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**Factors Shaping Consumer Intentions: An In-depth Analysis of
Islamic Banking Adoption in Mirpur AJK**

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ABSTRACT

The present study examines factors that influence the Intention to adopt Islamic banking in the presence of fear of divine punishment and social norms. A total of 393 responses were collected from both Islamic banking users and nonusers. The study employed a cross-sectional design and utilized a convenience sampling method for data collection. Data analysis was conducted using measurement and structural model assessment through SmartPLS. The study reveals that Islamic banking's awareness significantly influences the intention to use it, while social norms and divine punishment indirectly affect it. Raising awareness and utilizing religious/social motives promote Islamic banking. Banks should implement strategies to enhance awareness, promote religious considerations, and use social influencers to communicate Islamic banking services. Findings offer

valuable insights for all stakeholders, helping them develop strategies to understand customer intentions and integrate them into their business processes.

Keywords: Intention to use, Islamic banking, PLS/SPSS, Awareness of Islamic Banking, Divine Punishment, Social norms.

Background

An intention is a decision to act in a particular way or what someone plans to do (Beh et al., 2021). Beh et al. (2021) argue that the Individual's intention is crucial, as a stronger intention significantly increases the chances of the activity being executed. The intention to use Islamic banking (IUIB) is a significant factor for economic growth and long-term financing. This may progressively raise IB resources, impacting the expansion of Islamic banking and shariah business units (Keuangan, 2020). IUIB is, therefore, quite significant and has evolved into essential customer behavior that requires research; numerous earlier studies have examined factors influencing it. Islamic banking, as defined by "OIC," is "a financial organization that explicitly states that it adheres to Islamic Shariah principles and forbids taking or paying interest on any of its operations through its statutes, rules, and procedures" (Chowdhury et al., 2019). It aims to promote economic expansion and provide Shariah compliance financial services. Islamic banking originated during the time of Prophet Hazarat Muhammad (SM) (Chowdhury et al., 2019). It began in Egypt with Mit-Ghamr Savings Bank in 1963. In 2001, Pakistan's central bank introduced the first Islamic banking policy (Maryam et al., 2022). It led to the establishment of AL Meezan Bank, Pakistan's first Islamic bank, in 2002 (SBP, 2002). Subsequently, Islamic banking began to grow alongside conventional banking.

Currently, Pakistan has six fully operational Islamic banks in 111 districts, alongside 16 conventional banks with 2,146 Islamic bank branches, 22 of which are listed (Maryam et al., 2022). The growing popularity of Islamic banking stems from people's positive opinions and usage (Maryam et al., 2019). Globally, the main driving force behind this rise is individuals' intentions. However, what drives this intention? Despite growing interest, key factors remain underexplored. Studies have shown that societal issues and religion significantly impact individuals' willingness to adopt Islamic banking (Bananuka, Kasera, et al., 2020). It is discovered that evaluating awareness and promotional efforts strongly estimate nationwide adoption (Ezeh & Nkamnebe, 2018). In addition to mediating the relationship between perceived consumer risk, religion, and government support, attitude also shapes the inclination to embrace Islamic banking (Charag et al., 2020). However, attitude remained largely unaffected by the observed picture. Sharia banking views vary, and the public's opinion of Islamic banking performance remains unclear (Maryam et al., 2022).

Based on these studies (Bananuka et al. (2019); Ezeh and Nkamnebe (2018); Charag et al. (2020)), further research in the same area is needed. The global interest

in Islamic banking is growing steadily. Multiple studies have focused on the factors influencing people's willingness to use Islamic banking and have consistently highlighted the role of religion and societal influences (Bananuka, Kaseera, et al., 2020). It is still essential to consider the factors influencing the intention to use Islamic banking (Maryam et al., 2022). There is a minimal investigation of awareness, social norms, and divine punishment roles on the decision to embrace Islamic banking in Mirpur AJK. Furthermore, earlier studies were done with Islamic bank clients, leaving a knowledge gap about non-consumers intentions (Maryam et al., 2022). This study addresses this gap by exploring users' and nonusers' perspectives, considering psychological and religious factors, including divine punishment, Islamic banking awareness, and societal norms toward intention to utilize IB in Mirpur AJK.

In addition to addressing this gap, it is essential to consider the issue that the intention to use Islamic banking is surprisingly low in Pakistan (10.4%) despite having a majority of 95% Muslim population (Butt et al., 2018), which restricts economic growth and financial inclusion in Mirpur AJK. Studies across Asia, including Pakistan, claimed that low consumer adaptation is due to their limited intention (Alzaidi & Qamar, 2018). The low adoption rate of Islamic banking has prompted us to explore this issue further and identify the factors influencing the intention to use Islamic banking. This study examines the impact of awareness, divine punishment, and social norms on the intention to adopt Islamic banking. It aims to help policymakers develop strategies to boost adoption in Mirpur AJK.

