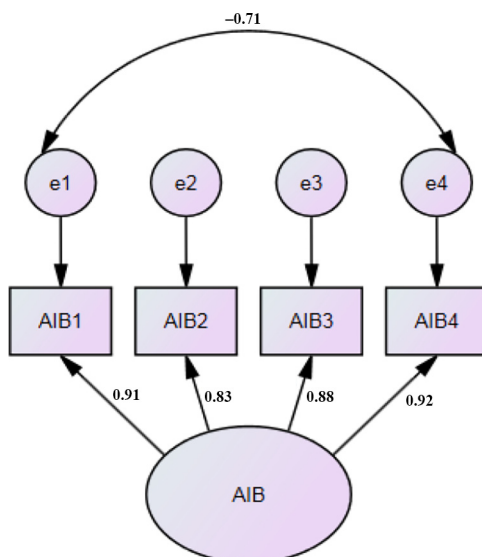
sufficient for factor analysis. The fact that the result of the Bartlett test is also significant ($p = 0.000$) indicates that there are high correlations between variables and that the data come from multiple normal distributions. These two test results show that the data are suitable for factor analysis. The cumulative variance amount explained by the eigenvalues explains 82.29% of the total variance. Since this value is above 60%, which is accepted as the best lower value for social sciences, the model structure provides validity.

When Table 21 is examined, it is seen that CFA is applied to evaluate the compatibility of the single-factor structure obtained as a result of the EFA with the data. While creating the CFA model, considering the modification indices proposed to contribute to the model fit and which can be accepted as logical in terms of theory, a covariance definition is made between the error terms of some variables representing the same factor. In this context, the error terms of “AIB1” and “AIB4” variables are associated (Figure 10), and the modified structure specified in all models tested after this stage is used. While the fit index values before improvement were (χ^2/df : 19.165, CFI: 0.973, GFI: 0.961, NFI: 0.971, RMSEA: 0.211), the fit index values after improvement (χ^2/df : 0.899, CFI: 1.000, GFI: 0.999, NFI: 0.999, RMSEA: 0.00) and it is seen that these values are at acceptable levels.

4.4 Analysis of data and findings

SEM is used to test the research model developed. The structures modified as previously described are used in the analysis. As a result of the analysis, it is determined that the model fit values are at acceptable levels, and the fit index values are shown in Table 22, and the image of the model and the predictive power of the variables are shown in Figure 11. Similarly, SEM analysis results are given in Table 23.

In Table 22, CFA fit values of the scales belonging to the general model are given. When the CFA model is examined, the χ^2 value is shown with CMIN and the degree of freedom



Source: Figure by authors

Figure 10.
Path diagram of the
acceptance of Islamic
banking scale

with the abbreviation df. For the model to be considered sufficient, the χ^2 value must be high and $p < 0.5$ (Kiraz *et al.*, 2020, p. 2192). For the degrees of freedom on the AMOS output screen, the χ^2 value for 552 was obtained as 1,487.670 and the p -value as 0.000. From here, the χ^2 /df value was determined as 2.695. This indicates that the model is at an acceptable level.

When Table 22 is examined, it is seen that other fit indices, except for GFI and CFI, are at acceptable levels. The GFI value is expected to be 0.90 and above, but in some sources, it has been stated that this value in the range of 0.80–0.89 can be considered a suitable value (Segars and Varun, 1993; Doll *et al.*, 1994; Okur and Yalçın-Özdilek, 2012; Okur-Berberoğlu

Table 22.
CFA analysis fit values of scales belonging to the general model

Fit index	Before improvement	Acceptable fit value
χ^2/df	2.695	$0 \leq \chi^2/sd \leq 5$
CFI	0.935	$0.95 \leq CFI \leq 1.00$
GFI	0.840	$0.90 \leq GFI \leq 1.00$
NFI	0.901	$0.90 \leq NFI \leq 1.00$
RMSEA	0.064	$0 \leq RMSEA \leq 0.08$

