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**An Exploratory Study of Tunisian Customers' Awareness and Perception
of Islamic Banks**

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ABSTRACT

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This study explores the Tunisian customers' awareness about Islamic banks' principles and products and their perception of respecting Islamic banks' underlying principles and how they distinguish themselves from conventional banks. To this end, a survey was conducted on 100 clients of conventional and Islamic banking. Data analysis was based on descriptive statistics and the Mann-Whitney test. The results pointed to a confined knowledge of Islamic banking services and products and showed the presence of a positive public perception of Islamic banks regarding Islamic standards. However, uncertainty and skepticism regarding transparency and sharing profits and losses had been noticed in some clients. The results additionally showed that clients have a positive perception of Islamic banks' ability to compete with conventional banks. However, doubts were noticed about staff skill and lack of awareness about the differences amongst Islamic and conventional banks. The results likewise pointed to a negative perception of financing price and return on savings of Islamic banks. In the light of these results, recommendations are presented.

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Introduction

Islamic banks are contemporary financial institutions that have achieved noticeable growth in the course of recent decades, empowering them to strengthen their position in the financial system. Consistent with estimates of The Banker Report (DiVanna, 2012), the annual growth of Islamic assets is around 19%. The Islamic Financial Services Board Report (IFSB, 2015) assessed the Islamic assets growth within the most recent years at 17%. The potential of Islamic banking and additionally its achievement in developing banking activities complying with the ethical and religious rules and with its philosophy that accommodates economic and social development, led to its widespread progress across the world, in Islamic and non-Islamic countries of the Arabian Gulf, Asia, Europe and America. North Africa is no exception to this trend and Islamic banking has recently been receiving a growing interest following the political changes experienced by the region.

In Tunisia, the experience of Islamic banking is relatively new, compared to conventional banking. Despite the fact that this experience goes back to the establishment of Al Baraka Bank in 1983, its scope has been restricted as Al Baraka Bank, an offshore bank, centered in particular on funding exporting companies. The experience really evolved in 2010 with the foundation of the Zitouna Bank, the main Tunisian Islamic commercial bank, which targeted to offer services and products to individuals and corporate customers through its branches across the country. Furthermore, with Al Baraka Bank acquiring the resident bank status at the end of 2013 and expanding its activity and its network of branches as well as giving licenses to open other Islamic banks, Islamic banking is set to new horizons.

Despite the development of Islamic banking in post-revolution Tunisia, Islamic assets were estimated at 2.5% by the financial analysts in 2015, a rate that has not developed much from that published by the African Development Bank in 2011, which was evaluated at 2.2%. As indicated by the African Development Bank's report (2011), the constrained improvement of Islamic banking in North Africa goes back to the weakness of the banking sector; to governments not undertaking measures that help promote Islamic banking and to customers' limited knowledge about and awareness of Islamic banking.

The report of the African Development Bank highlights the restricted improvement of Islamic banking in North Africa and explains that partly by the shortcoming of the banking sector. However, this assumption remains relative in Tunisia as this latter's banking system is known for its high competitiveness. The Tunisian banking network is intensely thought with 21 banks spreading more than 1400 branches and with a moderately high get to

proportion ratio contrasted with to the countries of the area (1.3 bank offices for 10,000 individuals, contrasted with 0.5 bank offices in Algeria and 0.3 in Morocco) (Dossier Midi de la microfinance, 2012).

Since the 2011 revolution, the successive governments have focused on Islamic finance in general and Islamic banks in particular. Many of the political actors and economists endorsed Islamic finance as a potential vehicle for economic recovery and a way of finding solutions to unemployment and poverty, which are the most important economic problems facing the government. The prevailing conviction is that such issues can be alleviated by attracting Islamic financial funds.

This concern is reflected in the implementation of special measures aiming at encouraging Islamic funding which include the adoption of financing tax incentives in 2012, and setting up the ground for the issuance of Islamic 'Sukuks' and setting up a legal framework regulating Islamic Investment Funds in 2015. Additionally, financial analysts and researchers showed a developing enthusiasm for Islamic Finance. Many events and scientific conferences have been organized to discuss the role of Islamic finance in attracting internal and external financial resources in order to boost investment and promote economic growth.

However, in spite of these measures, Islamic banks have not been able to expand their client base as expected. This brings up many issues about the reasons why Tunisian citizens are reluctant to turn to Islamic banking services. Then, Tunisian customers' awareness and perception as potential factors affecting their adoption of Islamic banks ought to be analyzed.

Before adopting a new product or service, consumers go through a number of sequential stages: awareness, interest, evaluation and experience (Rogers, 2003). Due to the fact that Islamic banks are new institutions, compared to conventional banks, that operate to provide banking services, financing and investment formulas based on concepts and mechanisms that are generally unknown in an established banking system, therefore customers' understanding and awareness as well as their assessment and perception of the specificities of these banks determine the extent of their adoption. Several studies have demonstrated that customers' knowledge and perception of the concepts of Islamic banking and mechanisms affect their decision to deal with them (Bizri, 2014) and their intentions to use Islamic finance (Thambiah et al, 2011, Wahyouni, 2012). Research has also pointed to the influence of religion as a factor (Hegazy, 1995, Metwally, 1996, Metawa and Moussawi, 1998, etc.) and the impact of Islamic banks (IBs) competitiveness on customers' intentions to adopt Islamic banking products and services (Awan and Bukhari, 2011, Faisal, 2012). This study complements previous studies by

examining Tunisian customers' awareness and perception of Islamic banking. In particular, it examines customers' perceptions of IBs Sharia standards and perception of IBs capacity to compete.