In the landscape where traditional banks are prevalent, the study highlights the low awareness of Islamic banking, even among Muslims. This research aims to enhance the information on IB adaptation in Mirpur by creating an impact for diverse stakeholders, including policymakers, academia, financial institutions, government, and banking professionals. It offers an evaluation of the factors affecting Islamic banking usage, enhancing the academic literature on Islamic finance. Financial institutions and practitioners in Islamic banks can use findings to improve their offerings by understanding client preferences and behaviors. This can form the foundation for future studies and allow banks to enhance customer satisfaction and loyalty. The study insights can assist the government in making policies to promote Islamic banking and improve financial inclusion and are valuable for shaping policies on Islamic banking and financial regulations. Policymakers can use the findings to create an environment encouraging Islamic banking, enhancing financial stability and economic development. The study also provides in-depth insights into factors influencing consumer decisions to use Islamic banking, enabling IB managers to change policies and increase public awareness. Overall, the study aims to improve the understanding of the factors affecting Islamic banking acceptance in Mirpur.

The study's scope is comprehensive and encompasses the following aspects: The study aims to offer a thorough knowledge of factors affecting the intention to use Islamic banking in Mirpur AJK, emphasizing critical variables, including social

norms, Islamic banking's awareness, intention to adopt Islamic banks, and divine punishment. This study was executed in Mirpur AJK, which allowed a thorough examination of selected variables within the specified area. The selected sample size is 384, based on the Krejcie and Morgan (1970) criteria, and the convenience sampling method was used. The main instrument chosen for the quantitative research method is a questionnaire. Advanced analytical tools were used to analyze the primary data acquired.

Following this introduction in this study's section that follows, a thorough literature review and theoretical development will explore variables influencing intention to use Islamic banking. To ensure a careful approach to data collecting and analysis, the methodology section will detail the population, sample size, sampling technique, and other crucial elements. Following the results and interpretations, there will be discussions that aim to explore the variables impacting the intention to use Islamic banks.

Literature Review

Theory of Planned Behavior

The TPB, developed by Ajzen (1991) as an extension of social psychology, is based on the Theory of Reasoned Action. According to TPB, the intention is considered a motivator of behavior (Saptasari & Aji, 2020). It addresses the limitations in the model of TRA by focusing on behaviors over which individuals have less perceived control (Ajzen, 1991).

The TPB's framework is used as a base for this study as it is specialized to predict behavioral intentions and address complex social interactions. Its concepts, drawn from the social sciences, assist in explaining behaviors from various perspectives (Ayyub et al., 2020). The expectation-value model, describing the attitude-behavior relationship, has shown success in predicting behaviors. The three suggested key predictors of intention are attitude toward behavior, perceived control, and subjective norms (Ajzen, 1991). Attitude means the degree of positivity or negativity towards a behavior (Ajzen, 2020). Subjective norm refers to the social pressure felt towards performing or avoiding an action (Ajzen, 2020). Perceived behavioral control is the power to act with perceived ease or difficulty. It is affected by past experiences and current obstacles (Trafimow et al., 2002). Many studies show that TPB is helpful in understanding consumer intention (Ayyub et al., 2020). Using the three TPB constructs plus an extra construct, the current study aims to identify the determinants influencing the consumer behavior of Islamic banking users and non-users in Mirpur AJK.

Relationship between Awareness of Islamic Banking and Intention to use Islamic Banking

Awareness of Islamic banking refers to the identification or recollection of Islamic banking (Febriyantoro, 2020). It means how well consumers recognize a brand. For example, users prefer to buy well-known brands like Samsung or iPhone than lesser-

known brands (Zhang, 2020). Islamic banks offer a variety of Islamic financial instruments, and conventional banks run Islamic windows. However, even among Muslims, most customers may not be aware of the specifics of these instruments since it takes specialist understanding (ElMassah & Abou-El-Sood, 2022). Studies indicate that awareness of Islamic banking positively correlates with the Intention to embrace Islamic banking (Maryam et al., 2019). In the context of Pakistan, researchers have also noted that non-users of IB may switch towards it, but adoption of Islamic banking is hampered by a lack of information (Samia Ayyub, 2020). Albaity and Rahman (2019), customers of Pakistani Islamic banks perceived their services as being of higher quality than those of mainstream banks. Due to growing knowledge, IB users are somewhat worried about the quality of their services nowadays. As a result, the following hypothesis can be developed:

H1: Awareness of Islamic banking has a significant impact on the intention to use Islamic Banking in Mirpur AJK mediating role of Divine Punishment between Awareness of Islamic Banking and Intention to use Islamic Banking.

