ISLAMIC BANKING ADOPTION IN GHANA

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ABSTRACT

Research Objective *– This study explores Islamic banking adoption in Ghana. Particularly, the study examines awareness, perceived importance and potential challenges of Islamic banking adoption in Ghana with emphasis on awareness as the key issue of Islamic banking adoption in the country.*

Design/methodology/approach *– The study uses a qualitative research approach to gain insight about the perceptions of bank customers towards Islamic banking. A sample of eight respondents is selected based on purposive sampling method and semi-structured interview is utilized for data collection.*

Findings *– The findings suggest that awareness of Islamic banking is very low among Ghanaians though the perceived importance of Islamic banking is noteworthy.*
The study also discovers some of the potential challenges of Islamic banking in Ghana including low awareness of Islamic banking, competition with conventional banks, and reluctance of non-Muslims to patronise Islamic banking. Finally, the findings suggest that Ghanaians are willing to adopt Islamic banking. The authors are inclined to believe that, with more awareness campaign in Ghana, many bank customers will be willing to adopt Islamic banking going forward.

Research limitations/implications *– Given the fact that this study uses a relatively small sample, generalisation of the findings needs to be done with caution.*

Practical implications *– The present study identifies some potential challenges and provides suggestions concerning Islamic banking adoption in Ghana. Accordingly, this will eventually help bankers and policymakers to design appropriate policies when considering Islamic banking adoption in Ghana. Also, there is the need for various awareness campaigns to help raise awareness of Islamic banking and its value proposition, which may help resolve most of the potential challenges discovered in the study.*

Originality/value *– This study is a pioneering effort in the application of a purely qualitative approach based on interviews to study about Islamic banking adotption in Ghana*

Keywords: Islamic banking, Islamic Finance, Adoption, Ghana, Muslims

INTRODUCTION

Over a decade ago, Islamic banking started gaining attention of the Ghanaian public. Dar Al Istithmar, an international Shariah advisory firm, in collaboration with MCA International Consult, prepared a proposal and delineated the strategies to introduce an Islamic bank in 2008. The two main regulatory bodies of the banking industry in Ghana, the Bank of Ghana and the Ministry of Finance, were in agreement with regards to the setting up of that particular bank in the country. The plan of the bank was to offer services relating to corporate banking, car financing, house financing, retail banking products and other services that are permissible (Klutse, 2008). Entrepreneurs, small and medium enterprises (SME), corporations and financial institutions have long contemplated the idea of Islamic Banking in Ghana. However, growing concern recently resurfaced because of the high interest rate in the country, which currently stands at 17%, the highest in Africa (Trading Economics, 2018). Several media reports demonstrate the dissatisfaction against the current banking system and thus call for a supplementary financial system. In a statement, the president of the Association of Ghana Industries (AGI) bemoaned that banks are not promoting the development of businesses. He warned that such banking system could cripple the national economy if left to flourish (Sarpong *et al.*, 2013). In addition, the Managing Director of HFC Bank has pointed out high interest rate as the main hindrance to the growth of mortgages in Ghana (Ghanaweb, 2013). Similarly, the International Monetary Fund (IMF) raised its concern that high interest rate is limiting private sector growth in the country and urges Ghana to do more to address the problem (Bax, 2013). Islamic banking, as a system that does not involve interest, is therefore the suitable alternative to help tackle the problem of high interest rate in the country. A number of financial institutions in Ghana are particularly interested in the idea of Islamic banking. Nevertheless, there is no any full-fledged Islamic bank in the country. However, there are few financial institutions including Access Bank Ghana, Wenchi Rural Bank, Ghana Islamic Microfinance and Salam Capital that offer some form of Islamic banking services in the country (Mbawuni and Nimako, 2018). Also, Stanbic Bank Ghana, a member of the Standard Charted Bank Group indicated its intention to offer Islamic financial services (Abu, 2012). Absa (South Africa banking group) announced its plans to offer Islamic banking services in Ghana after it took over Barclays Africa (Quandzie, 2012). Iqbal (2015) asserted that funding long-term development through Islamic banking and finance or other asset-backed financial mechanisms has started gaining traction in recent years. Nevertheless, there seems to be some misconceptions and resistance from some non-Muslims. Particularly some Christian groups in Africa resist the system. Klutse (2015) indicated that Christians resist Islamic banking and finance, claiming that the world is not matured for it and that it could increase religious violence. In order to gain further understanding about Islamic banking in Ghana so as to clear the misconceptions, there is the need for further studies.