The study raises questions about customers' awareness and perception of Islamic banking as these two are important factors of adoption. The questions are as follows:

- (i) Do Tunisian banking customers know about and are they aware of the products and services of Islamic banks?
- (ii) Do Tunisian banking customers perceive the extent Islamic bank's compliance with the Sharia standards?
- (iii) Do Tunisian banking customers' perceive how Islamic banks are different from conventional banks?
- (iv) Is Islamic Banking clients' and non-clients' perceptions of Islamic banks different?

The study aims to access Tunisian banking customers' awareness and perception of Islamic banks' Sharia-compliance and Islamic banks' competitiveness. Understanding Tunisian consumers' awareness and perception of Islamic banks are essential to meet their expectations. Moreover, such studies on the Tunisian context are very scarce, unlike on other countries.

Then, this paper is structured as follows. The first section reviews the literature, present the principles and products of Islamic finance and reports on the studies of factors behind adopting Islamic banks. The second section presents the empirical study in terms of the methodology and the main findings. The final section discusses the results, recommends and concludes the paper.

1. Literature review

1.1. The basic Principles of Islamic Banks:

Due to the fact they are Islamic financial institution, Islamic banks need to act in accordance with the principles and provisions of Sharia derived from the Quran and the Sunnah. Sharia's basic principles are the guideline of the bank in its dealing with its clients and partners as well as all the connected parties by referring to the 'Halal' and sinful principles and by adopting ethical values in financial transactions. The basic principles of Islamic finance are: a) prohibiting any interest-based transactions, b) prohibiting speculative market behavior, c) prohibiting uncertainty in transactions, d) prohibiting financing activities banned by Islam and, d) sharing risks and profits.

The prohibition of interest-based transactions is grounded on the argument that every increase in the money paid by the borrower to the lender

is considered 'riba', which is forbidden in the Quran, as explicitly stated in the verse: «Allah has permitted trade and forbidden interest" (Surat Al Baqara, verse 275). Usury is prohibited in light of the fact that there is exploitation and injustice when the profit is for just a single one side of the transaction. The lender - borrower relationship must be in accordance with the rule of fair exchange, not on a one-sided benefit. The usury is also prohibited to ensure that the profit is derived from labor, not from money. Accordingly, Islamic banks, as financial institutions, should not trade with interest when lending or borrowing money. They commit themselves, not to trade with money but rather to invest it in economic activities.

The prohibition of speculative market behavior is based on the argument that it causes disruption of the economic cycle. Islamic Banks are committed to avoid speculative market behavior by refraining from financing activities that lead to unfair profit-making. They should avoid wealth accumulation and, instead, invest money in economic activities that contribute to promoting the economic cycle and development.

As Islamic banking transactions are targeted towards trading in physical assets for a profit, Islamic banks should avoid Al Gharar (deceit), which is a transaction unknown and uncertain in time. The prohibition of Al Gharar is based on the arguments of preventing social injustice. Therefore, Islamic banks have to have their own assets before trading them as these transactions have to link to the tangible side of the economy. They have to document deferred transactions and detail them in contracts to keep away from Al Gharar, as explicitly stated in the Quran: "O you who have believed, when you contract a debt for a specified term, write it down" (Surat Al Baqara, verse 281). Consequently, Islamic Banks are committed to adopt clarity, honesty and transparency in their transactions. To this end, contracts should be clear and transparent in all stages of transactions.

The prohibition of financing activities banned by Islamic, such as alcohol trading, army trade, tabac, etc, is founded on the argument that such activities are irresponsible and harmful to society. Islamic banks should commit to the principles of Sharia and invest in promoting all 'Halal' investments that benefit and develop both the individual and society.

Sharing risks and profits by Islamic banks comply with the principle "Al Ghanam bel gharim" which mean profit by sharing. It implies that any profitable money for contracting parties should be grounded by sharing risks in order to achieve a fair distribution of profit. Sharing profits and losses allows Islamic Banks to build up a strong relationship with clients based on justice and fairness and not on profit at the client's expense. Moreover, sharing risks

and profits avoid passiveness and complacency by making the involved parties contribute to the economic cycle.

1.2. Islamic banking financial instruments:

Islamic banks devised several funding instruments that comply with Sharia, some of which go under the trade and lease principles, and the others refer to the partnership principle. The financing instruments under trade and lease principles are transactions with predictable profit margins. The financing instruments under partnership are based on sharing profits and losses. In what follows, a detailed view of these formulas is presented.

1.2.1. Trade and lease financing:

The trade and lease financing are widely used by Islamic banks. They are used to achieve operations in a short period. The following are the main instruments:

(i) Murabaha (profit sharing on a sale): The Murabaha is one of the most adopted financings of Islamic banks, according to which assets are exchanged for money with a profit margin. It is an alternative to interest-based loans, which exchange money for money by applying an interest on the principal, which is considered as a sin. The bank purchases specific goods wanted by the customer and then sells it back to him with an agreed profit margin. The bank should claim the goods first before reselling it to the customer and inform him about the first price.

(ii) Bay' Ajil (Forward sales): Bay' Ajil is a variant of Murabaha sale. The goods are delivered immediately against deferring payment for a given period in the future. The payment can be done by the end of the period or made on installments with the agreement of both parties. The lender is not allowed to include any charges for deferring payment.

(iii) Bay' Salem (Sale with a forward delivery): is the opposite of forwarding sale, where payment is done first and delivery is set for a given time. The Salem contract should specify the goods and its delivery at the time of the contract to keep away from deceit and conform to Sharia. The Salem is used by Islamic Banks to finance agricultural, business and industrial activities in order to enable customers to cover operating or production costs.

(iv) Istisna'a: Istisna'a is an agreement with a producer to produce goods with predefined attributes required by the purchaser. The producer should bear the costs against an agreed price and a payment period. This financing contract is suitable for construction and investment projects.

