

Possible applications of Tawarruq (commodity Murabaha) as a cash financing tool in Islamic Banks Institutions in Somalia

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Abstract

Purpose – This paper aims to examine the acceptability of tawarruq (commodity murabaha) as a cash financing tool in Somalia.

Design/methodology/approach – this study uses two original selected constructs of relative advantage, and compatibility from diffusion of innovation theory (DOI) and three additional constructs customer awareness, the need for tawarruq and Role of Shariah scholars. A total of 144 questionnaires were distributed among the participants of the study. The survey was conducted in Somalia, with respondents of Islamic banks customers. The DOI theory's theoretical model was put to the test using structural equation modeling.

Findings – The findings show that relative advantage, compatibility, and the need for tawarruq have a positive and significant influence on usage of tawarruq product as a cash financing tool, whereas customer awareness and role of shariah scholars has an insignificant influence on adoption of tawarruq as a method of cash financing.

Practical implications – The findings of this study can be beneficial to all Islamic financial institutions in Somalia by applying tawarruq contract to facilitate cash financing.

Originality/value – This research is a pioneering attempt to examine applicability of tawarruq product as a cash financing tool by using diffusion of innovation theory (DOI) as a base line theory, and it presents a unique contribution to the field with regard to Somalia and also this study shed lights on the appetite of Islamic banks' customers of tawarruq as a cash financing method.

Keywords: Islamic banking, intention to adopt tawarruq, diffusion of innovation theory (DOI), Somalia.

I. INTRODUCTION

Islamic banking has grown in popularity since its introduction to the financial landscape in the 1970s, and it is now one of the most prominent participants in the banking services market. Between 2014 and 2019, the Islamic finance sector grew at a quick rate of 7.8% each year (Alpen Capital, 2021). Different sectors of Islamic finance, including as Islamic insurance (takaful), sukuk, and Islamic funds, contributed

to the rise, particularly through electronic modes in all products and services.

In recent decades, Islamic banking has grown to become a fast-growing financial services sector and a global phenomenon. Despite the claim that Islamic banking is merely a subsystem of a traditional financial system, the facts reveal that Islamic banking has its own history and course, as well as its own set of norms and principles (Haron et al., 2020). Islamic banking is sometimes referred to as an interest-free

business strategy“Allah has allowed trade and has prohibited *riba* (usury)” (Al-Baqarah: 257). Looking back to the beginning of 1970, not all Islamic banking instruments and models have been fully developed, including *tawarruq* (also known as commodities *murabaha*), which is a relatively new product in Islamic banking. It was first introduced in Saudi Arabia in 2000, then later in other GCC nations and Asian countries, including Malaysia, which is one of the most developed countries in the Islamic financial sector. However, other Muslim countries, such as Somalia, have yet to implement *tawarruq*, particularly *tawarruq* cash financing. Musse et al. (2019) claimed that *tawarruq* is required as a means of cash financing because the Islamic banking industry is experiencing a shortage of cash financing options.

Privately held commercial banks did not exist in Somalia before to the collapse of the Somalia Central Government in 1991; instead, all banks were owned and operated by the Somali government, which believed that socialism was the best economic structure for the country. (Abdullahi et al., 2019). Somalia had two public commercial banks at the time of its central government namely Somali Savings and Credit Bank and Somali Commercial Bank before the collapse of the Somalia central government in 1991 (Jibril, 2020). Furthermore, these two banks managed loans and other funding resources, with regular people having limited access (public). Somalia now has thirteen Islamic banks and two *takaful* (Islamic insurance) companies licensed. The licensed Islamic banks includes Dahabshil Bank International, Amal Bank, Premier Bank, International Bank of Somalia, Amana Bank, Daryeel Bank Ltd, Sombank Ltd, Agro Africa Bank, Mybank Limited, Galaxy International Bank, Bushra Business Bank, Idman Community Bank (<http://www.somalbanca.org>) Somalia, unlike other Muslim countries, uses only one banking system: Islamic banking (Khadar and Jama, 2016).

The Islamic banks in Somalia have grown and expanded during the previous two decades, with little need for excessive government interference in the banking industry and this sector has achieved significant success (Khadar and Jama, 2016; Abdullahi et al., 2019; Jibril et al., 2020). Although Islamic banks in Somalia have made significant progress, they have not

provided sufficient intermediary services including cash financing products, which are critical to the economy's development and the well-being of Somali society (Khadar and Jama, 2016; Jibril, 2020). Moreover, as compared to Islamic banking in other countries, Somalia is less innovative (Khadar and Jama, 2016). Somalia is a country on the horn of Africa with a population of approximately 18 million Sunni Muslims who follow the Shafi'i school of law (Federal Republic of Somalia, 2020). Although being a Muslim-majority country, Somalia has been slow-moving to adopt Islamic banking products (Warsame, 2016). Despite the fact that Somalia's first Islamic bank was established in 2003, Islamic banks in Somalia primarily offer *murabaha* products, which are used to finance physical items such as motorcycles, luxury automobiles, and land (Khadar and Jama, 2016; Mohamed et al., 2019).