Source: Authors' estimation

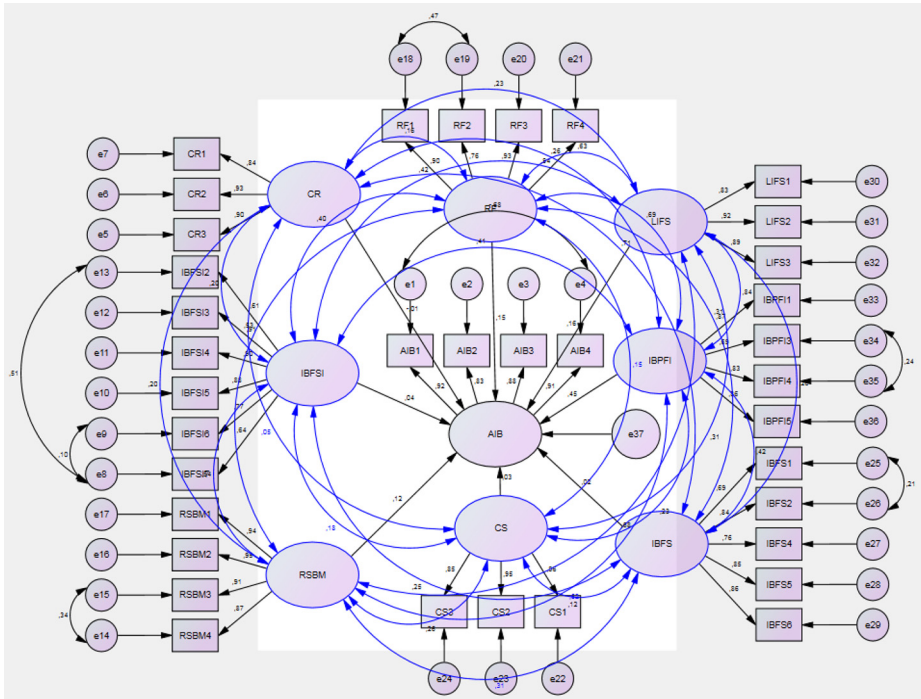


Figure 11.
Path diagram after modification for the model under test

Source: Figure by authors

and Uygun, 2012). GFI value is at an acceptable level since it is between 0.80–0.89 threshold values (0.840) stated in the literature. CFI is a criterion that takes into account the degree of freedom and sample size in the model in the evaluation of model fit. A CFI value above 0.90 indicates an adequate level, and a value above 0.95 indicates a perfect fit (Uğurlu and Arslan, 2019: 83). In this case, the CFI value indicates adequate fit.

Table 23 depicts the assessment of SEM. The results indicate that Islamic banking and financial service information (IB&FSI) has a positive but insignificant impact on the adoption of Islamic banking (AIB) ($\beta = 0.041, p = 0.281$). Similarly, B&FS also shows a positive and insignificant impact on AIB ($\beta = 0.027, p = 0.648$). Furthermore, the role of Sharia Board management (RSBM) exhibits a positive and significant influence on AIB ($\beta = 0.122, p = 0.012^{**}$), while CR shows a negative but insignificant impact on AIB ($\beta = -0.009, p = 0.855$). Our results also indicate that purposes of Islamic banking and financial institutions (IB&PFI) ($\beta = 0.427, p = 0.000^{***}$), religious factors (RF) ($\beta = 0.157, p = 0.000^{***}$) and LIFS ($\beta = 0.181, p = 0.022^{**}$) have a positive and significant impact on AIB. Finally, this study found a positive but insignificant influence of CS on AIB ($\beta = 0.029, p = 0.379$). Therefore, we conclude that out of eight, *H3, H5, H6* and *H7* were supported, while *H1, H2, H4* and *H8* were not supported. The R^2 value; shows the power of the independent variable to explain dependent variables. In the literature, if this value is 0.25, it is stated that the ratio of the independent variable to explain the dependent variable is weak, 0.50 is medium and 0.75 is strong (Henseler *et al.*, 2009; Hair *et al.*, 2011). Table 23 indicates that the value of R^2 is 0.680, which shows that 68% of the acceptance of Islamic banking is explained by independent variables.

5. Conclusion and discussion

The study aims to determine the awareness, understanding and perception of Islamic banking products and services and their effects on their adoption. For this purpose, in Turkey, Islamic banks and Islamic financial institutions that account for and fill out the questionnaire accepted have reached 427 people. Additionally, we excluded 18 because they are incomplete or incorrect. The remaining 409 questionnaires are included in the study. SPSS and AMOS software programs are used to analyze the data.