(v) Ijara (Leasing): a lease contract is used by the bank to rent assets like land, machinery, equipment, and so on for the customer to utilize and benefit for a given period. At the end of the lease period, the customer can turn into the proprietor of the asset (it is an ownership or a finance lease) or the bank recovers the asset and rents it to another customer (it is a participation or an operational lease).

1.2.2. Partnership financing:

These financings are grounded on partnerships between the bank and the client and included uncertainty regarding the profits due to each partner. Partnerships financing are mainly used to finance long-term projects. However, they are not commonly used due to vigilance required in the process of acceptance; implementation and monitoring of projects. They are distinguished:

(i) Mudharaba (Speculation): Mudharaba is sharing money and labor between the bank (owner of capital) and an entrepreneur (speculator) where the bank provides the money needed for a project to be invested by an entrepreneur who has labor and expertise. The parties agree to share profits, according to pre-set proportions. In cases of loss, the bank loses its funds, as for the entrepreneur is deprived of remuneration.

(ii) Musharaka (Partnership): is an active partnership between the bank and the client where they share capital and labor in order to undertake a project. The profits and losses are shared according to each partner's contribution in the capital. There are two alternatives of partnerships. The decreasing partnership where the bank's share in the capital decreases as it recovers parts of it over time investment. By the end of the partnership, the project is delivered to the client after completing payment of the funding amount. The definitive partnership where the bank's participation in the capital remains constant as it is a co-owner partner.

1.3. Previous research

Previous research has examined the factors affecting customers' adoption of Islamic banking products and services. Some studies pointed to the effect of consumer's awareness and perception of concepts, products and mechanisms of Islamic finance on the decision to deal with Islamic banks (Haron et al, 1994; Gerrard and Cunningham, 1997; Bley and Kueln, 2004; Okumus, 2005, Kattak and Rahman, 2010, Masood et al, 2014). Other studies highlighted the importance of the religious factor in customers' adoption of Islamic banking (Metawa and Almousawi, 1998; Hegazy, 1995; Metwally, 1996, etc.). Still, other studies pointed to the importance of competitiveness

of Islamic banks with conventional banks in customers' decision to select a bank (Awan and Bukhari, 2011; Faisal, 2011; Bizri, 2014; Sayani and Miniaoui, 2013).

Metawa and Almousawi (1998) examined consumers' awareness as well as the factors influencing the choice of Islamic banks in Bahrein. They concluded that religious beliefs were the most important factor behind adopting Islamic banks. As for awareness and understanding of banking services by customers, the authors found that customers know more about savings, investment and current accounts than about Islamic financing instruments. Nasser et al, (1999), investigated the awareness of customers and the reasons behind adopting Islamic and conventional banking in Jordan. They pointed to awareness of Islamic banking' services and products but found a considerable variation in use rates. Most customers, for the most part, utilize the acknowledged banking services, while their use of Islamic products is low, in spite of the fact that they know about some of these products like Murabaha, Mudharaba and Musharaka. The results also reported that customers choose Islamic Banks for their good reputation, their capacity to build trust and their compliance with Sharia. These findings are consistent with those of Kattak and Rahman (2010) in Pakistan, and Okumus (2005) in Turkey, who recorded a poor knowledge of Islamic finance, and the exclusive use of conventional banking services. This led some authors to consider this as a factor behind the poor use of Islamic banking products (Haron et al, 1994; Metawa and Almousawi, 1998; Nasser et al, 1999).

Wahyouni (2012) found empirical evidence about the impact of consumers 'awareness on their intention to use Islamic products and services. The author demonstrated that the level of knowledge has a significant impact on the intention to use Islamic banking. Indeed, it was found that a consumer who was better knowledgeable about Islamic banking products has had greater intention to use them. Kaabachi and Obaid (2016) inspected the influence of customers' perception and willingness to adopt Islamic banking in Tunisia by testing the diffusion innovation theory of Rogers (2003). The study surveyed the customers of conventional banks located in Tunis City and found that bank reputation, the relative advantage of Islamic banks and compatibility with religious beliefs influence positively the intention to use it. Also, the study noticed a general lack of customer awareness about Islamic banking in Tunisia. At the same time, Ltifi et al (2016) studied the explanatory factors for the selection of Islamic banks in Tunisia. The author surveyed the customers of Islamic banks and found that customers consider the quality of services, trust, and compliance with Sharia when choosing the Islamic banks. Chaouch (2016) surveyed both users and non-users of Islamic banking services on their selecting criteria of choice of Islamic banks in Tunisia. The results

showed that religious factors such as interest-free, reputation and compliance with sharia affect positively the users of Islamic banking services. However, the service quality, the convenience and the uses of electronics means are the main factors to patronize Islamic banks for the non-users.

Some researchers studied the factors behind Muslims' and non-Muslims' adoption of Islamic banks and their knowledge of Islamic banking like Haron, Ahmed and Planisek, (1994) in Malaysia. The authors found that the main factors for which Muslims and non-Muslims choose Islamic banks are service quality - particularly fast and efficient service, friendliness of bank staff, confidentiality of operations, and banking costs. In terms of knowledge and popularity of the various Islamic banking services and products, the study found a distinction amongst Muslims and non-Muslims. Muslims tend to be familiar with Islamic banking features and they to a great extent use the different services provided by Islamic banks. Comparable results were reported by Gerrard and Cunningham (1997) in Singapore. They found great similarities between Muslims and non-Muslims in their selection criteria. However, regardless of this closeness, some variety was found. Muslims pay less attention to the returns on their deposits than non-Muslims do. Knowledge-wise, the results showed that the level of knowledge is limited for Muslims and almost non-existent for non-Muslims, where only 20% of Muslims know about concepts like Riba (usury) and Sharia, while Muslims and non-Muslims don't know anything about the concepts of Mudharaba, Musharaka and Ijara.