Customers of Somali Islamic financial institutions (IFIs) can also get personal financing through *bai al-inah* by modifying *murabaha* into *bai al-inah* (a product based on a *murabaha* contract, i.e., cost plus markup). A bank, for example, might buy an item from a supplier and then sell it to a customer at a delayed price based on a cost plus markup at a fixed rate, utilizing a *murabaha* contract. On a cash basis, the buyer (customer) resells the identical asset to the original seller (supplier) at a reduced price. Because there are no other Islamic banking products that provide cash financing in Somalia, the major motive for the buyer to subscribe to the *bai al-inah* is to acquire cash financing (Jamaludin, 2018). However, according to Rosly and Sanusi (1999) and Muwazir et al. (2020), *bai al-inah* has many Shariah disputes, in which three out of four Shariah school of thoughts viewed is as impermissible, such as the Hanafi, Hambali and Maliki, with the exception of Shafi'i. In addition, most of contemporary Muslim jurists such as Ibn Qayyim Al-Jauziyah and Ibnu Tamiyya disallowed *bai al-inah* transaction arguing that it is a *hiyal* (legal device/tricks) to circumvent *riba*-based financing, which actually opens a “back door” to *riba* (A. A. Aziz, 2018). Further, this is also presumed a wrongful intention (*niat*) to commit *riba* transaction, in line with the hadith that says “all actions are judged by intention.” (Jamaludin, 2018).

The distinction between bai al-inah and tawarruq is that the former occurs when a person purchases a product from another person for a fixed price and subsequently sells the commodity to the seller for a lower monetary value (Jamaludin, 2018). In this case, there are two parties involved in the transaction. Tawarruq, on the other hand, is when someone buys something and then sells it to a third party for cash basis (Shafqatullah Khan et al., 2021), where three parties involved in this transaction. According to Abdillah and Rabi (2020), tawarruq was a term introduced by Imam Hanbali in his work *Kitab Syarh Muntaha Al-Iradat*, also known as *Daqaiq Awla An-Nahyu Li syarhi Al-Muntaha*, to distinguish the notion of bai al-inah from the classical tawarruq. In the Southeast Asian countries, bai al-inah is commonly used for cash liquidity by Islamic banks. However, the implementation of bai al-inah has become a dispute, hence tawarruq was introduced as an alternative (Abdillah and Rabi, 2020).

The key difference between the two contracts (products) is that in bai al-inah, the commodity is returned to the original seller, whereas in tawarruq, the commodity is sold to a third party, which is the primary reason why tawarruq is permitted (Yusoffa and Yahayab, 2020). Compared to tawarruq, which is based on a legitimate buying and selling transaction, bai al-inah has various *hilah* (tricks) and is considered a contentious product according to Shariah. Tawarruq is so desperately needed and should be incorporated into Somali markets, as it supports true Islamic finance (Jamaludin, 2018).

In Somalia, Islamic banks are still in their infancy, with limited capital resources, and liquidity constraints in the Islamic banking industry are a major issue exacerbated by a lack of appropriate liquidity management (Jibril, 2020). Furthermore, Islamic banks in Somalia only provide short-term loans (*murabaha*) to its customers, with repayment terms typically less than a year. As a result of the banking system's liquidity constraints, customers of Islamic banks find it extremely difficult to obtain cash financing from them (Khadar and Jama, 2016; Jibril 2020). Currently, Islamic banks in Somalia only offer their customers *murabaha* (finance) to purchase assets such as cars, land, and other physical commodities. Customers may not always need to purchase an asset (commodity),

but rather need fast cash for a variety of reasons such as marriage, education, business, working capital, and personal use. As a result of the severe product limitations, Islamic banks in Somalia must develop new products that allow customers to obtain cash financing, such as tawarruq. Tawarruq is a Shariah-compliant contract that is frequently utilized in Islamic banking around the world today, particularly in allowing consumer access to cash (Ahmad and Shihama, 2017; Amin et al., 2018; Ali and Hassan, 2020).

Tawarruq is not now available in Somalia since Islamic banking in the country is still in its early stages of development, resulting in a limited product offering. Musse et al. (2019) and Jibril (2020) reported the primary reasons why tawarruq is not available in Somalia are a lack of human capital, a lack of understanding of the product, and Shariah concerns. So far, there are limited empirical studies that have been conducted in Somalia about Islamic banks particularly tawarruq (Abdinur and Ondes, 2022). Thus, the purpose of this study is to assess the applicability of the tawarruq cash financing in Somalia (Amin et al., 2014; Obeid and Kaabachi, 2016; Jansson, 2011; Amin et al., 2018; Haron et al., 2020) i.e., the impact of level of awareness, the need for tawarruq, compatibility, relative advantage and the role of Shariah on behavioral intention to use tawarruq as a cash financing method in Islamic banks.

2. Theoretical background

Rogers (1962) The diffusion of innovation theory (DOI) was proposed, and later editions of this paradigm were followed (Rogers, 1999, 2003). The DOI hypothesis, according to Rogers, is a concept that explains the occurrence of new technology application. The initiation and implementation stages are the foundations of this paradigm. The first phase should be done once a new notion or invention has been identified. The second step is implementation, which involves individual decisions about whether or not to accept or reject new ideas. Rogers (2003) The five steps of the decision-making process that innovation adopters go through are also covered. Knowledge is one of these stages, illustrating how people are exposed to an innovation but have limited information about the original notion, restricting their

potential to learn more about it. The second step is the persuasion stage, which assumes that individuals are actively seeking information about the new technology. Individuals have chosen whether or not to accept or reject the new technology. The determining step is what it's called. The fourth step, known as the implementation phase, acknowledges the advantages of the initial concept. Individual confirmation is the final stage, which explains why innovation should be applied in the future. This stage might be interpersonal or intrapersonal in nature. Furthermore, DOI theory is very influential work for diffusion models. Jamshidi et al. (2015) also argue that DOI theory is the most famous work that systematically constructed our understanding in psychology and sociology fields to explain the procedure related to the adoption of innovation amongst the populace.