In the research, first, the demographic information and frequency distributions of the answers to the questions are explained. Later, since the reliability and validity of the scales are important for the continuation of the study, these analyzes are made for all variables.

Hypothesis	Path	B-coefficient	S.E.	t-values	p-value	Remarks
<i>H1</i>	IB&FSI → AIB	0.041	0.054	0.759	0.281	Not supported
<i>H2</i>	IB&FS → AIB	0.027	0.091	0.297	0.648	Not supported
<i>H3</i>	RSBM → AIB	0.122	0.060	2.033	0.012**	Supported
<i>H4</i>	CR → AIB	-0.009	0.059	-0.152	0.855	Not supported
<i>H5</i>	IB&PFI → AIB	0.427	0.098	4.357	0.000***	Supported
<i>H6</i>	RF → AIB	0.157	0.046	3.413	0.000***	Supported
<i>H7</i>	LIFS → AIB	0.181	0.102	1.774	0.022**	Supported
<i>H8</i>	CS → AIB	0.029	0.037	0.783	0.379	Not supported
	<i>R</i> -squared		0.680			

Note: ***, ** indicates that they are significant at 1 and 5% significance levels

Source: Authors' estimation

Table 23.
Standardized
equation model
(SEM) results

Within the scope of the research, CFA is used to test the construct validity of the scales and Cronbach's Alpha method is used to test their reliability (internal consistency). After ensuring the reliability and validity of the scales, the SEM is used to test the research model. When the SEM regression analysis results were examined, it was determined that among all variables, IB and PFI and RF were effective at 1% and RSBM and LIFS at a 5% significance level on the acceptance of banking. This shows that as the Islamic finance literacy scores of the participants on IB and PFI increase, the likelihood of adopting Islamic banking services also increases. In other words, knowing the purpose of Islamic banking and financial institutions has a positive effect on the acceptance of Islamic banking. As with conventional banks, Islamic banks aim to make a profit. However, the methods of making a profit are different from each other. Since the method of making profits by Islamic banks and financial institutions is different from the interest system, it is thought that investors' purposes to generate income according to Islamic values have more influence on the acceptance of Islamic banking. Concerning RF, as expected, the higher the Islamic finance literacy scores of the participants, the more likely they are to adopt Islamic banking services. In other words, religious factors have a positive effect on the acceptance of Islamic banking. Besides, the establishment purposes of Islamic banks and financial institutions are also religious factors. Many consumers prefer Islamic banking because of their desire to use financial services from an interest-free institution. They prefer banks that provide them with halal income and profits compared to conventional banks that focus on making money in a non-Islamic way (Dayi, 2019; Anaç and Kaya (2017); Zaman *et al.*, 2017; Karakaya and Karamustafa, 2004).

In RSBM, it is seen that as the Islamic finance literacy scores of the participants increase, the probability of adopting Islamic banking services also increases. In other words, the role of the Shariah Board management has a positive effect on the acceptance of Islamic banking. There are already six-participation banks in Turkey. The oldest of these is Albaraka Türk Katılım A.Ş. and Kuveyt Türk Katılım A.Ş. are the pioneers of interest-free banking. Albaraka Türk A.Ş. Albaraka Banking Group, its main shareholder, offers financial products and services in the Gulf, Middle East and North Africa regions where it operates. Likewise, Kuveyt Türk Katılım Bankası A.Ş. Its biggest partner in Turkey is the Kuwait finance house. In the regions where the activities of these institutions, i.e. management systems are carried out according to the provisions of Islamic Sharia law following different management systems in Turkey. In this case, it is thought that the participants preferred Islamic banking because they think that the Sharia Board management plays an active role in their banking activities. The results of the research, Zaman *et al.* (2017) study provide support. The LIFS results show that the higher the Islamic finance literacy scores of the participants, the more likely they are to adopt Islamic banking services. In other words, the LIFS has a positive effect on the acceptance of Islamic banking. As stated above, the first representative of Islamic banking in Turkey, Albaraka Turk Inc., and Kuveyt Türk A.Ş.'s main headquarters are in regions governed by Sharia rules, and it is thought to be effective in their acceptance of Islamic banking since it gives the impression that banking activities are carried out according to Islamic rules. The results of the research, Zaman *et al.* (2017) study provide support. It has been determined that IB and FSI, IB&FS, CR and CS do not have a significant effect on the acceptance of banking.