The studies demonstrate that religion affects customers' awareness about Islamic banking features. The fact that Islamic banks rely on principles and concepts derived from Sharia law, a Muslims' ability to understand and accommodate these concepts remains a potential. Comparing banking preferences and knowledge of Muslim and non-Muslim students in the United Arab Emirates, Bley and Kueln, (2004) found evidence that Muslim students preferred Islamic banks and displayed a high level of knowledge than non-Muslim students. The study concluded that religious belief and the level of education influenced attitude towards and perception of Islamic banking. The results reported by Kattak and Rahman (2010) in Pakistan confirmed these findings.

In a similar vein, comparing urban and rural customers' perceptions of commercial Islamic banks in Malaysia and the degree of their effect on preferring Islamic Banks, Thambiah et al, (2011) found that customers know little about the concepts, products and specificities of Islamic banks. Financing formulas like Mudharaba, Bay' Ajil and Bay' Salem are unknown to banking customers, making them unused. Part of explaining this finding relates to the fact that these products are labeled in Arabic, making an extensive segment of

non-Muslims unfamiliar with them. Masood et al, (2014) studied the awareness of customers about Islamic banking services and products and their perception of the compliance with the Sharia. They found that respondents believe that there is no distinction amongst conventional and Islamic banking products. Admittedly, their assessment is that Islamic banks tended to change the label of their products without proving that they contrast from conventional banking. Consequently, customers confine themselves to using current and savings accounts in their dealings with Islamic Banks and turn away from using financing formulas. The explanations behind their reluctance are linked to a lack of understanding of Islamic banks functioning and the failure of the bank staff to provide information that would clarify for them the difference between Islamic and conventional banks.

Many studies proved that poor knowledge of Islamic banks is not limited to the individual customers, which supports the idea that Islamic banks are not doing enough to inform people and promote their products and services. In this regard, Ahmed and Haron (2002) examined corporate customers' knowledge and perceptions of Islamic banking in Malaysia. The authors surveyed the staff in charge of financial matters like financial directors, financial managers and accountants and found that respondents have a poor understanding of Islamic banks' philosophy and goals. The fact that they believed that Islamic banks adopt the principle of profit maximization to sustain their position in a competitive market is contradictory with Islamic banking' philosophy which values both religious principles and profit motives. The results showed additionally the unfamiliarity with Mudharaba, Bay' Ajil, Istisna, and Ijara formulas. The study emphasized a limited marketing effort of Islamic banks as 75% of the respondents believe that Islamic banks are not doing enough to promote their services and products.

Baba and Amin (2009) achieved similar conclusions while studying the perceptions of offshore bankers working in Islamic banks in Labuan, Malaysia. The study revealed that most of the staff have neither adequate knowledge of nor experience with Islamic banking mechanisms. The respondents admitted their unfamiliarity with the concepts of Ijara, Mudharaba, Musharaka and Istisna'a. The unfamiliarity was also revealed with the philosophy and principles of Islamic banks as 63% of respondents believe that Islamic banks, like their conventional counterparts, must embrace the guideline of profit maximization in order to be able to compete in the market. Although the study sample comprised of Muslims, unlike the study of Haron and Ahmed, (2002), it achieved similar results.

Despite knowing about and understanding Islamic banking, promoting Islamic banking services and products, complying with Islamic standards and being competitive are important elements. In this regard, Lee

and Ullah (2011) examined the factors behind selecting Islamic banks in Pakistan and particularly the influence of Islamic banks' compliance with Sharia and the risks incurred in case of violation. The study revealed that customers attach great importance to the bank's Sharia-compliance as the repeated violations of standards lead them to withdraw their deposits. The authors pointed out that although Sharia compliance is the most important factor that Islamic banks need to observe, they also need to be competitive with conventional banks.

Awan and Bukhari (2011) examined the factors that strengthen Islamic banks' competitiveness against conventional banks and customers attitudes towards Islamic products and services in Pakistan. Analyzing data gathered from customers of Islamic banks and Islamic windows, the authors found that the competitive advantage is the main determinant behind choosing Islamic banks or Islamic windows. The most important factors for making selection of Islamic banks are the capacity to provide a variety of financing options to obtain high returns, low- cost service, and accessibility of services in addition to good reputation. The study further found a lack of understanding of the basic mechanisms and instruments of Islamic finance by both Islamic banks' and Islamic windows' customers. The authors explain this misunderstanding by the incompetence of the bank's staff which lack of the ability to provide credible information about Islamic banks' compliance with Sharia principles.

Sayani and Minyaoui, (2013) inspected the determinants behind choosing Islamic and conventional banks in the United Arab Emirates. The authors focused on the effects of factors such as bank products, service quality, profit, and reputation, cultural and religious factors. They found that customers choose Islamic banking for religious reasons and for the possibility to obtain financial products similar to those provided by conventional banks, but Sharia- compliant. Moreover, the credibility of the Sharia Board and the return on savings were regarded as important factors in choosing to deal with the bank. Furthermore, the study proved that Islamic banks' customers use significantly current accounts that are well known to them (88%) and, to a lesser degree, savings accounts (33%) while the use of the rest of Islamic products is as poor as their knowledge.

Bizri Rima, (2014) examined the main factors that make customers choose to deal with Islamic banks and conventional banks in Lebanon. The study found that the most important motives for choosing Islamic Banks are trust in the bank and in its commitment to adopt Islamic principles. Familiarity with the modes of finances, financing costs, services costs and service quality were likewise seen as essential in deciding to choose Islamic banks. On the other hand, it was found that predisposition to deal with

Islamic Banks depends on demographic characteristics (religion, gender, profession, income and age). The existing and potential customers of Islamic banks are predominantly committed Muslims, employed and adults.