According to a report by PwC, in order to develop a viable proposition for Islamic banking in Ghana, more studies about it are necessary (PwC, 2014). Consequently, this study is an attempt to fill this gap by offering new insights into Islamic banking adoption in Ghana with a focus on the perception of bank customers with regards to awareness, perceived importance, overcoming challenges and its adoption in the country. Accordingly, the present study seeks to answer the following research questions:

(1) Are Ghanaian bank customers aware of Islamic banking?
(2) What is the perceived importance of Islamic banking in Ghana?
(3) What are the perceived potential challenges of Islamic banking in Ghana?
(4) Are the bank customers in Ghana willing to adopt Islamic banking?

Subsequent to this introduction is the literature review. This is followed by methodology of the study, then presentation of results. Thereafter, discussion and conclusion of the study are presented.

LITERATURE REVIEW

Islamic banking and finance as a system is founded on the values of avoiding interest, uncertainty, gambling and unethical concerns (Oshodi, 2014, p.96). It is a broad concept comprising all the activities of Islamic finance institutions (Mansoor Khan and Ishaq Bhatti, 2008). The system is established on the principles of risk and reward in business dealings as well as the quest for justice. Comprehensively, it has to do with *shari'ah* compliant partnerships, fee-based transactions, trading and leasing (Oshodi, 2014). Islamic banking and finance aims to link financial products to the real economy and to sustainable development goals. This makes the system increasingly attractive globally.

Numerous studies have examined the possibility of adopting Islamic banking in Muslim minority countries (Taylor, 2002; Opromolla, 2012; Gerrard and Cunningham, 1997; Saini et al., 2011; Adewale and Zare, 2015; Sheikh and Ahammad, 2013; Rammal and Zurbruegg, 2007; Danbatta, 2011), with only a few focusing on Ghana (Mbawuni and Nimako, 2018; Broni, 2018; Mbawuni and Nimako, 2017; Wilmot, 2017; Quansah, 2016).

Studies by Taylor (2002) and Opromolla (2012) show that there is the need for a sound regulatory system to accommodate Islamic banking in new jurisdictions. In North America, Taylor (2002) explores the feasibility of Islamic banking in the United States. The author focuses on three objectives. The first aspect provides a discussion on the banking practices in the United States that conform to Islam. The second objective analyses why stakeholders in the banking sector of the United States should be anxious about the practices of Islamic banking. The final objective examines the regulatory framework of the United States and how it affects the establishment and operation of Islamic banking. From a practitioner's point of view, Taylor (2002) also identifies and discusses the relationships between Western and Islamic banking practices. The findings affirm that, with regulatory flexibility and banking innovation in the United States, there exist a possibility for Islamic banking and finance to flourish. Also, the work of Toylor (2002) demonstrates the importance of customer as a stakeholder by affirming that, establishing Islamic banking in the United States requires forging new ground between banking regulators and customers.

In agreement with Taylor (2002) , Opromolla (2012) examines the compatibility of Islamic banking in Italy. The study tries to determine the legislative measures taken by Italy to accommodate Islamic finance in the Italian banking system. The study also endeavoures to discover some of the solutions to the problems of Islamic finance in Italy. Employing a theoretical approach, the study finds that, given the favourable regulations and banking laws as well as the flexible legal environment in Italy, the country has all what it takes to accommodate Islamic banking. The interesting issues of Opromolla's (2012) work include the anti-usury laws in Italy, the restriction and discouragement on betting and gambling, and the sanctions related to some transactions that are viewed as non-transparent or speculative. The above studies focus on regulatory aspect while other issues related to customer adoption are not thoroughly assessed.