Awareness of Islamic banking refers to the level of knowledge that individuals have regarding financial products and services that comply with Islamic law and principles, along with concepts of profit-and-loss sharing (Rammal & Zurbruegg, 2007). Souiden and Rani (2015) first included the phrase "Fear of Divine Punishment" as a construct of religiosity in their study to look at customer purchasing intention towards Islamic banks. It refers to the fear of divine retribution for engaging in behavior forbidden by Sharia, e.g., interest-based banking. It is suggested that Muslims choose Islamic banking over ordinary because of this prohibition and religious inclination (Javaid et al., 2021). Intention to use Islamic banking describes a person's tendency to engage with financial products offered by Islamic banks. Awareness, beliefs, and perceptions regarding Islamic banking principles and practices indicate the person's propensity to use Islamic banking facilities for their financial needs, including savings, investments, and financing (Albaity & Rahman, 2019)

An individual's propensity to fear divine punishment rises with their level of awareness. When they understand that using Islamic banking enables them to avoid interest—a behavior that is prohibited in Islam—they realize that they can now accomplish what they previously thought was unattainable with traditional banking. Resultantly, the chance of fearing divine punishment rises (Bananuka, Kasera, et al., 2020). The study indicated that their fear of divine wrath might influence consumer behavior toward Islamic banks due to religiosity (Lajuni et al., 2017).

According to the study, there is a direct link between the intention to use Islamic banks and fear of divine retribution. This result implies that customers' inclinations are significantly influenced by their religious views and values. Since the spiritual and ethical tenets that support Islamic finance align with the idea of divine

punishment, this can positively impact the intention to utilize Islamic financial services (Hoque et al., 2022). Therefore, divine punishment plays a mediating role between Islamic banking awareness and intention to use it, leading to the following hypothesis:

H2: Divine punishment plays a mediating role in the relationship between awareness of Islamic banking and intention to use Islamic banking in Mirpur AJK.

Mediating role of Social Norms between Awareness of Islamic banking and Intention to use Islamic banking.

The social norms may be defined as the perceived social pressure one feels when deciding to perform an activity (Samia Ayyub, 2020). Social norms are people's opinions about whether significant reference groups support or oppose them using Islamic banking services (Jihad Mohammad, 2022). Social norms can influence consumer behavior as recommendations from friends or influencers may raise awareness. Greater awareness would also mean that societal norms start to change as more is learned about Islamic finance principles. Knowledge of Shariah-compliant finance, ethical investment, and consequences of non-compliance will help in positioning Islamic banking both on a moral obligation and alternative to finance (Heryanto et al., 2020). With rising awareness regarding Islamic finance principles, a compliant individual can be a good influence on others to set a new norm with an increasingly higher level of adherence (Wang, 2019). Awareness also encourages community dialogue concerning Islamic finance, where an accumulation of knowledge and experiences shared between people fortifies the bonds of ethics that are acceptable or "permissible" under Sharia. (McDonald & Crandall, 2015).

Previous studies have indicated that social factors influence the customer's intentions to use Islamic finance. Considerable research has demonstrated that the acceptance of Islamic banking is highly altered by social influences (Albaity & Rahman, 2019). Lajuni et al. (2017) demonstrate that social pressure forces the use of financial products even when the Individual does not fully agree with such behavior. Bilal et al. (2020) have shown that, in Pakistan, economic excellent or wrong actions are dictated by pressure from friends, family, and peers. As a result, the following hypothesis can be established:

H3: Social norms play a mediating role in the relationship between awareness of Islamic banking and intention to use Islamic banking in Mirpur AJK.

Methodology

Research Design

In this study, questionnaires served as the primary method for data collection within a quantitative research design. Quantitative research includes the systematic collection and evaluation of numerical data to generalize findings regarding population. The main argument in this approach's favor is its ability to simplify behavioral measurements (Sen et al., 2020). This approach accomplishes the goal by allowing a larger sample size to guarantee an accurate representation of the entire

population and enhance validity (Kamiyama & Kashiwagi, 2019). The study assures reliable and consistent data collection via questionnaires. It was organized into two segments: Part “A” covers demographics, and “B” examines research variables.

Population

The study aims to gain an overview of the general population, with a focus on individuals having active bank accounts as well as non-users of Islamic banks. With the general public as the emphasis, the study aims to collect diverse cross-sectional data on the population across diverse demographics, including age, economic status, etc. This all-inclusive approach ensures a thorough examination of the factors influencing financial behaviors in society as a whole.

Sample Size

The current study's sample size of 384 participants was carefully selected to ensure statistical significance due to the diverse nature of the research group. The Krejcie and Morgan table validated this sample size, which is valid for populations of 100,000 or more. This method ensures that the research can identify significant effects and produce trustworthy results.

Sampling Method

A non-probability sampling approach, known as convenience sampling, was utilized to choose participants. It is the most appropriate technique for determining IB adaptation (Asyari et al., 2022; Jamshed & Uluyol, 2024; Rahman et al., 2023). Convenience sampling involves selecting participants who are easily accessible and willing to contribute to research (Anwarul Islam et al., 2021), but results are limited in generalizability. According to Mweshi and Sakyi (2020), it has several benefits, including being cost-effective and quickly accessible. This technique was especially applicable due to time and resource constraints so that we could access insights from accessible participants.

Research Reasoning

This research uses a deductive reasoning approach and follows a logical process from general hypothesis to specific data. Research on deductive reasoning starts from a theoretical framework and uses empirical analysis to validate ideas (Febriandika & Hakimi, 2024). This helps formulate a theoretical background based on existing knowledge and literature to formulate hypotheses before data collection. Thus, using deductive reasoning ensures a methodical and logical frame that enhances the study's contribution to the body of knowledge.