2. The empirical Study

2.1. Research Methodology

The sample was formed by adopting the convenience sampling method. A questionnaire was administered to 150 customers of Islamic and conventional banks in the governorate of Tunis. The response rate was 67%, i.e. 100 questionnaires were recovered.

The questionnaire consisted of three parts. The first part had two questions. The first probed respondents on their knowledge of the fundamentals of Islamic banking. The respondents were asked about their knowledge of the presence of Islamic banks, Islamic principles and the concepts of Islamic funding, deposits- and participation-based accounts, and the difference between Islamic banks and conventional banks. The second question focused on the degree of the familiarity with Islamic financing instruments. These questions have been scaled on a 3-point scale (I know - I have a little information - I Do not know) like in previous research (Haron et al, 1994; Marimuthu et al, 2010).

The second part included two questions. The first question requested data about the respondents' perceptions of Islamic Banking and the degree to which they conform to Sharia principles. The second question requested data about respondents' perceptions and evaluation of the competitive capacity of Islamic Banks and the degree to which they distinguish themselves from conventional banks. These questions were scaled on a 5-point Lickert scale (strongly agree - agree -neutral - disagree - strongly disagree). The third part included general questions about gender, age group, educational level, and a question about the kind of bank they deal with so as to distinguish users from non-users of Islamic banking services.

The questionnaire was piloted on a sample of 15 individuals in order to check the degree of clarity and accuracy and remove all mis-formulated statements. Descriptive analysis and frequency analysis were used to determine respondents' awareness and perception and to depict the sample. Cronbach' α was used to test the internal coherence of the scales used to measure Islamic banks' compliance with Sharia and their competitiveness. Alpha Cronbach surpassed the minimum acceptable coefficient (60%). The "Mann-Whitney" test was used to measure mean differences between users and non- users. The Mann-Whitney test was suitable for this study because of the exploratory

nature of the study and the small sample size (Evrard et al, 1997). The data were processed by SPSS Version 20.

2.2. Respondent's profile

The results indicate a difference in gender. The females who participated in the survey were 68%, while the males were 32%. Regarding age group, most of the respondents (45%) belong to the age group of 35-49. 26% of the respondents are in the age group of 25-34, while 9% are in the group 18-24 and 20% in the group of 50 years and older.

With regard to education, 29% of respondents carry a master's degree / PhD, 38% hold a BA / license degree, while 25% of respondents hold baccalaureate / vocational training certificates and 8% hold less than a baccalaureate certificate. Thus, by far most of the respondents (67%) hold a university degree. Profession-wise, 10% of the respondents are working in private sector, 47% are senior managers in public sector and have scholarly positions, 32% are mid-managers in public sector, 11% are unemployed. Finally, out of the 100 respondents, 40% are users of Islamic banking services and 60% are non- users.

2.3. Findings

2.3.1. Basic Knowledge of Islamic Banking

Table 1: Descriptive statistics of basic knowledge

Statements \ Scale	I know %	I know a little	I do not know	Mean	Standard deviation
Existence of Islamic banking	75%	18 %	7 %	2,68	0,601
Principles and concepts	31 %	50 %	19 %	2,12	0,700
Available funding instruments	26%	27%	47%	1,79	0,832
Deposits, savings accounts and participation accounts	26 %	27 %	47%	1,79	0,823
The difference between Islamic and conventional banking	41 %	43 %	16 %	2,25	0,715

Table (1) reports the descriptive statistics for knowledge of the basics of Islamic banking. The results show a partial knowledge as the mean is within or less than the scale's mid-point (2) except for the statement "information about the existence of Islamic banks" which is slightly above the mid-point. The results indicate that 75% of the respondents know of the existence of

Islamic banks, while 18% know a bit, and 7% do not know at all. Although most respondents are aware of the existence of Islamic banks, a partial ignorance regarding Islamic banking principles and the difference between Islamic and conventional banks prevail as 31% of the respondents assert they are aware of the principles and concepts of Islamic banking, while 41% assert they are aware of the distinction between Islamic banks and conventional banks.

In spite of the moderate proportion of the respondents (41%) who reveal that they are aware of the distinction between Islamic banks and conventional banks, this doesn't mean that they are properly aware because they assimilate their differences in the absence of interest. However, the Islamic banks are distinct from the conventional bank on more than interest-free. As for the available financing instruments, the results show a poor knowledge of deposits, savings accounts and participation-based accounts. Only 26% of the respondents assert they are aware of the funding methods and the available savings and investment accounts, while 47% claim they do not know about these instruments.

Thus, the results show that current and potential clients know about the existence of Islamic banks but don't discard adequate information about the basics of Islamic banking. Then, the knowledge of the existence of Islamic banks does not effectively translate into deemed knowledge about Islamic banks principles and specificity. This result is consistent with the studies conducted by Haron et al (1994), Gerard and Cunningham (1997), Khattak and Rahman (2010), Okumus (2005). They found that most of the bank customers are aware of the existence of Islamic banks but they are less aware of the available services and the Islamic financial terms. Subsequently, the results corroborate with the studies conducted by Ahmed and Haron (2002), Baba and Amin (2009), Masood et al (2004) which found a lack of comprehension among bank customers with regard to the principles and concepts of Islamic banking and the distinction amongst Islamic and conventional banks.

2.3.2. Knowledge of Islamic financing instruments

The level of knowledge of Islamic financing instruments is given in Table (2).