Considering adoption, studies by Saini et al. (2011) and Adewale and Zare (2015) suggest that more awareness of Islamic banking may not necessarily lead to adoption. Saini et al. (2011) examine the relationship between customer awareness and the use of Islamic banking products in South Africa. The study show that even though Muslims have more awareness of Islamic banking in South Africa, the rate at which they patronize Islamic banks is low. The work of Saini et al. (2011) also affirm that, in order for Islamic banks in South Africa to remain relevant as well as attract and retain customers, they need to develop appropriate strategies necessary to meet the needs of the customers. In line with Saini et al. (2011), Adewale and Zare (2015) examine Ivorian bank customers' perceptions on the feasibility of Islamic banking in Ivory Coast. Their study focuses on awareness and patronage factors. Utilizing both descriptive and inferential statistics, a sample of 274 respondents is analysed. The study discover that majority of the bank customers are aware of Islamic banking though they do not have much knowledge about its operation. Also, the authors show that customers demonstrate willingness to patronize Islamic banking provided it is comparatively cheaper.

Contrary to Saini et al. (2011) and Adewale and Zare (2015), several other studies demonstrate that less awareness of Islamic banking may possibly affect its adoption. For instance, Sheikh and Ahammad (2013) explore the feasibility of Islamic banking in the United Kingdom. Their study utilises data from both Muslims and non-Muslims in Nottingham City. The authors discover that there exist strong evidence to successfully establish Islamic banks in the UK. Sheikh and Ahammad (2013) however show that, awareness of Islamic banking in the UK is very low at only 45%. The authors suggest more promotion and marketing of Islamic banking services to boost awareness among potential customers. The work of Sheikh and Ahammad (2013) also show that majority of the respondents are interested in Islamic banking services such as interest-free banking as well as profit and loss sharing concept as compared to conventional banking system.

In the same way, Quansah (2016) provides empirical evidence on the prospects of Islamic banking and finance in Ghana. Using a mixed method approach and data from the city of Kumasi, the study shows that knowledge of bankers about Islamic banking and finance is low. Quansah (2016) also reveal that perceptions of bankers sampled in the study indicate that people are not enthusiastic about the viability of Islamic banking and finance in Ghana and thus it has less prospect in the near future. It is possible that people are not enthusiastic about Islamic banking because they have less knowledge about it.

By the same token, Wilmot (2017) utilises a quantitative approach to examine the awareness of banking consumers as well as their willingness to patronise Islamic banking in Ghana. Specifically, the work of Wilmot (2017) investigates whether there is any association between religious and educational backgrounds of consumers and their awareness of Islamic banking as well as willingness to patronize it. The author also determines the level of consumer involvement and the factors that motivate them to use Islamic banking. The results assert that awareness of Islamic banking is low among Ghanaians. Similarly, the study finds willingness to use Islamic banking to be low among Ghanaians and there is no difference between Muslims and non-Muslims in this regard. The study further indicates that people with tertiary education are more willing to patronize Islamic banking than those without tertiary education. In addition, the work of Wilmot (2017) show that consumer involvement in Islamic banking is low, but the entrepreneurial and interest-free nature of Islamic banking is a motivating factor for them to use the system in the future.

Correspondingly, Rammal and Zurbruegg (2007) offer some insights on awareness of Islamic banking among Muslims in Australia. Based on a sample of 300 respondents, the results unveil that there is lack of awareness of Islamic banking among Australian Muslims especially with regards to the basic principles of Islamic finance. Thus, low awareness is found to have negative influence on the adoption of Islamic banking in Australia. In the same way, Danbatta (2011) affirms that poor public awareness is one of the key factors that has negative impact on the establishment of Islamic banking in Nigeria. Danbatta (2011) does a critical analysis on the viability of Islamic banking in Nigeria with a focus on Lagos State. The author uses three sets of questionnaire comprising a sample of 550 respondents from business entities, banking sector professionals, regulators, potential individual customers and government agencies. Based on the findings, the key factors that have negative impact on the establishment of Islamic banking in Nigeria are poor public awareness, wrong perceptions, and religious sentiments.