Time Horizons

We used a cross-sectional time horizon, which was strategically aligned with the study goals. Cross-sectional research collects data from a sample to reflect a vast population at a certain point in time (Zones, 2020). This makes it easier for the researcher to comprehend the issue and focus on the selected population (Lee et al., 2019). This approach helps in understanding variables and their relationships in the

population, allowing focused analysis within a specific time frame and leading to meaningful conclusions.

Time Frame

The research was carried out within one year. Within the established boundaries, we carefully selected a one-year to allow for a comprehensive investigation of the factors. The year-long duration strikes a careful balance between acquiring important insights and addressing the temporal dynamics. The deliberate selection of the time frame has consequently made this research capable of recognizing patterns and little changes in the selected variables during the period.

Research Instrument

This study utilized 34 scales that were adopted from earlier studies to measure four key variables. To measure IB awareness, six questions were adopted from (Pantari & Aji, 2020), eleven items to measure fear of divine punishment were adopted from (Bananuka, Mukyala, et al., 2020), nine scales to measure social norms were adopted from (Bananuka et al., 2019) and lastly, a total of eight for measurement of the intention to utilize Islamic banking originated from (Albaity & Rahman, 2019). The survey was organized into two segments: Part "A" included respondent demographics, and "B" explored research variables. A 5-point Likert scale covering all responses from "strongly agree" (1) to "strongly disagree" (5) to ease and address the challenging task associated with choosing among two unfavorable possibilities.

Analytical Tools

The Analytical tools used to analyze the collected data were SmartPLS and SPSS. For SEM, SmartPLS is a beneficial statistical technique. Smart PLS makes it easier to analyze and assess the complex relationships between the variables. Previous studies stated that PLS can also be used with small sample sizes. It can handle extensive sample data without the fulfillment of assumption criteria (Vaithilingam et al., 2024). Due to this, PLS-SEM is the preferred statistical analysis method. SPSS for structural equation modeling is a valuable and flexible tool for creating statistical models. SEM is used to investigate hypotheses, which is crucial to handling non-normal data when the goal is to explain the target construct's variance (Aziz & Afaq, 2018b).

Analytical Method

The two primary parts of the analytical process were the structural and the measurement model assessment. The measurement model illustrates the relationship between construct and items (Aziz & Afaq, 2018a). Critical criteria for evaluating it include construct validity (measured by average variance extracted), discriminant validity (using the Fornell and Larcker criterion), and reliability, assessed through composite and indicator reliability (Aziz & Afaq, 2018b). While the structural model evaluates variable relationships and tests hypotheses, the measurement model focuses on the measuring instruments' validity as well as their reliability.

Hypothesis Theorization

This research adopts the Transmittal Approach to examine the mediation effects of divine punishment and social norms. Rungtusanatham et al. (2014) stated that mediation effects could be theorized using two approaches: (a) segmentation and (b) transmittal. Using the segmentation approach requires the development of three hypotheses: one for the effect of the independent variable (X) on the mediator (M), another for M's impact on the outcome variable (Y), and a final which posits that M mediates the relationship between X and Y (Memon et al., 2018).

On the other hand, the transmittal approach involves formulating a single hypothesis that proposes the mediator's role in linking the independent and dependent constructs (Amankwah et al., 2019). According to Valencia et al. (2021), in a transmittal strategy, researchers should hypothesize that M mediates the influence of X on Y without articulating hypotheses linking X to M and M to Y. So based on this, we have developed a single theory to propose the mediation role for divine punishment and social norm between the dependent and independent variables.

Result and Interpretation

Demographics Assessment

The study employed survey questions to a diverse sample of Islamic and Conventional Bank users in Mirpur AJK, classifying respondents by their diverse characteristics. The descriptive statistics showed that 61.6% of males (n=242) and 38.4% of females (n=151) participated in the survey, which indicates Pakistan's male-dominated context. Respondents include diverse age groups, showing 94.7% of the participants (n=372) were aged 20-30, 3.1% (n=12) were aged 31-40, 1.3% (n=5) were aged 41-50, and 1.0% (n=4) were 50 years of age or more. The bulk of responders were between the ages of 20-30yr, which probably reflects the target population's demographics. This distribution may impact the findings, as younger folks may have different perspectives than older adults. Regarding qualification, 2.5% of participants (n=10) had Metric, 21.1% of participants (n=83) had Intermediate qualification, 60.8% (n=239) had a Graduate degree, and 15.5% of participants (n=61) had Post-Graduate degree. The majority of respondents (84.5%) had a bachelor's or master's degree, suggesting that the sample group is well-educated. Furthermore, the typology contained individuals with different professions; 75.3% (n=46) were employed, 78.4% (n=308) were students, 3.6% (n=14) were unemployed, 1.8% (n=7) were homemakers, and 4.6% (n=18) were 'others'. The majority, 78.4% (n=308), were students, which may influence the findings, as education may be associated with different perspectives and knowledge.