Table 2: The results about knowledge of Islamic financing instruments

Scale	I know %	I know a little %	I do not know %	Mean	Standard deviation
Financing instruments					
Mudharaba	21 %	24 %	55 %	1,66	0,806
Murabaha	29 %	29 %	42 %	1,87	0,837

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Bay'Ajil	20 %	18 %	62 %	1,58	0,806
Bay'Salem	12 %	10 %	78%	1,34	0,684
Ijara	23 %	22 %	55 %	1,68	0,827
Istisna'a	10 %	10 %	80 %	1,30	0,643

The table shows that a large proportion of respondents are not aware of the available Islamic financing as the mean is less than the scale's mid-point (2). Indeed, 29% of the respondents assert they know about Murabaha, while 42% do not know about it. The knowledge of the respondents upon Mudharaba and Ijara is 21% and 23% respectively. With regard to Bay'Salem and Istisna'a only 12% to 10% of the respondents admitted they know about. However, 78% to 80% of the respondents are not aware of.

Thus, the majority of Islamic financing instruments are not known, where over 60% of the respondents assert they do not know about them. In spite of the fact that Murabaha, Ijara and Mudharaba are relatively known instruments, the proportion of those who admit their constrained information about them is 29%, 22% and 24% respectively. Thus, the results demonstrate that current and potential clients are not enough familiar with the Islamic financing instruments.

The results is consistent with the studies conducted by Haron et al (1994); Ahmed and Haron (2002) in Malaysia; Gerard and Cunningham (1997) in Singapore; Khattak and Rahman (2010); Awan and Bukhari (2011) in Pakistan; Metawa and Almousawi (1998) in Bahrein, Nasser et al, (1999) in Jordan. The studies demonstrated that a high level of ignorance prevailed among bank customers with regard to Islamic banks products, or perhaps their knowledge about it is partial. In Tunisian context, customers likewise their counterparts in other countries are less familiar with Islamic banks products. This may due to the short experience of Islamic banks in the country and to lack efforts made by Islamic banks to advertise their products and services.

2.3.3. Perception of Islamic banking:

✓ Respondents' perception of Islamic banks' compliance with the Sharia standards

Table (3) shows that respondents are positive about Islamic banks' compliance with Sharia principles as the mean is above the scale's mid-point (3) and the standard deviation is less than half the mean.

The results indicate that the respondents are positive about statement 1, The Islamic bank compliance with Sharia principles, as their response mean is 3.54 and the standard deviation is 1.131, pointing to the respondents' positive

perception of Islamic banks' compliance with Sharia standards. However, this positive perception is not shared by all respondents, as 18% of them expressed their negative perception and 28% expressed impartiality.

Table 3: Descriptive statistics of respondents' perception of Islamic banks' compliance with the Sharia standards

Statements \ Scale	SA	A	N	D	SD	Mean	Standard deviation
The Islamic bank complies with Sharia standards	25%	31%	28%	13%	5 %	3,54	1,131
The Islamic bank charges no interest	34%	24%	18%	18%	6%	3,62	1,285
Financial transactions are clear and transparent	15%	35%	41%	7%	2%	3,54	0,903
The Islamic bank operate according to the profit and losses sharing principle	20%	32%	40%	7%	1%	3,63	0,917
The Islamic bank does not invest in prohibited activities	49%	27%	20%	1%	3%	4,18	0,988

The results on statement 2 indicate likewise the respondents' positive perception of Islamic banks not charging interest as the mean is 3.62 and the standard deviation is 1.285. This represents the respondents' belief in free-interest Islamic transactions, because it is forbidden in Islam. However, it should be noted that the standard deviation for that item is the greater contrasted with the other items. This represents a divergence of opinion about Islamic banks' compliance with Sharia standards. The results show that 24% of the respondents expressed negative feelings and 18% were uncertain about it.

As for the respondents' perception of the transparency of transactions, the results show their positive assessment of transactions being carried out clearly and transparently, as the mean is 3.54 and the standard deviation is 0.903. This result shows that clients consider that Islamic banking transactions are transparent and less risky because they are based on pre-defined contracts. However, the high rate of neutral respondents (41%) shows uncertainty, which may reflect a lack of knowledge of or doubts about Islamic banking practices. As for the principle "profits and losses sharing", the results

point to respondents' positive assessment as the mean is 3.63 and the standard deviation 0.917. Then, respondents believe that Islamic Banks' adoption of profits and losses sharing on investment and deposits is a way of pursuing fairness in profit distribution. However, this perception is not shared by significant number of respondents (40%) who have expressed uncertainty and doubts. As for the statement "The Islamic bank does not invest in prohibited activities", the mean is 4.18, the highest rate compared to the results of other items, and the standard deviation is 0.988, indicating a positive perception of Islamic banking investment, where most respondents are confident that Islamic banks do not invest in activities prohibited by Sharia.

In conclusion, the results on respondents' perception and assessment of Islamic banks' Sharia-compliance demonstrate a positive evaluation of Islamic banking in general. However, some respondents expressed their uncertainty and skepticism about Islamic banks' compliance with Sharia principles. This is true particularly for the transparency of transactions and the profit and loss sharing principle.

✓ Respondents' perceptions of Islamic banks' competitiveness

Table (4) reports the mean and standard deviation of the respondents' assessment regarding the Islamic banks' competitiveness against conventional banks.

It is clear that the mean on employees' skills is above the scale's midpoint, pointing to the respondents' positive perception of employees in terms of their skills in Islamic finance. However, this perception is not shared by all respondents as 31% of them expressed their impartiality and 21% their negative perception. This means that a considerable number of respondents is skeptical about Islamic banks' employees' mastery of Islamic financing mechanisms or consider that they do not have the skill in and knowledge of Sharia standards on these matters.