Consistent with the study of Danbatta (2011) on the issues of wrong perceptions and religious sentiments, Mbawuni and Nimako (2018) examine consumer perception with regards to introducing Islamic banking in Ghana. The authors utilises descriptive analysis based on a cross-sectional survey sample of 975 respondents. The findings disclose that, as compared to non-Muslims, Muslims have significantly positive perception about Islamic banking and are ready to adopt the system. The work of Mbawuni and Nimako (2018) also reveals that, though non-Muslims demonstrate high perceived benefit of Islamic banking in Ghana, they have weaker intentions to adopt the system. Moreover, the findings show non-Muslims to be reluctant to comply with Sharia law. Similarly, the non-Muslims have less awareness and unfavourable attitude towards Islamic banking. In agreement with Mbawuni and Nimako (2018), Klutse (2015) disclose that, despite the vast opportunities of Islamic banking, non-Muslims, particularly some Christian groups, resist the system claiming that the world is not matured for it and that it could increase religious violence. This is most probably due to their low level of awareness about Islamic banking.

Iqbal (2015) observes that, since the system is comparatively new and is not well known in certain countries, more efforts are needed in order to increase financial literacy of stakeholders. Thus, to address the concern of less awareness as highlighted by most of the studies above, there is the need to spread the news about Islamic banking through various channels such as radio, newspaper, television and the internet. Owusu-Frimpong (1999) affirms that the most effective media that best informs bank customers about services offered by banks in Ghana are radio, television and word-of-mouth. The study of Owusu-Frimpong (1999) utilises questionnaires with a sample of 225 respondents from 50 bank branches in Ghana to examine the patronage behaviour of bank customers. The author aims to ascertain the features bank customers look for when they open bank accounts. The study reports that bank customers in Ghana are resistant to long term investment and the most effective means of creating awareness about banking services are radio, television and word-of-mouth.

Apart from creating awareness, another suitable approach, to increase adoption of Islamic banking in a new jurisdiction like Ghana, is to start with Islamic banking services on a smaller scale in the form of Islamic windows. Masood *et al*. (2011) show that smaller Islamic banks tend to be more stable than larger Islamic banks. The work of Masood *et al.* (2011) assesses the stability of 30 principal banks comprising smaller and larger Islamic banks for the duration of 1998 to 2008. Employing a Z-score analysis and pooled ordinary least square (OLS) regression technique, the findings reveal that smaller Islamic banks have higher z-scores indicating they are more stable than larger Islamic banks for the duration of the study. These findings suggest that, for financial stability concerns, Ghana may start with small Islamic banks probably in the form of Islamic windows, then gradually grow into larger Islamic banks with time.

Also, key stakeholders such as the government and businessmen need to play effective roles in making the dream of Islamic banking in Ghana a success. The work of Broni (2018) recommends that governments, well-informed Muslim groups, and devoted Muslim businessmen are the appropriate bodies to initiate the setting up of Islamic banking in a country. Broni (2018) explores the reasons for the lack of Islamic banking and finance in Ghana. The study seeks to determine whose responsibility is it to introduce the system in a country. Specifically, the author assesses Islamic banking and finance system in Malaysia, Egypt and Bangladesh and compares with the situation in Ghana. The findings unveil that governments, well-informed Muslim groups, and devoted Muslim businessmen are the appropriate bodies to initiate the setting up of Islamic banking in a country.

From the above literature, it can be observed that the studies about Islamic banking and finance in Ghana are generally based on quantitative approaches. Despite the significance of interviews in revealing essential and frequently concealed facets of human behaviour, studies that exclusively utilise qualitative research approach based on interviews are missing in the literature. The present study serves as the extended knowledge in the existing literature by filling this gap.

METHODOLOGY

Sample

In this study, a distinctive type of purposive sampling known as maximum variation sampling was used to choose the target participants. Maximum variation sampling has to do with seeking for outlier cases in order to observe whether the main patterns still hold (Miles *et al.* 2013). In the words of Neuman (2003), researchers have identified purposive sampling as suitable for specific studies that target a particular group of people. This is more appropriate when a researcher is interested in identifying

specific kinds of cases for comprehensive exploration. Similarly, Patton (2002) is of the view that this type of sampling is essential for studying cases that are rich in information in order to produce insights and thorough understanding.