Meanwhile, the results illustrate that 75.3% (n=296) individuals have an annual income of 20k-40k, 8.7% (n=34) between 41k-60k, and 4.7% (n=17) respondents have between 61k-80k, and 4.3% (n=17) respondent have income from 81k-100k, and others have >100k. The majority, 75.3% (n=296), have incomes

ranging from 20-40k, which may influence the findings. In the case of banking preferences, the results show that 22.4% (n=88) individuals use Islamic banking, 34.9% (n=137) use conventional banking, 11.7% (n=46) use both, and 31.0% (n=122) do not use any service. The majority use conventional banking services. In comparison, one-third, 31.0% (n=122), were nonusers, which may have an impact on the study findings, as bank preferences may be associated with financial characteristics, values, and lifestyle choices.

Measurement Model Assessment

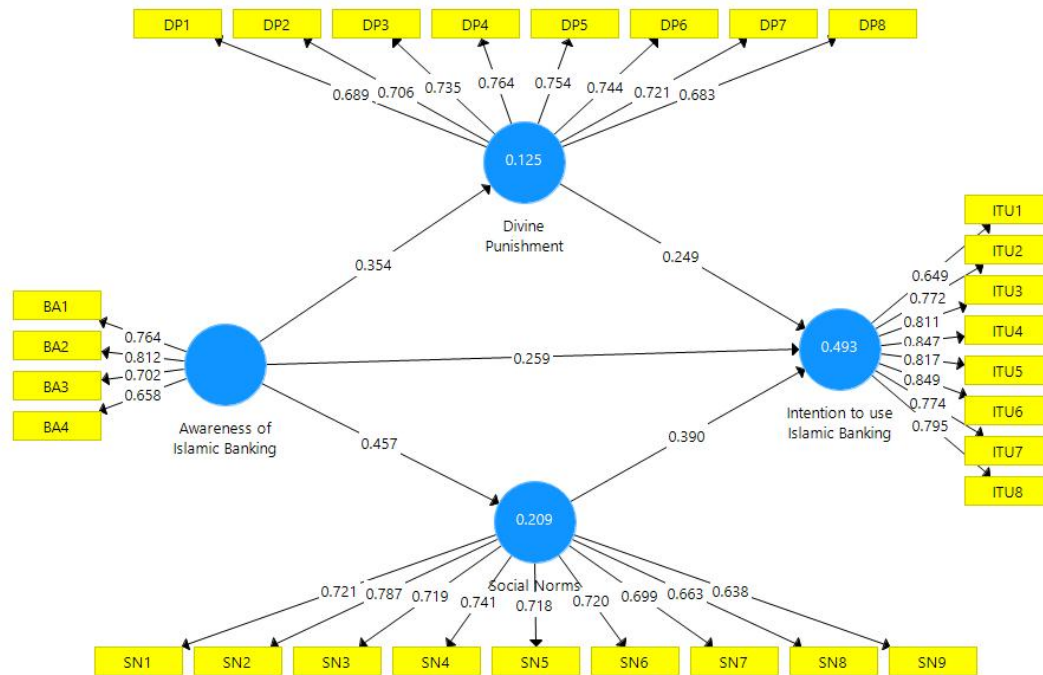


Figure 2: Measurement Model

The first stage in PLS-SEM is the measurement model's evaluation. The measurement model illustrates how construct and items are related (Aziz & Afaq, 2018a). Assessing measurement models contributes to data reliability and validity with the help of convergent as well as discriminant validity procedures. This involves evaluating the relationship between the indicators and the latent factors based on the AVE and CR indexes. There are four variables included in the measurement model, and each variable has a specific number of items, with a total of 34 scales adopted. Figure 1 displays the measurement results from the SmartPLS algorithm. It suggests that an item has appropriate reliability if its factor loading on each corresponding construct is more than 0.707. However, some outer loading fell short of the threshold. However, if CR and AVE met their threshold, outer loading values less than 0.70 were acceptable (Ali et al., 2021). Following this rule of thumb, all latent variables are reliable and valid.

Additionally, figure 2 illustrates the most vital positive link between Social Norms and Intention to Utilize Islamic Banking with a path coefficient of 0.390. Similarly, there is also a positive relationship between Islamic Banking Awareness

and Intention to use Islamic Banking, with a Beta value of 0.259, followed by Divine Punishment (0.249). Finally, the R-squared value for Intention to Utilize Islamic Banking is 0.493, which indicates that 49.3% of the variance in this construct is explained by Divine Punishment, Awareness of Islamic Banking, and Social Norms.

