

# Driving Adoption of Islamic Wealth Accumulation Products: The Impact of Financial Literacy, Information Technology, Cost and Benefit among Corporate Customers In Pakistan

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## ABSTRACTS

This research aims to assess the influence of Islamic financial literacy, information technology and intentions to adopt Islamic wealth accumulation products, and the moderating effect of cost and benefit on the relationship between Islamic financial literacy, information technology and intentions to adopt Islamic wealth accumulation products. The data was collected from 395 corporate customers in major cities of Pakistan. The research employed a quantitative approach and analysed the data using structural equation modelling through SmartPLS. The outcomes of the research indicate that Islamic financial literacy and information technology have a significant positive effect on the adoption of Islamic wealth accumulation products. The study also found that cost and benefit play a significant moderating role in the relationship between the Islamic financial literacy, information technology and intentions to adopt Islamic wealth accumulation products. Based on the findings, it is recommended that financial institutions should focus on increasing Islamic financial literacy and providing advanced information technology to corporate customers to boost their intentions to adopt Islamic wealth accumulation products. Furthermore, the research emphasizes the need to consider the perceived cost and benefit of the product when designing effective marketing strategies to promote the adoption of Islamic wealth accumulation products. The outcomes of this research can assist financial institutions in comprehending the factors that impact the adoption of Islamic wealth accumulation products among corporate customers in Pakistan and developing effective marketing strategies to encourage their adoption.

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## INTRODUCTION

The Islamic finance industry has seen significant growth in recent years, both in Pakistan and globally. However, despite the availability of a wide range of Islamic financial products, the adoption of these products by corporate customers in Pakistan remains low. According to data from the State Bank of Pakistan (2021), the availability of Islamic wealth accumulation products has increased in recent years, with a growing number of financial institutions offering Shariah-compliant investment options for corporate customers. However, despite this increase in availability, the adoption of these products remains low. As of March 2021, Islamic finance accounted for less than 15% of total banking sector assets in Pakistan, indicating a relatively low level of uptake among corporate customers (State Bank of Pakistan, 2021).

One possible explanation for this low adoption rate is the lack of financial literacy among corporate customers, who may not fully understand the benefits and risks associated with Islamic wealth accumulation products. According to a survey conducted by the World Bank (2020), more than half of Pakistani adults lack basic financial literacy, which could hinder their ability to make informed decisions about investments in Islamic finance. In addition, the lack of information technology infrastructure may be another impediment to the adoption of Islamic wealth accumulation products. Despite the growing popularity of Islamic finance, many customers in Pakistan lack the necessary knowledge and understanding of Islamic financial concepts (Alam et al., 2021). This lack of financial literacy not only affects customers' ability to make informed investment decisions but also undermines the growth and development of the Islamic finance industry in Pakistan.

A study by Ahmad and Cheema (2021) found that many businesses in Pakistan lack the necessary digital resources to manage and track investments in Shariah-compliant products, which may deter them from using these products altogether. Pakistan still relies on traditional manual processes for investment management (Akhtar et al., 2020). This lack of digital resources has been identified as a major obstacle to the growth of Islamic finance in Pakistan (Khan et al., 2021). The low adoption of Islamic wealth accumulation products by corporate customers in Pakistan is a major concern, as statistical data shows that only a small percentage of businesses have incorporated these products into their financial portfolios (SBP, 2021). In addition to that, perceived cost and benefit has been also found to be a significant factor that act as an impediment to adopt Islamic wealth accumulation products. Muhammad et al. (2021) reported perceived benefits and costs as a significant moderator that can influence intentions. Similarly, Mirza and Zia (2021), Siddiquei and Mohammad (2021) reported perceived costs as a barrier to the adoption of Islamic banking products.

By addressing issues related to financial literacy and information technology infrastructure, policymakers and financial institutions can work to promote greater adoption of Islamic wealth accumulation products by corporate customers in Pakistan. This, in turn, can support the growth and development of the Islamic finance industry, and help to ensure that businesses have access to a diverse range of financial products and services that meet their needs. This paper aims to assess the role of Islamic financial literacy and information technology in shaping intentions to adopt Islamic wealth accumulation products. In addition, moderating role of cost and benefit on the relationship between Islamic financial literacy, information technology and intentions to adopt Islamic wealth accumulation products in Pakistan.

## **ISLAMIC FINANCIAL LITERACY**

Islamic financial literacy has been identified as a critical factor in shaping consumers' intentions to adopt Islamic wealth accumulation products. According to Al-Muharrami and Matthews (2019), financial literacy has a significant impact on the adoption of Islamic banking products. Furthermore, Kamran and Abideen (2017) argue that financial literacy enhances consumers' understanding of Islamic finance principles and products, leading to increased adoption rates. Another study conducted by Azmi, Zainol, and Adnan (2020) found that financial literacy has a positive influence on consumers' trust in Islamic financial institutions, which ultimately leads to higher adoption rates of Islamic wealth accumulation products.

