

**FACTORS INFLUENCING CUSTOMER ADOPTION
OF ISLAMIC BANKING PRODUCTS IN NORTH
WESTERN NIGERIA**

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Abstract

The rate of customers' adoption of the Islamic banking in Nigeria has remained low even with the viable and numerous opportunities it offers to the desiring customers and the nation at large. This study employed the use of Diffusion of Innovation Theory and examined the influence of perceived relative advantage, perceived compatibility, perceived complexity, perceived risk and customer involvement on the adoption of Islamic bank products in Nigeria. A total of 401customers of Jaiz Bank Plc. participated in the survey. The responses were analyzed using Partial Least Square Structural Equation Modeling (PLS-SEM) with the use of the smart-PLS version 3 algorithm, bootstrapping and blindfolding analysis. The findings provided support to the direct effect of the influence of perceived relative advantage, perceived compatibility, perceived risk and customer involvement on the adoption of Islamic banking products. However, the direct effect of perceived complexity and adoption was not supported. Furthermore, the moderation effect of customer involvement on the relationships between perceived relative advantage, perceived compatibility, perceived complexity and perceived risk and adoption were not supported. In addition, perceived compatibility, perceived risk and customer involvement were found to have significant effect size on the adoption of Islamic banking products. On the contrary, relative advantage has a negligible effect size, and complexity appeared to have no effect size in the model. This study suggested that customers' perceptions of the relative advantage, compatibility, perceived risk and customer involvement significantly influenced their adoption of the Islamic bank products.

Keywords: Relative advantage, compatibility, complexity, perceived risk, customer involvement, adoption, Islamic banking.

Abstrak

Kadar penerimaan pelanggan terhadap perbankan Islam di Nigeria kekal rendah walaupun dengan peluang yang berdaya maju dan meluas yang ditawarkan kepada pelanggan yang berminat dari seluruh Negara. Kajian ini menggunakan Teori Penyebaran Inovasi dan mengkaji pengaruh kelebihan relatif tertanggap, keserasian tertanggap, kerumitan tertanggap, risiko tertanggap dan penglibatan pelanggan terhadap penggunaan produk-produk perbankan Islam di Nigeria. Seramai 401 pelanggan Jaiz Bank Plc. telah mengambil bahagian di dalam tinjauan ini. Maklum balas telah dianalisis dengan menggunakan *Partial Least Square Structural Equation Modeling (PLS-SEM)* dengan penggunaan Smart PLS versi 3 analisis algoritma, *bootstrapping* dan *blindfolding*. Hasil kajian ini memberikan sokongan kepada kesan langsung pengaruh kelebihan relatif tertanggap, keserasian tertanggap, risiko tertanggap, dan penglibatan pelanggan ke atas penggunaan produk-produk perbankan Islam. Walaubagaimanapun, kesan langsung kerumitan tertanggap dan penggunaan tidak disokong. Tambahan pula, kesan tidak langsung moderasi penglibatan pelanggan keatas hubungan antara kelebihan relatif tertanggap, keserasian tertanggap, kerumitan tertanggap, risiko tertanggap dan penglibatan pelanggan didapati mempunyai saiz kesan yang signifikan keatas yang signifikan keatas penggunaan produk-produk perbankan Islam. Sebaliknya, kelebihan relatif mempunyai kesan yang terlalu sedikit, dan kerumitan pula tidak mempunyai saiz kesan dalam model ini. Kajian ini mencadangkan bahawa persepsi pelanggan terhadap kelebihan relatif, keserasian, risiko tertanggap, dan penglibatan pelanggan secara signifikan mempengaruhi penggunaan mereka terhadap produk perbankan Islam.

Kata kunci: Kelebihan relatif, keserasian, kerumitan, risiko tertanggap, penglibatan pelanggan, penggunaan, perbankan Islam.

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