Based on the above information, the authors consider the DOI framework as an ideal approach to use in the context of innovation of new Islamic banks product adoption. Our empirical study uses the diffusion of innovation theory (DOI) to depict Islamic banks' tawarruq cash financing in Somalia as an innovated idea in comparison to conventional bank loans based on interest rates, which are prohibited under Islamic law. The knowledge stage of DOI has five attributes, namely; compatibility, complexity, relative advantage, triability and observability. However, our empirical research uses three attributes of DOI theory (compatibility, relative advantage) and other three external factors, namely; awareness, the need for tawarruq and role of Shariah scholars. Thus, this empirical study investigates whether these factors contribute the usage of tawarruq (commodity murabaha) as a cash financing method in Somalia.

3. Literature review

The term tawarruq (commodity murabaha) comes from the Arabic word al-warq, which refers to a minted dirham or any silver coin used as a means of exchange (Roslan, 2020). Technically, Tawarruq is a set of sale contracts in which a buyer (al-mustawriq) buys an asset from a seller for deferred payment and then sells it (at a lower price) to a third party other than the original seller for immediate cash. (Yuhanis and

Ismon, 2018). This is done with the ultimate goal of getting cash or liquidity at the time of the transaction, not with the aim of using the purchased asset (Roslan, 2020).

There are two sorts of tawarruq in general: classical tawarruq and organized tawarruq. Classical tawarruq (tawarruq al-fiqhi) is described as the buyer purchasing a commodity owned by the seller for a delayed payment and reselling the commodity for cash to someone other than the original seller in order to obtain cash. Classical tawarruq, also known as non-organised tawarruq, was widely accepted and considered permissible by classical scholars from the Hanbali, Shafi', and Hanafi schools of thought (Roslan, 2020).

An organized tawarruq, on the other hand, is a transaction in which a person buys a commodity from the market at a deferred price and then asks the financier, either directly or through his agent, to rearrange the sales transaction at a reduced spot price. Tawarruq's major goal is to provide liquidity to customers in the form of personal loans, working capital expenditures, cash lines, and credit cards (Mahyudin and Seman, 2018).

Tawarruq is a common financing tool in the Islamic banking and finance business, particularly in the Gulf Cooperation Council (GCC) countries (Iman et al., 2012), gaining special attention in the Islamic banking industry and academic studies (Ahmad and Shihama, 2017; Ahmad et al., 2020; Muhammad et al., 2019), however without consensus among the Muslim scholars in relation to its Shariah compliance (Ahmad and Shihama, 2017; Roslan, 2020; Abdillah and Rabi, 2020). According to Ahmad and Shihama (2017), Due to the nature of the tawarruq mechanism, which is to offer cash liquidity, tawarruq is a Shariah-compliant product utilized for cash-based financial instruments. As a result, the idea of tawarruq fits most of the traditional banking services, such as deposit, loan, and money market instruments. Tawarruq, a cash-based instrument prevalent in the Gulf Cooperation Council, is also gaining traction in Malaysia as an alternative to bai al-inah, a contract used to solve liquidity problems among market participants in the early days of Islamic banking (Nasrun and Asmak, 2012; Roslan, 2020). While tawarruq is commonly utilized in Malaysia and around the world, several Islamic banks in various jurisdictions have rejected bai

al-inah (Ahmad and Shihama, 2017; Ali and Hassan, 2020).

As previously said, the Islamic financial system has advanced tremendously in recent decades, becoming a competitive component of the financial system that competes with the conventional financial system as a driver of growth and prosperity for many nations' economy (Mahyudin and Seman, 2018). Despite their gains, Somalia's Islamic banks lack the ability to provide Islamic banking products and

services that are needed by the Islamic banks consumers.

Following (Amin et al., 2014; Obeid and Kaabachi, 2016; Jansson, 2011; Amin et al., 2018; Haron et al., 2020) have previously used the variables of this study in the context of Islamic financing, including (level of awareness, the need for tawarruq, compatibility, relative advantage, and the role of Shariah scholars).

The following Figure 1 illustrates the process of a tawarruq contract.