Several studies have examined the relationship between Islamic financial literacy and the adoption of Islamic financial products. For instance, Abdullah et al. (2019) found that individuals with higher levels of Islamic financial literacy were more likely to adopt Islamic financial products. Similarly, Ahmed et al. (2020) reported that Islamic financial literacy positively influenced individuals' intentions to adopt Islamic wealth management products. In

another study, Abdul Rahman et al. (2021) found that Islamic financial literacy significantly influenced individuals' attitudes and intentions to use Islamic financial products. These studies highlight the importance of enhancing Islamic financial literacy to promote the adoption of Islamic wealth accumulation products among individuals. Based on the review of the literature, it can be asserted that Islamic financial literacy can significantly promote adoption of Islamic wealth accumulation product among the corporate customers in Pakistan. The following hypothesis has been proposed to represent the relationship:

Hypothesis1: Islamic financial literacy will have significant influence on Intentions to adopt Islamic wealth accumulation products

### **Information Technology**

Research on the relationship between information technology and consumers' intentions to adopt Islamic wealth accumulation products has gained increasing attention in recent years. Several studies have examined the effect of various aspects of information technology consumers' intentions to adopt these products. For instance, Abdullah et al. (2018) found that perceived ease of use and perceived usefulness of online Islamic wealth management platforms positively influence consumers' intentions to adopt these platforms. Similarly, Hussain and Siddiqui (2019) found that trust in technology positively affects consumers' intentions to use Islamic banking services.

Akhtar and Hasan (2020) investigated the impact of technology on the adoption of Islamic banking services in Pakistan and reported that technology has a significant impact on the adoption of Islamic banking services, including wealth accumulation products. Khan et al. (2021) documented that the perceived usefulness and ease of use of technology significantly influence the adoption of Islamic wealth accumulation products. Sadiq et al. (2022) found that the availability and reliability of information technology significantly influence the customer's intention to use Islamic wealth accumulation products.

On the other hand, some studies have suggested that lack of trust in technology and concerns about information security and privacy could hinder consumers' intentions to adopt Islamic wealth accumulation products. For example, Hussain and Rehman (2019) found that concerns about information security and privacy negatively affect consumers' intentions to use Islamic banking services. Overall, the literature suggests that information technology plays a crucial role in shaping consumers' intentions to adopt Islamic wealth accumulation products. Based on the review, the following hypothesis has been proposed:

Hypothesis2: Information technology will have significant influence on Intentions to adopt Islamic wealth accumulation products

### **Cost and Benefit**

Hsu, Huang, and Wu (2020) examined the effects of perceived costs and benefits on the adoption of green products. They found that the perceived benefits of green products, such as their positive impact on the environment and personal health, positively influenced intentions to adopt, while perceived costs, such as higher prices and inconvenience, negatively affected intentions to adopt. Similarly, in a study by Jiang, Yang, and Wang (2021), perceived benefits were found to positively influence intentions to adopt mobile payment services, while perceived costs negatively influenced intentions to adopt.

Saleem, Ziauddin, and Saif (2021) investigated the impact of perceived benefits and costs on individuals' intentions to use Islamic banking products. The study found that perceived benefits, such as halal status and ethical considerations, positively influenced intentions to use Islamic banking products, while perceived costs, such as limited availability and higher

fees, negatively affected intentions to use. Another study by Tafesse and Firdawoos (2022) explored the impact of perceived benefits and costs on individuals' intentions to adopt Takaful insurance products. The study found that perceived benefits positively influenced intentions to adopt Takaful insurance products, while perceived costs, such as complexity and high fees, negatively affected intentions to adopt.

Furthermore, Siddiquei and Mohammad (2021) examined the influence of perceived benefits and costs on the intentions of individuals to use Islamic banking products in Bangladesh. The study found that perceived benefits and perceived costs moderated the relationship. In addition, another study by Barakat et al. (2019) also found perceived cost and benefit as an important determinants of adoption. Based on the mentioned literature, it can be asserted that cost and benefit is a significant factor that moderate the relationship between Islamic financial literacy, information technology and intentions to adopt Islamic wealth accumulation products. The following hypotheses have been proposed.

Hypothesis 3: Cost and benefit moderates the relationship between Islamic financial literacy and Intentions to adopt Islamic wealth accumulation products.

Hypothesis 4: Cost and benefit moderates the relationship between Information technology and Intentions to adopt Islamic wealth accumulation products.