When the general results of the tables containing descriptive statistics are summarized, it is seen that the views and opinions of the participants on Islamic banking are unstable. In this case, we can say that the participants do not have sufficient knowledge about Islamic banking. This situation is thought to cause the participants' financial knowledge levels and

Islamic financial literacy levels to be low. These results are supported by the study results of Kevsir and Doğan (2021), Gunawan *et al.* (2021), Saputra and Rahmatia (2021), Yıldırım (2020), Durak *et al.* (2020), Tekin (2019), Durmuş and Yardımcıoğlu (2018) Çömlekçi (2017), Baysa and Karaca (2016) and Er *et al.* (2015).

In recent years, research measuring the level of financial literacy of individuals has been carried out by countries and international organizations. The results of this research revealed that the level of financial literacy knowledge is generally low (Alkaya and Yağlı, 2015; Çam and Barut, 2015). Numerous financial education programs have been initiated to solve this problem, which is low. The organization for economic cooperation and development is one of the leading organizations in financial literacy and financial education with its numerous international studies. In Turkey, the Central Bank of the Republic of Turkey conducts research focusing on financial literacy and provides financial literacy and economics education suitable for all age groups (Altundere Doğan, 2020).

According to the results of the study, it is thought that the instability of the participants' views on Islamic banking is due to their low level of Islamic financial literacy. Although the participants consisted of people who have accounts in Islamic banks or financial institutions, the low level of knowledge of the participants on Islamic financial literacy, according to the results of the research, indicates the existence of educational problems. This problem can only be solved with Islamic financial literacy education. Because after the 2008 financial crisis, the interest in Islamic banking and/or financial system has increased day by day. It is understood from the results of the research that financial literacy training for conventional banking should be given within Islamic financial literacy.

When the research results are evaluated in terms of banks, the lack of sufficient information about Islamic banking and its products reduces the interest in these institutions and their products. Although studies (Dayı, 2019; Chenguel, 2019; Anaç and Kaya (2017); Karakaya and Karamustafa, 2004) revealed that the main reason for adopting the Islamic banking system is religious values, the demand for these institutions has been increasing in recent years. The reason for this is the increase in product diversity, as in the conventional banking system of Islamic financial institutions and the increase in trust in these institutions. According to the results of the research, Islamic banks and financial institutions should develop comprehensive educational programs and projects about their services, especially the functioning of the system, to attract more customers.

When the effects of the research results on society are evaluated, it is seen that the most influential factor among the reasons for choosing Islamic financial institutions is religious reasons. Since interest is haram, people do not use funds from the conventional banking system and, at the same time, do not use their savings in these institutions. The fact that the savings owners do not bring these savings to the economy and keep them idle under the pillow affects economic growth negatively. This causes the share to be taken from the national income to decrease and the social quality of life standards to decrease. It is thought that Islamic financial institutions will develop awareness-raising training projects for such investors, and it will be important for investors to make correct and profitable investments and to bring idle values under the pillow to the economy.

5.1 Policy implications and future studies

The results of the analysis revealed that the participants do not have full knowledge of Islamic banking. Because the average of the answers given to the questions ranges between 2.40 and 3.5. This shows that the participants are undecided about Islamic banking. In this case, the adoption of Islamic banking; education can be increased through financial

literacy, improved customer service quality and diversification of banking services. Therefore, policymakers and other regulatory institutions, especially higher education institutions, should promote Islamic financial literacy and awareness of Islamic banking and financial products among customers. Likewise, they should raise awareness and encourage people about Islamic banking by using different mass media or face-to-face sessions on the services of Islamic banking and financial service providers. This study suggests forthcoming studies explore more variables to evaluate the research results more comprehensively. This research also suggests future studies to extend our model and implement mediation and moderation testing to get more useful insights. Finally, this study also recommends future studies to conduct an assessment of different countries to generate a consensus among the researchers.

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