Figure 1

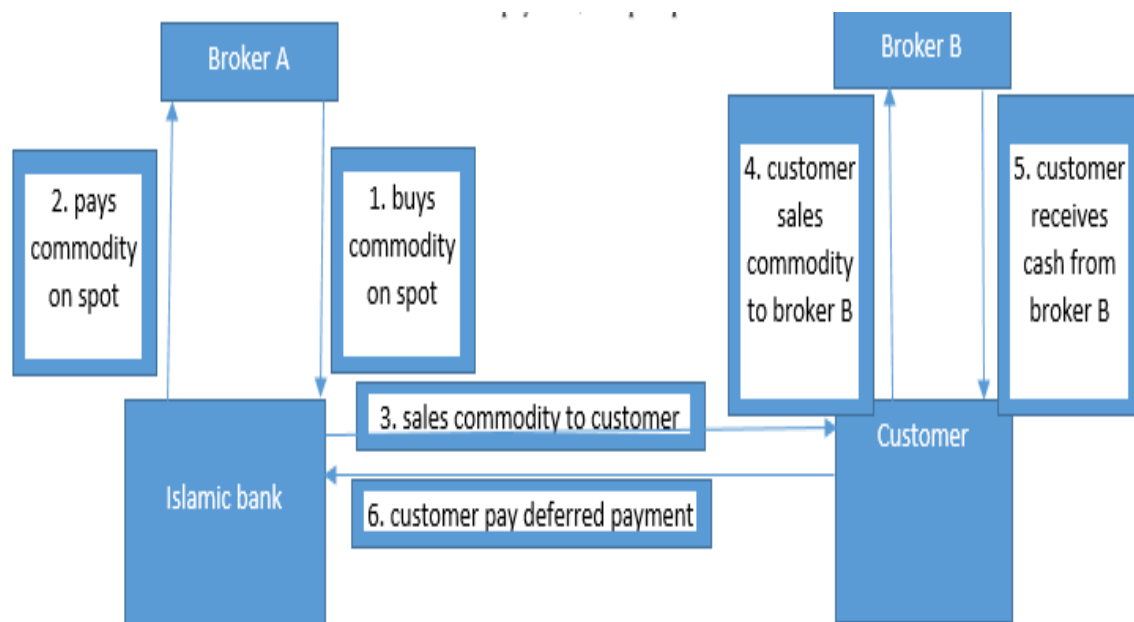


Illustration of the diagram is adopted from Muhammad et al. (2019)

1. Islamic bank buys commodity from broker A on spot basis.
2. Islamic bank pays cost price in cash.
3. Islamic bank sales the commodity to the customer on murabaha basis.
4. Customer sales commodity to broker B on spot price.
5. Customer receives cash from broker B.
6. The customer pays based on deferred payment, cost plus profit.

Level of awareness

According to Kazaure (2019) Individuals' ability to directly know, comprehend, feel, and receive a product or service in their environment is

defined as awareness. Customers' perceptions and information about a given product, service, or circumstance, on the other hand, might be defined as awareness (Rogers, 1962). The term "awareness" refers to a customer's understanding of Islamic insurance products and services as well as their attitude toward them (Areeba Khan et al., 2020). Many researches have looked into the relation between customer awareness and their willingness to use tawarruq. For instance, the following past empirical studies indicated that the level of customers' awareness has significant influence on product usage (see, eg., Obeid and Kaabachi, 2016; Warsame, 2016; Ali and Raza, 2019; Jamshidi and Kazemi, 2020; Junaidi, 2021). Shaikh et al. (2020) There was also a substantial positive correlation between customer awareness and takaful product acceptance. In the case of tawarruq, the amount of product information provided to customers has been

shown to be a significant predictor of consumer adoption (Obeid and Kaabachi, 2016; Ali and Hassan, 2020). Therefore, the purpose of this study is to find out how well-informed Islamic bank customers in Somalia are about tawarruq. Based on the above empirical results, the following hypothesis is proposed:

H1: There is a direct relationship between customer level of awareness and the usage of tawarruq as a cash financing tool by the customers.

The need for tawarruq

Tawarruq is widely practiced in Islamic banking around the Muslim world (Ahmad et al., 2020). There are however contradictory views among the Shariah scholars on tawarruq. The schools of Hanbali and Shafi'i view tawarruq as permissible, while others have strong reservations on its permissibility like Ibnu Tamiyya and Ibnu Al Qayyim. In addition, the Organization of International Council of Islamic Fiqh Academy in its 17th meeting disallowed organized tawarruq (Ahmad and Shihama, 2017). The practitioners in Islamic banking nonetheless argued that if tawarruq is a Shariah approved concept (based on Hanbali and Shafi'i), then what is wrong with the usage of it? Further, banks' customers need the product most as a cash financing tool (Usman, 2020; Mahyudin & Seman, 2018). Although tawarruq application is not practiced in Somalia, (Abdillah and Rabi, 2020) documented that Malaysia has been able to develop a sophisticated tawarruq products in all aspect of its banking and financing activities including personal (cash) financing and another study conducted in Malaysia significant relation between tawarruq acceptability and the use of Millennials (Mahyudin & Seman, 2018). Therefore, this study investigates the appetite that Islamic bank customers have on tawarruq. Based on the above empirical results, the following hypothesis is proposed:

H2: There is a direct relationship between the need of tawarruq and the usage of tawarruq as a cash financing tool by the customers.

Compatibility

Past studies in a variety of contexts have indicated that individuals are more likely to accept a new idea or product if that innovation is perceived as compatible with their social

system, norms, beliefs, current standards, as well as their lifestyles and values (see, e.g., Tornatzky and Klein, 1982; Obeid and Kaabachi, 2016). The widespread use of tawarruq has made Islamic banks to be re-named as "tawarruq banks" and Shariah scholars have criticized the frequent usage of tawarruq in Islamic banking industry (Usman, 2020). However, numerous studies supported that consumers tend to adopt Islamic banking products if they perceive it is congruence with their religious and ethical beliefs, lifestyle, banking habits, and financial needs (Obeid and Business, 2016). Hence, this study investigates the compatibility of tawarruq on Islamic bank customers in Somalia. Based on the above empirical results, the following hypothesis is proposed:

H3: There is a direct relationship between the compatibility and the intention of tawarruq as a cash financing tool by the customers.

Relative advantage

Relative advantage can be defined as an individual's or person's belief that innovation (a new concept) is superior to the present system (Rogers, 1999). Another study of (Rogers (2003) showed the benefit of which received from invention in social system. This study defines relative advantage as the customer's evaluation that tawarruq cash financing offers benefit to them than other alternatives available. (Obeid & Business, 2016) defined relative advantage as the degree to which an innovation is perceived as better than the idea it succeeds. According to (Amin et al., 2018) product attractiveness has a significant effect on product choice in Islamic banking. Many past literatures found that relative advantage positively influences on adoption of Islamic banking products including tawarruq (Kaabachi and Obeid, 2016; Ali and Puah, 2017; Obeid & Business, 2016). While, other studies found that relative advantage positively influences on adoption of takaful (Islamic insurance) include (M. Ali et al., 2019; Hassan & Abbas, 2020; Raza et al., 2020; I. M. Shaikh et al., 2020). Therefore, this study examines the relative advantage of tawarruq on Islamic banks' customers in Somalia.