In line with the stipulations of the maximum variation sampling, consent letters are sent to 7 Christians and 5 Muslims separately, inviting them to become participants for this study. The invitation was based on a target to get professionals who are rich in information, from different parts of the country, from different occupational backgrounds and religious backgrounds. As participation in the interview is voluntary, 4 of the people turn down the invitation to be interviewed. As a result, the final sample consists of 8 respondents comprising 4 Christians and 4 Muslims. The respondents are customers of conventional banks in Ghana and mostly professionals from the central bank, the ministry of finance, and other commercial banks in Ghana. According to List (2004) maximum variation sampling is appropriately applied in circumstances where the sample size is very small. A sample of 6 was used by Njie *et al.* (2012) in a study about the perceptions of students towards service quality. Also, a similar study by Loke Ke Wei and Mohd Thas Thaker (2017) utilises 8 respondents. Accordingly, the sample of 8 respondents in this study is considered satisfactory. The main criterion for choosing the 8 respondents or cases for this study is based on the concern to get insights into the perceptions of a varied group of stakeholders with rich information. As stated by Ary et al. (2008) when using maximum variation sampling, cases are included so as to increase the dissimilarities on particular characteristics. Though this kind of sampling discloses differences yet it is also possible to identify similarities across the cases. While generalization of results in a qualitative research is limited, using maximum variation sampling enables a good measure of how the 8 respondents from different backgrounds perceive Islamic banking.

Data collection Instrument

Employing a qualitative research approach, semistructured interview is used as the main data collection instrument because it helps to reveal essential and frequently concealed facets of human behaviour. Semistructured interview is repeatedly the most convenient and effective way of gathering important information (Miles *et al.* 2013; Qu and Dumay, 2011). At the start of each of the interview session, participants are assured of confidentiality of the information and their identities. Also, to ensure that information is accurately recorded, the consent of participants is sought and an audio recording of the conversations is done. Each interview session lasts for about 10 to 20 minutes.

Data analysis

To attain a comprehensive understanding of the responses, a qualitative analysis approach is utilized by inferring and reflecting on the interview transcripts in order to reach a holistic conclusion concerning the connotation of the participants' experiences (Alexis and Vydelingum, 2007). NVivo 10 software is used for content analysis to give a clear picture of the issues raised by the respondents.

RESULTS

For the purpose of anonymity, the 8 respondents in this study are labeled RESP-A, RESP-B, RESP-C, RESP-D, RESP-E, RESP-F, RESP-G and RESP-H. They are all male above 25 years of age and owned accounts in conventional banks in Ghana for at least five years. Analysis of the findings is based on the following subtopics: awareness of Islamic banking; perceived importance of Islamic banking; potential challenges of Islamic banking; and adoption of Islamic banking.

Awareness of Islamic banking

The interviews provide evidence that awareness of Islamic banking in Ghana is very low. This is consistent with studies such as Quansah (2016) and Wilmot (2017) who both conclude that there is less awareness of Islamic banking in Ghana. About 100% of the respondents all share the view that there is less awareness of Islamic banking in the country. Even among the Muslims in Ghana, awareness of Islamic banking is very low. Statements from some of the respondents to buttress this point are as follow.

RESP-A for instance affirms:

> The awareness level of Islamic banking among Ghanaians is very low. It is very low to the extent that we can say almost 85% of Ghanaians don't know what Islamic banking is all about.

Similarly, RESP-B comments as follows:

> I think the awareness level of Islamic banking in Ghana is very low even if existing at all. Hitherto traveling to Malaysia I never heard of Islamic banking.

Likewise, RESP-E reports:

> The awareness level of Ghanaians with regards to Islamic banking in my opinion is not all that wide spread. Because we don't even have a single bank in Ghana currently that operates under Islamic banking. We only hear about it. We don't know how it is done. So from that point of view, I don't think many people are much aware of it in Ghana currently.

RESP-H equally asserts:

> Personally I think the awareness level is very, very poor. Simply put, I will put it as zero level. Not everybody knows and those who know are very few, and most of them happen to be Muslims but not the non-Muslims. That is the public level. But when it comes to the officials level, I am very sure that the officials in the banking sector might be aware. However, because it has not emerged in the Ghanaian banking system, they might not have much knowledge about it in our society. So to conclude, the awareness level of Islamic banking in Ghana is very, very low.

