

ABSTRACT

This thesis investigates the effect of IFL on AIB services from a multiple mediation perspective in Pakistan. Despite being an Islamic country, Islamic banking services are still not frequently used in Pakistan., which calls for the investigation of the factors that hinder its adoption. The study aims to explore the effect of IFL on the adoption of Islamic banking services and to analyze the mediating effect of Religiosity towards Islamic banking, SN, and PBC in this relationship. The methodology of research involves quantitative analysis, and data were collected from 440 participants in Hyderabad City, Pakistan, using a questionnaire survey. The questionnaire was adopted from different research papers. Questions for Islamic banking and financial services knowledge were adopted from (beh & kit, 2022) & (Z & Mehmood, B, 2018). For Religiosity, questions were taken from the study of (Ahmad & Abu Bakar, 2019). Questions for Social Norms were adopted from the research papers of (Bananula & Kasera, 2019)and (Fauzi & Suhartanto, 2022). Perceived behavioral control and Adoption of Islamic banking questions were taken from the study of (Noonari, 2015). The SPSS software was used to analyze collected data, including descriptive statistics, correlation analysis, and regression analysis, to investigate the relationships among independent, mediating, and dependent variables to examine the hypotheses. The findings revealed that there is a significant direct relationship between IFL and SN on the adoption of the Islamic banking system. Moreover, there is no direct relationship between IFL and PBC, SN and AIB, PBC, and AIB, and R and IFL on the adoption of the Islamic banking system. The findings showed that social norms did have a major impact on the adoption of the Islamic banking system ($p=.013$) and that there was a significant direct relationship between perceived behavioral control and Islamic financial literacy ($p=.049$). However, the study found no direct relationship between religiosity and the AIB system ($p=.112$) and between social norms and IFL ($p=.001$). The findings of this study are in line with previous ones that have investigated the determinants of the adoption of the Islamic banking system. However, some studies have reported mixed findings regarding the impact of SN and PBC on the adoption of the IB system. By providing empirical findings, the current study reinforces the existing

body of literature on the relationship between IFL, SN, PBC, and R, and the adoption of the Islamic banking system in the context of Hyderabad. The study adds to the body of knowledge on Islamic banking and financial literacy by presenting clear indications of the significance of Islamic financial literacy in the adoption of Islamic banking services in Pakistan. The study also highlights the mediating roles of Religiosity towards Islamic banking, social norms, and perceived behavior control in influencing the relationship between Islamic financial literacy and the adoption of Islamic banking services. The results of this study have effective policy implications, for financial institutions, and marketers in developing effective strategies to promote IFL and increase the AIB services in Pakistan. The study recommends future research to explore other factors that could affect the use of Islamic banking services in Hyderabad.

Keywords: Islamic financial literacy, Islamic banking services, adoption of the Islamic banking system, multiple mediation perspectives, social norms, and perceived behavior control.