H4: There is a direct relationship between relative advantage and the intention to use

tawarruq as a cash financing tool by the customers

Role of Shariah scholars

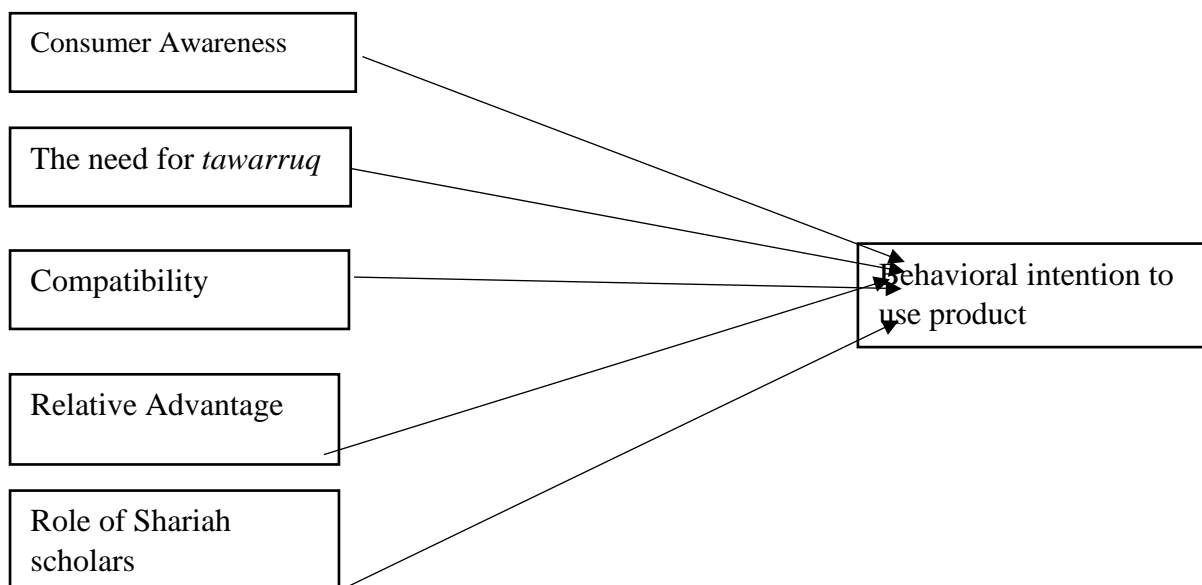
Shariah scholars are very essential for approval of all Islamic banking products (Haron et al., 2020), because their main role is to satisfy Muslim customers' request to obtain halal financing or loans that are free from riba (usury), in accordance with their religious principles (Amin, 2017). The involvement of Shariah experts in a product development is crucial in giving legitimacy to the newly established product (Siddiqi, 2006). According to the Federal Ministry of Endowments and Religious Affairs of Somalia, Somali people are Sunni Muslims and most of them are very religious

people, hence they cannot accept a product that their Shariah scholars do not approve (International religious Freedom Report, 2020). Therefore, like in any other jurisdictions, Shariah scholars are very crucial for the acceptance of any new products, in this case, tawarruq in Somalia. Consequently, this study examines the role of Shariah scholars on Islamic banks' customers in Somalia to adopt tawarruq as a mode of cash financing. Thus, the following hypothesis is proposed:

H5: Shariah scholars has significantly influences on the usage of tawarruq as a cash financing tool.

The following Figure 2 illustrates the research model of the study.

Figure 2. *Research model*



4. Methodology

This study adopts a random convenience sampling to gather data from Islamic bank's customers in Mogadishu, Somalia. Furthermore, convenience sampling is often employed in research (Md Husin and Ab Rahman, 2016; Shaikh et al., 2020; Ali et al., 2019; Aziz et al., 2019). According to (I. Shaikh et al., 2018) In Islamic finance studies, convenience sampling is more common. Therefore, the authors adopted this sampling technique. In total 150 questionnaires were distributed. After the screening process, 144 questionnaires are usable for further analysis of data. Table I provides the overall breakdown of the sampled respondents.

The respondents of the questionnaires were ensured confidentiality. Filter questions were put in place to ensure the quality of the survey. The main purpose of the filter questions is to ensure that the respondents fit the three basic restrictions, i.e., minimum age of 15 years, holding Islamic bank account in Somalia and have used Islamic bank product(s) before. English language is used as the base language in administering the survey questionnaire.

The questionnaires were distributed face to face and Google document form and spread social media such WhatsApp, Facebook as well as emails of respondents in which the researcher visited and courteously approached the

customers outside the Islamic bank premises, to distribute the questionnaires by hand, because the Covid-19 lock down was not yet implemented in Somalia at that time. The questionnaires were distributed to the Islamic banks' customers between November and December 2021. Questionnaires were distributed to the following banks; Dahabshiil Bank International, Amal Bank, Premier Bank, My Bank Limited, International Bank of Somalia, Salaam Somali bank, SomBank and Agro Africa Bank, all located in Mogadishu, the capital city of Somalia.