Table 4: Islamic banks' competitiveness compared to conventional banks

Statements	Scale						
	SA	A	N	D	SD	Mean	Standard deviation
The employees know about Islamic finance	19%	29%	31 %	17 %	4 %	3,42	1,102
Islamic banks are able to compete with conventional banks	26%	41%	17%	11%	5 %	3,72	1,119
The products and services of Islamic	13%	45%	27%	12%	3 %	3,53	0,968

banks are different from those of conventional banks							
The products and services of Islamic banks cost less	12%	24%	32%	22 %	10%	3,06	1,161
Returns of Islamic banks are higher than those of conventional banks	5 %	15%	50%	24%	6 %	2,89	0,908

Concerning the capacity of Islamic banks to compete with conventional banks, the respondents' evaluation was positive. The mean is 3.72, which is the highest compared to the other items, and the standard deviation is 1.119. This result shows that most respondents have faith in Islamic banks' capacity to rival conventional banks. However, this result does not deny the presence of people who are skeptical (17%) and oppose this belief (16%).

As for the respondents' perception of Islamic products and services being different from those of conventional banks, the mean is 3.53 and the standard deviation is 0.968, showing a positive perception. However, despite this fact, there are some neutral responses (27%) and negative opinions (15%). This indicates that some respondents are doubtful about the Islamic nature of the products and a lack of awareness of the real difference between the products offered by Islamic and conventional banks.

The results about assessing Islamic banks' competitiveness in terms of prices show a mean of 3.06 and a standard deviation of 1,161. This demonstrates that respondents do not see that Islamic banks offer products and services at a price competitive with conventional banks. Indeed, 32% of the respondents had a negative evaluation and believe that Islamic banking prices are too high and 32% were neutral. This implies that the services and products given by Islamic banks are expensive. As for Islamic banks' competitiveness in terms of returns, the mean is 2.89 and the standard deviation is 0.908. Indeed, 30% of the sample had a negative perception, and 50% are neutral. This means that most respondents believe that their deposits are not profitable enough.

✓ **Users' and Non-users' perception of Islamic banks**

The table (5) provides the result of the test "Mann-Whitney" which helps to determine whether the mean of perception are significantly different between users and non-users of Islamic banks services.

Table 5: "Mann-Whitney" Test of the difference between users' and non-users' perceptions of Islamic banks' compliance with Sharia standards

Statements	Mean Ranks		Mann-Whitney Test	Z-score	Sig.
	Non-users (60)	Users (40)			
The Islamic bank complies with Sharia standards	46,78	56,09	976,5	-1,627	0,104
The Islamic bank charges no interest	48,45	53,58	1077	-0,895	0,371
Financial transactions are clear and transparent	48,42	53,63	1075	-0,935	0,350
The Islamic bank operates according to the profit and losses sharing principle	51,54	48,94	1137,5	-0,465	0,642
The Islamic bank does not invest in prohibited activities	47,85	54,48	1041	-1,21	0,229

As reported in the Table, the "Mann-Whitney" test is not significant as it is greater than the 5% level. Therefore, there are no significant differences between the clients and non-clients in their perceptions and assessment of Islamic banks' compliance with Sharia. However, table 5 also reveals that the mean ranks for the first category (users) are greater than the mean ranks of the second category (non-users) except for the mean of the "profits and losses sharing" principle, which was lower. This indicates that users and non-users have differences in perception of Islamic banks' commitment to this principle, although the test is not significant. Indeed, it seems that users are less convinced than non-users about Islamic banks' compliance with the principle of sharing profits and losses.

Table 6: "Mann-Whitney" test of the difference between users' and non-users' perceptions of Islamic banks' competitiveness

Statements	Mean Ranks		Mann-Whitney" Test	Z-score	Sig.
	Non-users (60)	Users (40)			
The employees know about Islamic finance	51,48	49,04	1141,5	-0,426	0,67
Islamic banks are able to compete with conventional banks	46,77	56,1	976	-1,655	0,098
The products and services of Islamic banks are different from those of conventional banks	48,48	53,53	1079	-0,905	0,366
The products and services of Islamic banks cost less	58,42	38,63	725	-3,447	0,001
Returns of Islamic banks are higher than those of conventional banks	51,85	48,48	1119	-0,615	0,538

As reported in Table (6), the "Mann-Whitney" test is not significant for the four statements as the significance is greater than the 5% level. The results indicate no significant differences between the users and non-users in their perception of Islamic banks' competitiveness. As for the respondents' perception of the price of products and services, significance was below 1% level ($p < 0,05$), pointing to significant differences between the users and non-users. The results also show that the mean for the users ($M = 38,63$) is less than that of non-users ($M = 58,42$), suggesting that clients had a negative assessment of prices compared to non-clients. Therefore, it is clear that the clients of Islamic banks compared to non-clients perceive Islamic banks services and products more expensive with those of conventional banks.

3. Discussion of results and recommendations

The results show a limited knowledge about Islamic banking for both clients and non-clients. Indeed, most respondents know about the existence of Islamic banks in Tunisia. However, their knowledge of the principles and concepts of Islamic banking and the distinction amongst Islamic and conventional banks is limited. Moreover, familiarity with Islamic finance instruments is constrained. Islamic financing instruments like Bay' Ajil, Bay' Salem and Istisna'a are unknown to most respondents (more than 60% of the sample). Moreover, knowledge about Murabaha, Ijara and Mudharaba is also limited. This result is consistent with the findings of Metawa and Almoussawi

(1998), Haron et al (1994), Okumus, (2005), Khattak and Rahman (2010), Awan and Bukhari (2011) regarding customers' unfamiliarity with Islamic financing instruments. This unfamiliarity with and poor knowledge of the characteristics of Islamic banking would lead to a low client turnout as indicated by many studies (Nasser et al, 1999; Okumus, 2005; Khattak and Rahman, 2010; Wahyouni, 2012; Sayani and Miniaoui, 2014).