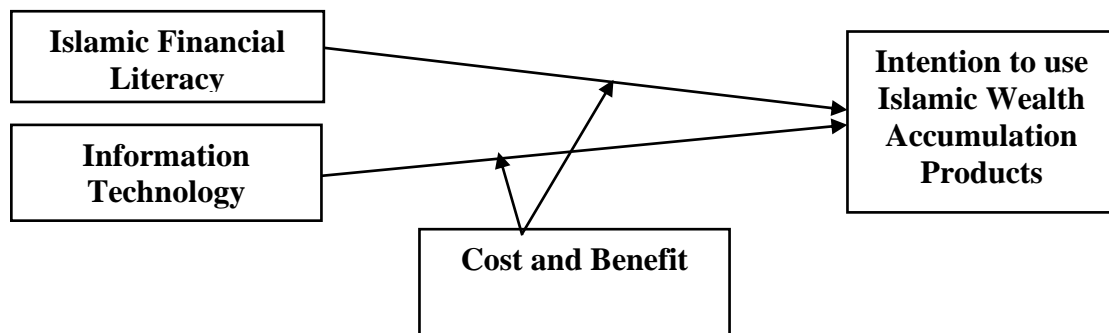


Figure 1  
Proposed research framework

## METHODOLOGY AND RESEARCH DESIGN

Figure 1 present the theoretical farmwork of current research. This study will employ a quantitative research design using a questionnaire as the primary data collection tool. The questionnaire will be distributed among the corporate customer. The collected data was analysed using the statistical software packages SPSS and SmartPLS. The use of a quantitative research design and a questionnaire as the data collection tool using SPSS for data analysis, is a valid and reliable approach (Arshad et al., 2020; Imran et al., 2022) to investigating the factors affecting the adoption of Islamic wealth accumulation products by corporate customers in Pakistan. Moreover, in SEM-PLS the Henseler, Ringle and Sinkovics (2009) proposed a two-step (measurement model and structural model) method to evaluate and report the generated results.

## DATA ANALYSIS

The data analysis was done using SPSS and SmartPLS. Data was assessed for the missing values and outliers. After replacing missing values and removing outliers, data was further

processed. In the measurement model, composite reliability. Following the two-step approach suggested by Henseler et al (2009). A measurement model was first executed to evaluate the reliability and validity of the constructs. Once the construct reliability was established, the structural model was utilized to test the proposed hypotheses. Items with lower factor loadings were removed. The Fornell and Larcker (1981) criterion was employed to assess the construct reliability and validity, whereby a composite reliability value of 0.70 or higher indicates acceptable construct validity. Additionally, the constructs were deemed to have acceptable construct validity if the Average Variance Extracted (AVE) value is 0.50 or higher. The constructs used in the results of the measurement model demonstrated an acceptable level of reliability and convergent validity as indicated in Table 1.

Table 1: Reliability and Validity

Items	Factor Loadings	CR	AVE
Cost and Benefit			
CNB1	0.798	0.915	0.730
CNB2	0.896		
CNB3	0.839		
CNB4	0.882		
Intentions to adopt Islamic wealth accumulation products			
IAIW1	0.728	0.886	0.613
IAIW2	0.850		
IAIW3	0.873		
IAIW4	0.815		
IAIW5	0.621		
Islamic Financial Literacy			
IFL1	0.611	0.938	0.505
IFL10	0.771		
IFL11	0.564		
IFL12	0.664		
IFL13	0.598		
IFL15	0.626		
IFL16	0.753		
IFL17	0.779		
IFL2	0.789		
IFL3	0.763		
IFL4	0.777		
IFL5	0.783		
IFL6	0.746		
IFL8	0.640		
IFL9	0.732		
Information Technology			
IT10	0.686	0.877	0.507
IT2	0.733		
IT4	0.747		
IT5	0.770		
IT6	0.730		
IT7	0.699		
IT9	0.607		