The questionnaires were distributed during working hours of the banks, along with the various days of the week, to lessen any potential bias due to high concentration of banks' customers during certain hours of the day or certain days of the week or month (Haron et al., 2020).

The respondents were provided with a set of questionnaires consisting of the cover page and the contents which is written in English. The data of the study is collected in Mogadishu. The choice of the city was mainly due its status as a capital city in which all Islamic banks headquarters are located with at least a branch. A five-point Likert scale (1= strongly disagree to 5 strongly agree) is used in the questionnaire to measure responses to the relevant questions.

Measurements

The questionnaire items are adapted from prior studies. The items for level of awareness are adapted from (Amin et al., 2014) and (Obeid & Business, 2016). The items for the need for tawarruq are self-created by considering the following works (Obeid and Kaabachi, 2016). The items for compatibility are adopted from (Jansson, 2011)(Obeid & Business, 2016). The items for relative advantage are adopted from (Obeid and Kaabachi, 2016; (Faisal, 2014). The items for behavioral intention to use product are adopted from (Venkatesh, 2000; Obeid and Kaabachi, 2016). The items for role of Shariah scholars are self-created.

5. Statistical Analysis and Results

Data Analysis

In the study, Partial least Squares software: SmartPLS 3.3.7 is used by the authors to

evaluate the measurement and structural model as proposed by (Hair et al., 2011). PLS was chosen by researchers for two main reasons; firstly, PLS is a superior methods for this study that is exploratory in nature (Henseler et al, 2009). Secondly, PLS has newly gotten increasing acceptance in the consumer and service research field (Sarstedt, 2008).

Table I: *Demographic of the Study*

Variable	Frequency	Percent
Gender		
Male	104	72.3
Female	40	27.7
Age		
15 - 25 years	35	24.3
25 – 35 years	89	61.8
above 35	20	13.9
Total	144	100.0
Level of education		
Graduate	114	79.2
Undergraduate	21	14.6
High school	6	4.2
Other	3	2.1
Total	144	100.0
Marital status		
Single	70	48.6
Married	74	51.4
Products used		
Murabaha	108	75
Musharakah	8	5.6
Mudarabah	5	3.5
Other	23	16
Total	144	100.0
Income per month		
<1000	72	50.0

1000-20000	61	42.4			Advantage4			
20000-30000	9	6.3				0.738		
Other	2	1.4						
Total	144	100.0			Scholars1	0.625		

Table II. *Factor Loading and Reliability*

Construct	Items	Loading	CR	AVE					
Awareness	Awareness1	0.753			Behavioral intention to use product	Scholars2	0.722	0.787	0.482
	Awareness2	0.755	0.864	0.561		Scholars3	0.637		
	Awareness3	0.683				Scholars4	0.782		
	Awareness4	0.827				Intention1	0.695		
	Awareness5	0.719				Intention2	0.799	0.832	0.554
The need for <i>tawarruq</i>	Need1	0.561			Intention3	0.743			
	Need2	0.780			Intention4	0.736			
	Need3	0.763							
	Need4	0.721	0.802	0.506					
Compatibility	Comp1	0.576							
	Comp2	0.778							
	Comp3	0.830	0.824	0.543					
Relative Advantage	Advantage1	0.712							
	Advantage2	0.737	0.824	0.539					
	Advantage3	0.748							

According to the results of this study, 72.3 percent of the respondents were male, while the remaining 27.7% were female. In terms of age, 61.8 percent of the respondents were between the ages of 25 and 35, 24.3 percent were between the ages of 15 and 25, and just 13.9 percent of the respondents were over the age of 35. According to their degree of education, the majority of the respondents (79.2%) were graduates, while the rest were undergraduates, high school students, and others. In terms of marital status, 51.4 percent of respondents were married, while 48.6% were single. Murabaha products were used by the majority of respondents (75%) from banks. In terms of respondent income, 50% of their income is less than \$1,000, indicating that the majority of the respondents are low-income, while 42.4 percent of their income is between \$1,000 and \$20,000 (See Table I).

Measurement Model

The Authors use convergent validity (loading), average variance extracted (AVE), composite reliability and discriminant validity as an assessment of measurement model. All the assessments are checked by the PLS algorithm and all factor loadings greater than the suggested 0.60 threshold which most literature recommended excepting Need1, Comp1 items (see Table II). On other hand Many literatures

recommended that factor loadings are acceptable in 0.40, 0.50, 0.6 and 0.70 if it leads to average variance extracted (AVE) greater than 0.50 and the average variance extracted (AVE) of this study is greater than 0.50 in average (Byrne, 2016; Hossan, 2021). However, the authors decided to keep all the items of the study since removing of loading may prevent/hinder the curial rule of having at least two items for each variable (Husin & Rahman, 2016). Thus, the authors keep (Need1, Comp1) items in the model which were less the 0.60 threshold. Hence, all average extracted variance (AVE) and composite reliability (CR) values are exceed the recommended scores, 0.50 and 0.70 respectively. Expect for the Role of Shariah

scholars construct, which only scored 0.482 average extracted variance (AVE) (see Table II).

The Authors choose Fornel-Larcker criterion to assess discriminant validity in the study. AVE root square and all inter-construct correlations are compared. Each AVE of construct should be exceed its squared correlation with any other construct to pass the discriminant validity assessment of the model as suggested by (Fornell & Larcker, 1981). Finally, Fornel-Larcker criterion is fulfilled and no cross-loadings is higher than the respective loadings which indicates that discriminant validity is superior in this study (See Table III).