Table 7: Outer Loadings

	AIB	DP	ITU	SN
AIB1	0.764			
AIB2	0.812			
AIB3	0.702			
BA4	0.658			
DP1		0.689		
DP2		0.706		
DP3		0.735		
DP4		0.764		
DP5		0.754		
DP6		0.744		
DP7		0.721		
DP8		0.683		
ITU1			0.649	
ITU2			0.772	
ITU3			0.811	
ITU4			0.847	
ITU5			0.817	
ITU6			0.849	
ITU7			0.774	
ITU8			0.795	
SN1				0.721
SN2				0.787
SN3				0.719
SN4				0.741
SN5				0.718
SN6				0.720
SN7				0.699
SN8				0.663
SN9				0.638

Note: AIB= Awareness of Islamic Banking, DP= Divine Punishment, ITU= Intention to use Islamic Banking, SN= Social Norms

Table 7 above illustrates the values of outer loadings. The threshold of the outer loadings should be >0.70, indicating that indicators have more variance with their latent variable than error variance (Mahmud et al., 2021). Outer loadings ranging from 0.6 to 0.7 remained appropriate for exploratory study. Previous

researchers stated that if the reliability achieved its threshold, In that case, the outer loading is acceptable even if it is <0.70. So, the values of outer loadings depicted in the above table meet the mentioned criteria.

Table 8: Construct Reliability and Validity

	Cronbach's Alpha	rho_A	CR	AVE
AIB	0.715	0.720	0.825	0.542
DP	0.874	0.892	0.898	0.526
ITU	0.914	0.914	0.930	0.627
SN	0.880	0.889	0.903	0.508

Note: AIB= Awareness of Islamic Banking, DP= Divine Punishment, ITU= Intention to use Islamic Banking, SN= Social Norms, CR= Composite Reliability, AVE= Average **Variance Extracted**

The above table illustrates the value of reliability and convergent validity. The result shows that awareness of Islamic banking has 0.715, 0.720, and 0.825 Cronbach's alpha, rho, and CR values, respectively. Furthermore, the AVE value was 0.542. Moreover, Divine punishment has 0.874, 0.892, and 0.898 Cronbach's alpha, rho, and CR values, respectively. The value of the AVE was 0.526. Moreover, the Intention to utilize Islamic Banking exhibits strong reliability with Cronbach's alpha value of 0.914, rho 0.914, CR 0.930, and the value of AVE 0.627. Social Norms have Cronbach's alpha (0.880), rho (0.889), and composite reliability (0.903) values. Moreover, the AVE value was 0.508. These results suggest that the scales used are reliable and valid, with acceptable to excellent internal consistency and variance explanation. We can further move forward with the assessment of discriminant validity.

Table 9: Fornell-Larcker Criterion

	AIB	DP	ITU	SN
AIB	0.736			
DP	0.354	0.725		
ITU	0.526	0.489	0.792	
SN	0.457	0.380	0.603	0.713

Note: AIB= Awareness of Islamic Banking, DP= Divine Punishment, ITU= Intention to use Islamic Banking, SN= Social Norms

The above table illustrates that the bold values of variables are higher than their correlation values both horizontally and vertically. So, we can say that there is no discriminant validity issue. The Fornell-Larcker has a sensitivity problem. To overcome the sensitivity issue, we are moving forward with the use of HTMT.

Table 10: Heterotrait-Monotrait Ratio (HTMT)

	AIB	DP	ITU	SN
AIB				
DP	0.411			
ITU	0.649	0.515		

SN	0.558	0.379	0.656
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Note: AIB= Awareness of Islamic Banking, DP= Divine Punishment, ITU= Intention to use Islamic Banking, SN= Social Norms

The above table presents the results of the Heterotrait-Monotrait (HTMT) ratio assessment of discriminant validity. The test criteria indicate that if the HTMT exceeds 0.85 or 0.90, it suggests an issue of discriminant validity (Yusoff et al., 2020). So, the HTMT values should be less than 0.85. The result depicts that all values fall lower than 0.85, which means that there is no problem with the data, and the findings show satisfactory discriminant validity.

Table 11: Collinearity Statistics (VIF)

Inner VIF Values				
	AIB	DP	ITU	SN
AIB		1.000	1.328	1.000
DP			1.228	
ITU				
SN			1.357	

Note: AIB= Awareness of Islamic Banking, DP= Divine Punishment, ITU= Intention to use Islamic Banking, SN= Social Norms, VIF= variance inflation factor

The above table illustrates the Collinearity Statistics (VIF) for the variables. According to the conservative approach, the threshold for the VIF should be less than three. The findings demonstrate that there is no problem with collinearity because all construct values are less than 3. The Variance Inflation Factor is also analyzed to avoid multicollinearity across construct indicators (Ghansah et al., 2022). This study proved acceptable multicollinearity because the VIF values ranged from 1.00 to 1.357.

Table 12: Fit Summary

	Saturated Model	Estimated Model
SRMR	0.079	0.087
d_ ULS	2.710	3.282
d_ G	0.618	0.639
Chi-Square	1330.745	1333.687
NFI	0.783	0.783

Note: SRMR= Standardized Root Mean Square Residual, NFI= Normed Fit Index

The value for SRMR should be <0.08 according to the conservative approach. According to the values in the Fit Summary table, there is no issue in this model.