These results lead us to presume that Islamic banks did not make enough efforts to advance knowledge of and raise awareness about their specificities in order to stimulate the public to use Islamic banking products and services. Therefore, it is recommended that Islamic bank' managers intensify awareness campaigns and disseminate information about the specificities of Islamic banking services and products and compare them with those of conventional banks, using all potential and available media channels such as TV, radio, posters and newspaper ads in addition to interactive media like the Internet. Campaigns should be exhaustive and informative, able to clarify the features and advantages of the use of Islamic products and services.

Despite a positive perception of Islamic banking in general, the sample' opinion about Islamic banks' compliance with Sharia turns around uncertainty and skepticism of some respondents. This is especially noticeable in the respondents' perception of transparency of transactions, their perception of Islamic banks' adoption of the profit and loss sharing principle and the interest-free mechanism. This leads us to infer that Islamic banks did not manage to earn enough their customers' trust, which may hamper transforming existing clients to adopters of their services and it may hinder attracting new clients as well. Previous studies have pointed to Islamic Banks' compliance with Sharia as one of the important factors behind choosing Islamic banks (Metawa and Almoussawi, 1998; Sayani and Miniaoui, 2013; Bizri, 2014) and one of the factors behind customer satisfaction, which in turn influences their loyalty to the Bank (Lee and Ullah, 2011). Therefore, Islamic banks should work to strengthen their image and good reputation by making their compliance with Sharia standards explicit in order to win their customers' trust.

The respondents' opinions and perceptions of the competitiveness of Islamic banks show also that some are skeptical about the efficiency of Islamic banks' employees and their ability to reply to their inquiries and their ability to convince them about compliance with Sharia standards. Moreover, there is a lack of awareness about how Islamic banks differ from conventional banks and a negative perception of Islamic banks' competitiveness on financing price and savings returns.

The results showed that numerous respondents have some reservation and are doubtful about the real differences between Islamic and conventional banking services and products. This result is consistent with that of Masood et al (2014) who found that customers do not see the fundamental difference between Islamic and conventional banks. The fact that Islamic banks do not inform their clients about where their savings and deposits are invested and the type of investment and profits they make, leads the client to perceive them as not different from conventional banks. Therefore, Islamic banks need to develop different strategies which focus on clarifying differences between their offer and those of conventional banks. These different strategies must focus on the objectives of morality, religion and social welfare underlying the practice of Islamic banks as these are vital to gain client trust and satisfaction.

The results also showed a negative perception of Islamic banks' capacity to compete with conventional banks regarding funding prices and savings returns. This would make the public reluctant to opt for Islamic financing because of the costs they would incur, and discouraged to deposit their savings with Islamic banks. These findings are consistent with those of Awan and Bukhari (2011) who found that customers perceive Islamic banks as unable to provide financing options competitive with those given by conventional banks and unable to offer higher returns. These latter are important in the bank selection process as several studies found that Islamic banking customers choose the available services and products not only because they comply with Sharia standards, but also because they are less costly and more profitable (Haron et al, 1994; Metawa and Almoussawi, 1998; Mansour et al, 2010; Awan and Boukhari, 2011, etc.). The results showed that clients, unlike non-clients, perceive Islamic financing costs negatively, and this would refrain them from opting for it. Therefore, in order to motivate customers to use Islamic banking services and products, Islamic banks should place offers competitive in terms of profitability with those offered by conventional banks.

The results also demonstrate that some respondents were doubtful about and negative towards Islamic banks' staff efficiency, which is consistent with the findings of Awan and Bukhari (2011) and Masood et al, (2014) who found that customers perceive Islamic banks' employees unable to provide reliable information about the bank's compliance with Sharia standards. This negative assessment relates to the fact that most Islamic banks' employees come from conventional banks, and therefore they are mainly qualified in the conventional banking business and they lack the skills needed to operate within an Islamic banking context. Indeed, Islamic banks' employees ought to follow a special training on Islamic banking to be able to explain the underlying Islamic principles and therefore manage to make clients more satisfied with and trustful of the Bank's compliance with Sharia. The

important role played by employees, and especially customer service staff, in promoting Islamic products, may call for Islamic banks to organize courses and training for their employees. Training customer service personnel is a priority because of their responsibility for promoting these products. Customer service personnel need to be endowed with the fundamental skills, which are not quite the same as those needed to advertise conventional banking products. They ought to be knowledgeable enough about Sharia standards and Islamic banking so that they can promote these principles and convince customers in a better way.

Conclusion

This study is made to identify the awareness and the perception of Islamic banks' compliance with Sharia and the perception of Islamic banks' competitiveness. Though its exploratory nature, the study pointed to the challenges facing Islamic banks to retain current clients and to attract new ones and then to win a place in the Tunisian financial sector. The first of these challenges is raising customers' knowledge in order to reduce the lack of understanding of Islamic finance and encourage them to use Islamic banking services and products. The second challenge is being trustful and persuades customers that Islamic banks are committed to complying with Sharia standards. The third challenge is being competitive with conventional banks by reducing financing price and raising the returns on savings.

The results might help Islamic banks have an insight into Tunisian customers' knowledge and perception of Islamic banking and help them devise the relevant marketing strategies that might persuade customers to adopt Islamic banking. However, this study is not without limitations. The exploratory nature of the research and the small sample size made the generalization to the entire Tunisian society inadequate. Therefore, future research should examine a larger sample to reach a more accurate conclusion. Examining in depth the impact of knowledge and perception on adopting Islamic banks by adopting an explicative analysis is likewise recommended.

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