Table III. *Inter-construct correlation (Fornell-Larcker Criterion)*

	Awareness	Compatibility	Intention	Need	Relative Advantage	Scholars
Awareness	0.749					
Compatibility	0.411	0.737				
Intention	0.358	0.562	0.744			
Need	0.461	0.507	0.534	0.712		
Relative Advantage	0.436	0.582	0.645	0.543	0.734	
Scholars	0.384	0.399	0.398	0.441	0.337	0.694

Table IV. *Heterotrait-Monotrait Ratio (HTMT)*

	Awareness	Compatibility	Intention	Need	Relative Advantage	Scholars
Awareness						
Compatibility	0.533					
Intention	0.415	0.761				
Need	0.609	0.753	0.754			
Relative Advantage	0.500	0.785	0.890	0.787		
Scholars	0.519	0.573	0.561	0.682	0.497	

Structural Model

The structural model assessment has been done to determine the predictive power of the model. The purpose of using it is to explain the degree

of extent of dependent variable is explained and unexplained variances by independent variables and to evaluate the relationships between the latent constructs of the study. The authors use

the R-square value (R²) to determine the predictive power of the model. On the other hand, whether the hypothesized relationship is strength or not is determined using the path coefficients. Bootstrapping procedure is performed to assess the Structural model of the study and the authors have used 500 bootstrap samples to build stable intervals of confidence (Hair et al., 2011; Husin & Rahman, 2016).

The structural model analysis results including standardized path coefficients, Standard deviation error, t-values and P-values for each relationship and squared multiple correlations, measured by R² for each construct are reported in Table IV and Figure II. The R² of the hypothesized model is 0.505 which shows that 50.5 percent of the variation in intention to use tawarruq cash financing product can be explained by the five independent variables of the study, which are Consumer Awareness, The need for tawarruq, Compatibility, Relative Advantage and Role of Shariah scholars

H1, H2, H3, H4 and H5 examine the impact of Consumer Awareness, The need for tawarruq, Compatibility, Relative Advantage and Role of Shariah scholars on intentions to use tawarruq cash financing adopt. Five of the hypothesis (H2, H3 and H4) are statistically significant and positively correlated with the intention to use tawarruq as a cash financing product, while H1 is statistically insignificant and negative. Lastly H5 is statistically insignificant and positively correlation with the intention to use tawarruq as a cash financing tool. Specifically, Compatibility ($\beta = 0.204$, $p = 0.034$), need for tawarruq ($\beta = 0.170$, $p = 0.048$), Relative Advantage ($\beta = 0.410$, $p = 0.000$) to use tawarruq as a cash financing product are statistically significant. However, Consumer Awareness ($\beta = -0.030$, $p = 0.630$), and Role of Shariah scholars ($\beta = 0.116$, $p = 0.161$), to intend use tawarruq as a cash financing method is not significant.

Table V. *Empirical Results*

Hypothesis	Relationship	Beta (β)	STDEV	T Statistics	<i>P-values</i>	Result
H1	Awareness -> Intention	-0.030	0.061	0.482	0.630	Not supported
H2	Compatibility -> Intention	0.204	0.096	2.131	0.034	Supported
H3	Need -> Intention	0.170	0.086	1.985	0.048	Supported
H4	Relative Advantage -> Intention	0.410	0.116	3.524	0.000	Supported
H5	Scholars -> Intention	0.116	0.082	1.402	0.161	Not supported