Structural Model Assessment

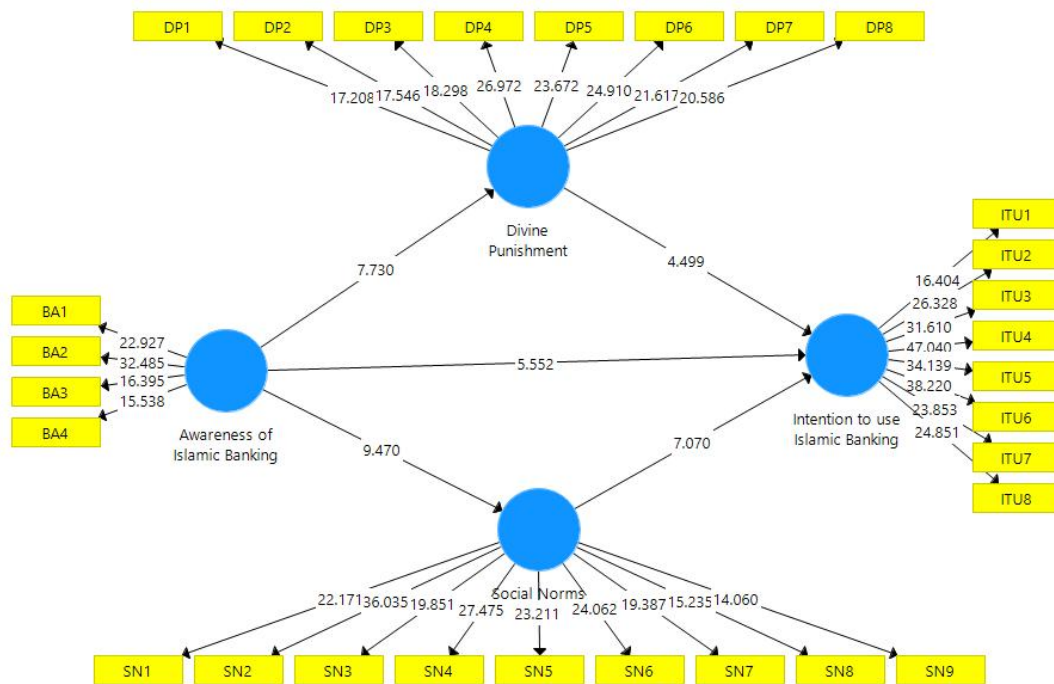


Figure 3: Structural Model

A structural model, also known as the inner model in PLS-SEM, connects constructs like circles (Hair Jr et al., 2021). Hair Jr et al. (2021) defined a structural model as one that demonstrates the link between latent variables and constructs. To assess the study's assumptions, this model applies a 5000 bootstrap resampling of the data (Lajuni et al., 2017). The structural model, using a bootstrapping technique, identified significant effects. There are four variables in the structural model shown in Figure 3, each with a specific number of items. A total of 34 scales are adopted from previous studies to measure latent constructs. Regarding the rule of thumb for the significance of these relationships, Agyapong et al. (2024) suggest that t-values should be ≥ 1.96 . Figure 2 shows that the relationship between Intention to Utilize Islamic Banking and Social Norms has a t value of 7.070, and all other relationships have t values of more than 1.96, so indicating all hypotheses are accepted and supported.

Table 13: Direct Effect and Specific Indirect Effect

	Path Coefficient	Standard Deviation	T Statistics	P Values
AIB -> IUB	0.259	0.047	5.552	0.000
AIB -> DP -> ITU	0.088	0.024	3.735	0.000
AIB -> SN -> ITU	0.178	0.032	5.519	0.000

Note: AIB = Awareness of Islamic Banking, IUB = Intention to use Islamic Banking, DP= Divine Punishment, SN= Social Norms

Table 13 illustrates the result of direct and specific indirect effects (Mediation). The direct impact was evaluated by analyzing the t-value and path coefficients. According to Albassami et al. (2019), standardized beta coefficients and regression analysis can be interpreted to understand the relationships among variables in a model. By the rule of thumb regarding the importance of these relationships, Agyapong et al. (2024) suggest that t-values should be ≥ 1.96 . The results highlight that IB awareness has a significant direct impact on the intention to use Islamic banking (H1). T-values for these relationships are more than 1.96. Table 13 shows that the relationship between the Intention to Utilize Islamic Banking and Islamic Banking Awareness has a t value of 5.552, so this indicates that the hypothesis is accepted.

Furthermore, the results demonstrate that the specific indirect effect of divine punishment and social norms via Islamic banking awareness were also found to be significant (H2 and H3). In PLSSEM, mediation tests are assessed by bootstrapping path coefficients to determine their significance. Albassami et al. (2019) stated that PLS-SEM mediation is also the most appropriate as it works well with small samples. Specifically, the indirect effect of the study is performed to check whether there is a mediating role between Divine Punishment and Social Norms. However, in this study, a significant mediation effect is observed. The result shows an indirect relationship between Awareness and Intention to adopt Islamic Banking, indicating ($p=0.000$, $S.D=0.024$, $t = 3.735$). As a result, H2 is accepted. Meanwhile, based on the data ($p=0.000$, $S.D=0.032$, $t = 5.519$), H3 is also accepted.

