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Application of tawarruq in Islamic banking institutions in Somalia

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Abstract

Purpose: The purpose of this study is to examine the acceptability of tawarruq in the banking industry in Somalia, focusing on awareness, need, compatibility, relative advantage, behavioral attitude and the role of Shariah scholars. This study is governed by the Theory of Islamic Consumer Behavior. **Design/methodology/approach:** A questionnaire survey was conducted involving 150 customers of Islamic banks in Mogadishu, Somalia. This research adopts a quantitative methodology, using descriptive and survey analyses by employing SPSS 23. Smart-PLS-4 SEM was used to test the six hypotheses established in the study. **Findings:** This study provides evidence that the customers of Islamic banks in Somalia are looking forward to Islamic banks offering tawarruq in the country. Respondents viewed tawarruq as a very attractive product compared to other existing products of Islamic banks in the country. The need for tawarruq, its compatibility and relative advantage have a positive and significant influence on the intention to use tawarruq products for cash financing purposes, whereas customer awareness, behavioral attitudes and the role of Shariah scholars have insignificant influence. **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 study contributes to the literature by enhancing the awareness of tawarruq in Somalia. The study also shed light on the need of Islamic banks' customers on tawarruq for cash financing purposes in Somalia. © 2023, Emerald Publishing Limited.

Author Keywords

Islamic bank; Shariah; Somalia; Tawarruq; Theory of Islamic Consumer Behavior

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