It is evident from the above statements that, awareness of Islamic banking in Ghana is very low. However, Muslims respondents in general seems to have a bit of exposure about the system as compared to non-Muslims. The next section sheds light on the perceived importance of Islamic banking in Ghana.

Perceived importance of Islamic banking

There is considerable evidence to indicate that majority of the respondents demonstrate positive perceived importance of Islamic banking in Ghana. Respondents express their views in various perspectives but all alluding to the same context. Around 75% (6

out of 8 respondents) perceive Islamic banking important in Ghana in order to serve the Muslim population which is currently growing. RESP-B states:

> Banks come to serve different needs right? So it is important to have Islamic banking in Ghana because I think there is the market for a lot of unbanked population. So if you take the Muslim community for example as a start, there are a lot of unbanked population among the Muslim community. So Islamic banking will come to serve that need.

RESP-E affirms:

> I think it is very important to have Islamic bank in Ghana as we do have in other Islamic countries, in order for the Muslim community in Ghana to do their banking transactions in those banks so that they will not go against the laws of Islam.

Comments by RESP-C suggest that Islamic banking is needed to enable Muslims in Ghana follow Islam as a complete way of life. He says:

> Islam is a way of life, a complete way of life. So whatever you do as a Muslim, you must do it on the principles of Islam. So it is very important to have Islamic banking in Ghana.

RESP-F, with a concern about interest, states:

> Over here in Ghana, particularly, we the Muslims are concerned about interest. So I think Islamic banking will be an appropriate sort of banking. We the Muslims are stuck in the interest thing and therefore, having Islamic banking will definitely be the alternative. At least better than the conventional banking. It will not have anything to do with interest and also how Islamic banks invest money will not be a *non-halal* way.

The rest of the respondents perceive Islamic banking important as it will bring some benefit to people and help the grassroots. The above findings are in agreement with the work of Mbawuni and Nimako (2018), which demonstrates high perceived benefit of Islamic banking in Ghana. Despite the high perceived importance, respondents indicate a number of potential challenges as presented in the next section.

Potential challenges of Islamic banking

Respondents share diverse views pertaining to the potential challenges of Islamic banking in Ghana. In summary, the challenges include: competition with conventional banks; reluctance of non-Muslims to patronise Islamic banking; low awareness of Islamic banking; less Muslim population in Ghana; and difficulty to convince the central bank of Ghana. About 25% of the respondents put emphasis on the issue of competition with conventional banks as a challenge to Islamic banking in Ghana. For instance, RESP-F mentions:

> As a new institution, which is very general; any new institution coming to compete with a well-established system will definitely be a great challenge which is very obvious. That is, a new Islamic banking institution coming to compete with already established banking in Ghana is already a challenge.

Another 25% of the respondents highlight the issue of awareness as a potential challenge of Islamic banking in Ghana. RESP-C asserts:

> The challenge is, people are not aware of it (Islamic banking). So awareness is quite challenging.

In a similar way, RESP-A affirms:

> The third thing is for you to succeed in the awareness campaign to attract people to invest their money in the bank. That is one of the biggest challenges that we are going to face. Because not all people know much about Islamic banking and then it is the first time for them to know about it. So of course they will have their doubt.

With regards to the challenge to convince the central bank of Ghana to implement Islamic banking, about 25% of the respondents indicate a similar issue. For example, RESP-A remarks:

> The second thing is to convince the central bank of Ghana. Although we have people there, but then it is not all about you have someone there who can easily lead you to have a license and so on. It is a very big challenge because you have to prove that you can do it. So to prove that you can do it, will take time.

One main challenge that is cited by most of the respondents is the reluctance of non-Muslims to adopt Islamic banking. Most of the respondents 50% (4 out of 8) have the believe that non-Muslims may not be willing to invest in Islamic banking. Some non-Muslims are quite sceptical about Islamic banking because they think it is meant for only Muslims. RESP-F for instance, demonstrating his concern says:

> The thing I have in mind which I think is a great challenge is about the Ghanaian community, because the Christians are majority and they are very Christian-centric in their thought. Therefore, when such a thing as Islamic banking comes, they might counter attack thinking the name Islamic banking has to do with Islamic agenda. Therefore definitely it will emerge but it will take time before they can understand that even though the name is Islamic, but it is not really restricted to religious agenda. It is for the entire humanity.