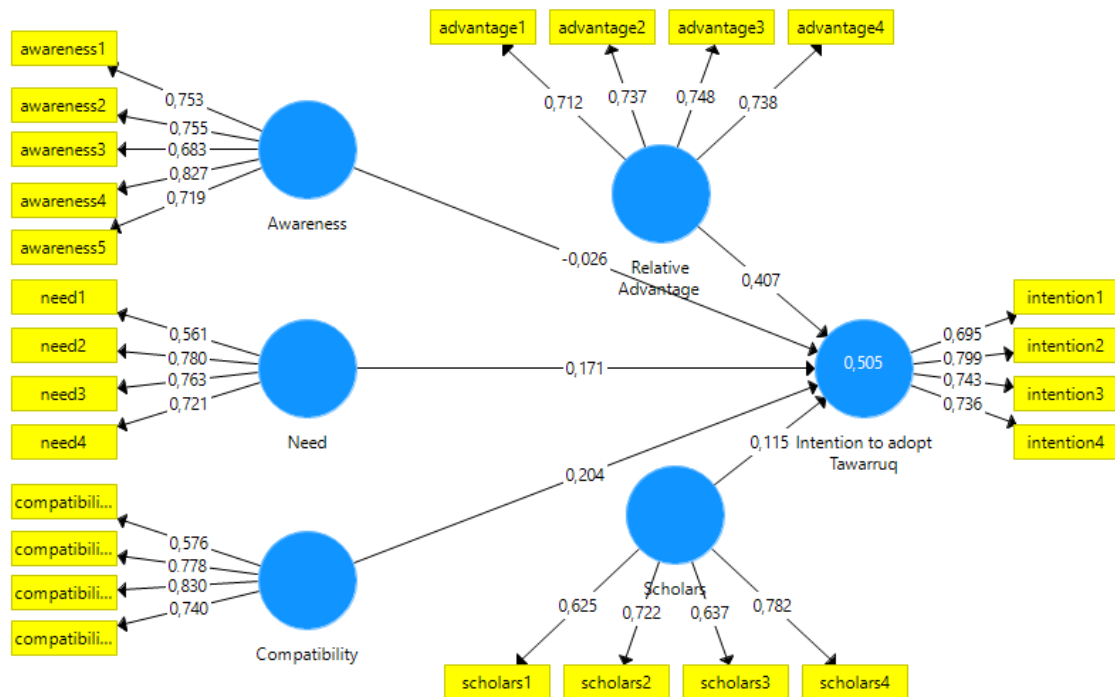


Figure II. *Empirical Results*

6. Discussion

Our knowledge, this study was a first attempt to evaluate the applicability of tawarruq cash financing in Somalia. The authors have collected the data from the customer of Islamic banks in Mogadishu and discovered that the proposed model is superior in forecasting consumers to use tawarruq as a cash financing tool. This study uses DOI as a baseline theory to explain customers' willingness to determine tawarruq as a cash financing product. Generally, this theory is defined as a set of ideas aiming to explain a situation, environment and perspectives of consumer behavior.

Empirical findings that the diffusion of innovation theory (DOI) model can explain 50.5 percent of the variance for the usage of tawarruq product as a cash financing purpose. More specifically the results show that the Compatibility, need for tawarruq, and Relative Advantage regarding the intention to adopt tawarruq product as a cash financing tool are all statistically significant elements in deciding their readiness to use tawarruq cash financing. However, the Consumer Awareness and Role of Shariah scholars regarding the intention to use tawarruq as a method of cash financing is insignificant.

This study hypothesized that compatibility positively effects on usage of tawarruq cash financing. The result shows that compatibility is positively related to adopt tawarruq cash financing. This means that the tawarruq is compatible with the values of Islamic banks consumers in Islamic banks of Somalia and that will lead to purchase tawarruq cash financing if it is started in the future. This study is consistent with (Echchabi et al., 2015; Jansson, 2011) who reported that the degree to which an innovation is perceived to be consistent with the existing values is very important. Moreover, this study is also consistent with (Obeid and Kaabachi, 2016) who indicates the impact of compatibility with the intentions to use Islamic banking services.

Similarly, the need for tawarruq has a positive impact on tawarruq cash financing. This means the need for tawarruq product as a cash financing method could lead to use tawarruq product by the respondents. This study is consistent with (Mohamed. M. Ali, 2020) who found 15 Islamic commercial banks applied the tawarruq contract for cash financing purpose in Malaysia.

In addition to that, Relative Advantage has a positive relation to use tawarruq cash financing by the Islamic banks consumers. This means that the respondents consider tawarruq has more

advantage than other products of Islamic banks offer in Somalia. The finding is consistent with (Echchabi et al., 2015) who reported the degree to which an innovation is perceived as being better than the idea it supersedes is measured in terms of economic benefit.

On the other hand, the authors hypothesized that consumer awareness has positive influence on the usage of tawarruq as a cash financing tool. However, the present findings indicate that consumer awareness has not affected on the usage of tawarruq as a method of cash financing. The findings of this study is an agreement with past studies (Echchabi et al., 2015; Faisal, 2014). However, this finding is contrary with the diffusion of innovation theory (DOI) proposed by Rogers (1962). In addition to that, Role of Shariah scholars is also hypothesized that has positive relation with the intention to use tawarruq as a cash financing tool for Islamic banks consumers. However, the present findings indicate that Role of shariah scholars construct has not affected on the usage of tawarruq as a method of cash financing method.

Theoretical and Policy implications

The study results contribute significantly to the literature. In terms of theoretical perspective, our research findings provide a significant contribution to the current knowledge in the following ways. Firstly, in our knowledge, this study is the first attempt for tawarruq applicability in Somalia as a cash financing method. Secondly, the findings support to the Islamic finance literatures through applying diffusion of innovation theory (DOI) is proposed by (Rogers, 1962). Finally, our study fills the gap which previous studies provided since Islamic finance is new in Somalia.

On the other hand, some useful policy implications for takaful managers and advertisers is provided in this study for developing effective marketing strategies. Our study results show that Compatibility, need for tawarruq, Relative Advantage to use tawarruq as a cash financing tool are statistically significant and important factors of the usage of tawarruq by Islamic banks consumers. However, the findings confirm that consumer awareness and role of Shariah scholars' is not significant in determining usage of tawarruq as a tool of cash financing.

Several recommendations are proposed by the current study. First, with the need for cash financing among customers of Islamic banks in Somalia, the study recommends Islamic banks to offer tawarruq cash financing for its personal and corporate customers. Second, the study recommends establishing a system which could allow clients of the bank to find a way to get cash like Bursa suq Al sila of Malaysia as long the need is there. Finally, as long as tawarruq cash financing facilitates will attract a lot of customers by Islamic banks, this will increase the economic growth of the country.

Limitations and future research of the study

There are some limitations related to our study which give direction for potential researchers in this field. Firstly, the authors conduct this empirical study in the Mogadishu city. Therefore, it has geographical limitations. Future studies can be conducted targeting other cities in Somalia as well as rural areas to get more insightful results pertained to takaful products. Secondly, the variables of the study are limited to some diffusion of innovation theory (DOI) framework (Consumer Awareness, The need for tawarruq, Compatibility, Relative Advantage and Role of Shariah scholars). Thus, potential researchers can present other new and relevant factors into DOI framework model such as demographic variables, religion beliefs, service quality and attitude. Thirdly, the primary data of our study is collected only from Islamic banks consumers. Hence, future researches should add the potential of Islamic banks customers to add the current literatures. Finally, questionnaire instrument is used in this study to collect data. Future studies should be considered using other data collection tools such as interview.

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