In sum, the study's findings indicated a significant direct effect of awareness of Islamic banking on the Intention to use Islamic Banking. Moreover, the results showed that divine punishment and social norms play a mediating role in the relationship between awareness of Islamic banking and intention to use Islamic banking in Mirpur AJK. So due to these intervening factors, Islamic banking awareness produced a significant indirect effect on the Intention to use Islamic Banking.

Discussion and Conclusion

This study, using the sample of the general public, including both users as well as non-users of Islamic banking, aimed to investigate the factors affecting the intention to utilize Islamic banking and examined the direct effect of Islamic banking's awareness on the intention to adopt Islamic banking and indirect impact of determinants such as divine punishment and social norms between Islamic banking' awareness on intention to use Islamic banking was also investigated. To achieve these goals, a theoretical framework was developed based on theory and literature and was evaluated using Smart PLS and SPSS.

The results of these procedures support all relationships. First, Table 13 demonstrates how the direct influence was discovered to have a favorable and significant impact on the intention to utilize Islamic banking. The result of the study revealed a substantial link between the Intention to Use Islamic Banking and Islamic

Banking Awareness with a p-value of 0.000, t-value of 5.552, and B-value of 0.259, which shows a positive association between intention to adopt Islamic banking and Islamic banking's awareness. These results are consistent with previous studies for example, (Albaity & Rahman, 2019; Pantari & Aji, 2020); (Maryam et al., 2019)). These studies also demonstrate a substantial relationship between the intention to use Islamic banking and its awareness, which is consistent with the result of the current study. According to Albaity and Rahman (2019), previous studies corroborated this by pointing out that a lack of awareness is the reason Islamic banks are not widely recognized. The survey's findings show that the vast majority of respondents possessed a high degree of education, potentially leading to their understanding of Islamic banking offerings. Consequently, the findings suggested that IB managers and decision-makers should concentrate on awareness of Islamic banking and focus on raising understanding of the differences between conventional and Islamic banking (Albaity & Rahman, 2019).

Additionally, In this study, it is discovered that divine punishment has a significant positive relationship between Islamic banking awareness and intention to use Islamic banking, and it is found that Divine Punishment plays a mediating role between Islamic Banking Awareness and Intention to use Islamic Banking indicating ($p=0.000$, $S.D=0.024$, $t = 3.735$). This finding of the study is consistent with previous studies, for instance, (Mustapha et al., 2023), which found that knowledge that customers adopt through media can influence their beliefs regarding religiosity to adopt Islamic banking. Moreover, the study found that Social norms play a mediating role between Islamic banking awareness and Intention to make use of Islamic Banking, indicating values as ($p=0.000$, $S.D=0.032$, $t = 5.519$). The study's findings of Assyarofi and Wulandari (2023) are also consistent with previous studies.

Recommendation

The study findings can help Islamic banking policymakers design targeted interventions to promote Islamic banking among customers. Understanding the role of awareness, divine punishment, and social norms can help develop policies that align with the community's religious and cultural values. They should design strategies to increase awareness of IB principles, products and the benefits of adoption.

Islamic banks can tailor their marketing strategies with these findings to emphasize religious compliance and societal benefits through various platforms such as articles, mainstream, and social media. In addition, they can also collaborate with universities and communities to organize seminars, webinars, and workshops to increase the awareness and understanding of Islamic banking principles in theory and application. They can also collaborate with Respected Scholars, celebrities, and respected public figures to share positive experiences and develop a positive perception of Islamic banks. Finally, banks can also use customer data analytics tools to understand their intent and needs. This can help them upgrade their marketing

campaigns, increase customer engagement, and refine their services through the empirical data received.

Limitations

Although the study offers significant information, several limitations have to be considered. One is that this study focused on a relatively small area of Mirpur AJK. The findings may not be generalizable to other regions with different social and cultural dynamics. The data of a more diverse sample may give different results. Although the sample size is 384, the use of convenience sampling may introduce bias.

Furthermore, the age distribution is skewed, with 94.65% being between 20-30yr, which could affect the study's reliability. This disparity matters because individuals from different age brackets have different views. In particular, when it comes to embracing Islamic banking offerings, Muslim youth might be attracted by secular aspects. At the same time, older people could make decisions based on religious faiths while deciding to take up Islamic banking products. This study adopted a cross-sectional design, which does not allow access to the change in the intention of consumers over time. Other variables could have given a better view of consumer behavior, which has not been captured in this study.

Future Suggestions

Future studies could explore other influencing factors such as economic conditions, perceived quality of Islamic banking, etc. Future studies could collect large-scale and more diverse data for more applicable results. In the future, it will be necessary for studies to account for generational and environmental differences in intention towards Islamic banking products by ensuring that they have balanced respondent numbers across various age groups. Adoption of a more random sampling method could decrease bias and improve the representativeness of findings. Longitudinal studies could provide deeper insights into understanding intention evolution and the effect of variables over time. The researchers could also incorporate qualitative methods to complement the findings of quantitative data.

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