Similarly, RESP-E affirms:

> As you are aware, Islamic banking as we term it, many people will be unwilling to accept it if they are not Muslims. The people that will accept it will be mainly Muslims. And since the Muslim community in Ghana might not be that many, the number of people that will be willing to adopt it may be limited. This is a challenge.

The above reports disclose some of the pontential challenges of Islamic banking in Ghana. Previous studies by Danbatta (2011), Mbawuni and Nimako (2018), Meera and Abdul-Razak (2009), Klutse (2015), and Rammal and Zurbruegg (2007) also identify similar challenges of Islamic banking. Given these potential challenges, are Ghanaians willing to adopt Islamic banking? The next section provides the answer.

Adoption of Islamic banking

Concerning adoption of Islamic banking, contrary to the study by Wilmot (2017), a vast majority of the respondents, comprising 88% (7 out of 8), indicate they are willing to adopt Islamic banking. This is line with the findings of Sheikh and Ahammad (2013). Some of the comments from the respondents include the following. RESP-A for instance declares:

> Of course as a Muslim, my principles and my priorities are to invest my money in shariah compliant products. And you can only have shariah compliant products in Islamic banking or in the Islamic banking windows in conventional banks. So of course I have to invest my money in Islamic banking.

Emphasising on the issue of safety, *riba* and *amanah* RESP-C proclaims:

> Yes, I would. If only I have the opportunity, like in Ghana if we have Islamic banking, definitely I would prefer Islamic banking than conventional banks. Because first of all, the little I know about Islamic banking, well, there is no *riba* normally known as usury. Secondly, it is safer compared to conventional banks. Third, the issue of *amanah* is there from Islamic perspective. So I think when you put your money over there, it is quite safer than the conventional banks.

Considering Islamic banking as an alternative to the conventional banking system and the fact that it will help avoid interest, RESP-D comments:

> Personally I will surely patronize Islamic banking in that it serves as an alternative to the conventional banking. Over here in Ghana, particularly, we the Muslims who care much about interest, I think Islamic banking will be an appropriate sort of banking. It will not have anything to do with interest and also where the Islamic bank invest the money will not be a non-halal way. I am very sure that it will definitely be a halal form of investment. Therefore I will be very whole heartedly willing to invest in Islamic banking. I know if I invest in Islamic banking the general income will be invested in halal way. Therefore I have little thing to fear.

RESP-B on the other hand is however sceptical about Islamic banking as it does not align with his religious believes as a Christian. He is the only respondent out the eight who is unwilling to adopt Islamic banking. Indicating his agreement with most of the principles of Islamic banking but not willing to adopt it, he remarks:

> No, I am not sure to patronise Islamic banking. I do agree with most of the principles of shariah with regards to Islamic banking in the sense that money should not beget money. There should be an underlying asset for every transaction and that we should not benefit on other people's misfortune right? But then, I mean it comes down to the basics that Islamic banking is really an Islamic teaching so then it does not align with my religious believe.

DISCUSSION

In terms of awareness, a great proportion of the respondents all assert that awareness of Islamic banking is very low. Though few customers demonstrate a bit of exposure about Islamic banking yet they do not have much understanding concerning its operations. This result is in line with previous studies by Quansah (2016) and Wilmot (2017) who both discover less awareness of Islamic banking in Ghana. Despite the low awareness, perceived importance of Islamic banking among the respondents is notable. Most of the respondents believe it is important to have Islamic banking in Ghana as it may bring some benefit to people and help the grassroots as well as serve the Muslim population which is currently growing. This is in agreement with the work of Mbawuni and Nimako (2018). Futhermore, the study identifies a number of potential challenges of Islamic banking in Ghana including competition with conventional banks; reluctance of non-Muslims to patronise Islamic banking; low awareness of Islamic banking; less Muslim population in Ghana; and difficulty to convince the central bank of Ghana. From, all these challenges, difficulty to convince the central bank of Ghana may not really be a serious challenge as the Bank of Ghana is ready to grant licence to any Islamic bank that wants to start operation in the country. Similarly, less Muslim population in Ghana may not really be an issue because Islamic banking is not limited to only Muslims. There are Islamic banks operating successfully in a number of Muslim minority countries. However, competition with conventional banks; reluctance of non-Muslims to patronise Islamic banking; and low awareness of Islamic banking remain as some of the potential key challenges of Islamic banking in many jurisdictions (Meera and Abdul-Razak, 2009; Quansah, 2016; Wilmot, 2017; Danbatta, 2011; Mbawuni and Nimako, 2018; Klutse, 2015; Rammal and Zurbruegg, 2007). Also, in terms of adoption of Islamic banking, a significant proportion of the respondents show willingness to adopt Islamic banking. This is in contrast to the findings of Wilmot (2017) but consonant with the work of Sheikh and Ahammad (2013). Thus, overall, there is evidence to believe that many bank customers in Ghana will be willing to adopt Islamic banking.

Considering the above findings, a number of initiatives need to be taken by policymakers to make adoption of Islamic banking in Ghana a success. First of all, there is the need to create more awareness about Islamic banking through various channels such as radio, newspaper, television and the like. Owusu-Frimpong (1999) affirms that the most effective media that best informs bank customers about banking services in Ghana are radio, television and word-of-mouth. More awareness about Islamic banking will help clear misconceptions and resolve most of the challenges identified in this study. Apart from creating awareness, a suitable approach, to increase adoption of Islamic banking in a new jurisdiction like Ghana, is to start with Islamic banking services on a smaller scale. This could be in the form of Islamic windows in existing conventional banks. Masood et al. (2011) show that smaller Islamic banks tend to be more stable than larger Islamic banks. Therefore, stakeholders in Ghana may start with small Islamic banks and then gradually grow into larger Islamic banks with time. Similarly, key stakeholders such as the government and businessmen need to play effective role in making the dream of Islamic banking in Ghana a success. The work of Broni (2018) confirms that governments, well-informed Muslim groups, and devoted Muslim businessmen are the appropriate bodies to initiate the setting up of Islamic banking in a country. This is proven to be successful in jurisdictions where there is no much government support.

CONCLUSION

This research provides insights into bank customers' awareness, perceived importance, potential challenges and adoption of Islamic banking in Ghana with emphasis on awareness as the key issue of Islamic banking adoption in the country. A qualitative research approach is used for data collection and analysis.

The findings provide considerable evidence to support that there is less awareness of Islamic banking in Ghana. Nevertheless, the perceived importance of Islamic banking is noteworthy. The study also identifies a number of key potential challenges of Islamic banking in Ghana including low awareness of Islamic banking; competition with conventional banks; and

reluctance of non-Muslims to patronise Islamic banking. The overall responses concerning adoption suggest that majority of Ghanaians may be willing to adopt Islamic banking. Critically however, it is very important to bear in mind the fact that, many Ghanaians are Christians and thus more efforts are needed to clear the misconceptions about Islamic banking. The authors are inclined to believe that, with more awareness campaign in Ghana, many bank customers will be willing to adopt Islamic banking going forward.

In terms of recommendation, a number of initiatives need to be taken by policymakers to make adoption of Islamic banking in Ghana a success. First of all, there is the need to create more awareness about Islamic banking through various channels such as radio, newspaper, television and the like. Owusu-Frimpong (1999) affirms that the most effective media that best informs bank customers about banking services in Ghana are radio, television and word-of-mouth. More awareness about Islamic banking will help clear misconceptions and resolve most of the challenges identified in this study. Apart from creating awareness, a suitable approach, to increase adoption of Islamic banking in a new jurisdiction like Ghana, is to start with Islamic banking services on a smaller scale. This could be in the form of Islamic windows in existing conventional banks. Masood et al. (2011) show that smaller Islamic banks tend to be more stable than larger Islamic banks. Therefore, stakeholders in Ghana may start with small Islamic banks and then gradually grow into larger Islamic banks with time. Similarly, key stakeholders such as the government and businessmen need to play effective role in making the dream of Islamic banking in Ghana a success. The work of Broni (2018) confirms that governments, well-informed Muslim groups, and devoted Muslim businessmen are the appropriate bodies to initiate the setting up of Islamic banking in a country. This is proven to be successful in jurisdictions where there is no much government support.

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