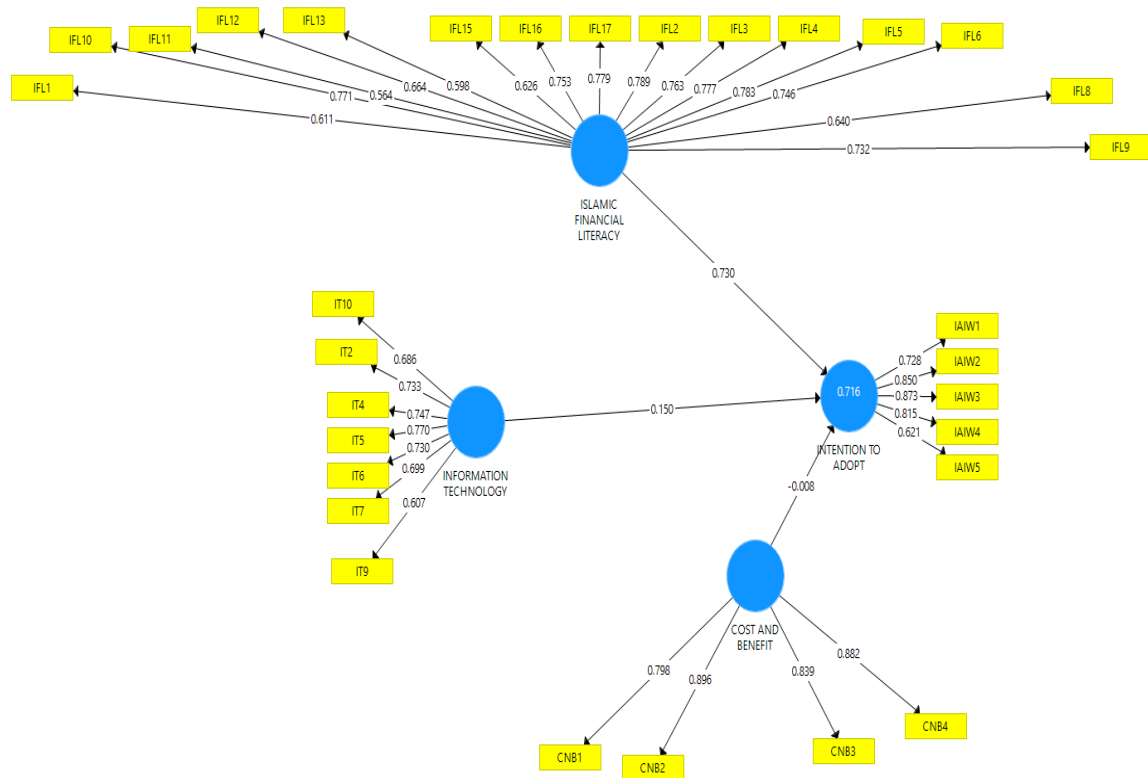


Figure 2  
Measurement Model

In the subsequent phase of the research, a discriminant validity (DV) analysis was conducted to ensure the constructs utilized in the model are different from other. This analysis compared the correlations among constructs with the square root of the average variance extracted (AVE). Discriminant validity is confirmed, if the square root of AVE exceeded the correlation value in both row and column. As demonstrated in Table 2, the square roots of AVE in the rows and columns were higher than the correlations, indicating the distinctiveness of the constructs.

Table 2: Discriminant Validity

Constructs	Cost and Benefit	Information Technology	Intention To Adopt	Islamic Financial Literacy
Cost and Benefit	<b>0.854</b>			
Information Technology	0.317	<b>0.712</b>		
Intention to Adopt	0.355	0.701	<b>0.783</b>	
Islamic Financial Literacy	0.433	0.757	0.841	<b>0.711</b>

**Note:** Value on the diagonal (bold) represents the square root of AVE and while off the diagonals are correlation

The results indicate that there is significant influence on Islamic financial literacy on intentions to adopt Islamic wealth accumulation products ( $H_1: \beta=0.202, p<0.01$ ). The results are aligned with previous literature where Al-Muharrami and Matthews (2019), Kamran and Abideen (2017) and Azmi, Zainol, and Adnan (2020) reported a significant influence of Islamic financial literacy. The promotion of Islamic financial literacy can take many forms,

such as training programs, seminars, and workshops. These initiatives can help corporate customers in Pakistan better understand the principles of Islamic finance, the various Islamic wealth accumulation products available, and their potential benefits. As a result, corporate customers can make more informed decisions about their financial investments and increase their intention to adopt Islamic wealth accumulation products.

Moreover, information technology has a significant influence on intentions to adopt Islamic wealth accumulation products in Pakistan ( $H_2$ :  $\beta=0.129$ ,  $p<0.05$ ). The findings are supported by Abdullah et al. (2018) and Hussain and Siddiqui (2019), where information technology is reported as a significant factor that influence intentions. Information technology can enhance the intention to adopt Islamic wealth accumulation products is by developing user-friendly digital platforms. Corporate customers can access information on products, their features, and benefits through online channels, which can improve their understanding of the products. Digital platforms can also facilitate transactions, enabling corporate customers to purchase products and make payments online. Information technology can facilitate communication between corporate customers and financial advisors, allowing for a more tailored approach to meet their needs. Personalized communication can also provide customers with real-time updates on the performance of their investments, which can increase their trust and satisfaction with the products

Table 5: Hypothesis Testing

Hypothesis	Relationship	$\beta$	t-value	p	Decision
H1	Islamic Financial Literacy $\longrightarrow$ Intention to Adopt	0.753	13.574	0.000	Supported
H2	Information Technology $\longrightarrow$ Intention to Adopt	0.129	2.153	0.031	Supported
H3	Islamic Financial Literacy* Cost and Benefit $\longrightarrow$ Intentions to Adopt	0.149	2.780	0.005	Supported
H4	Information Technology * Cost and Benefit $\longrightarrow$ Intentions to Adopt	0.145	2.428	0.015	Supported

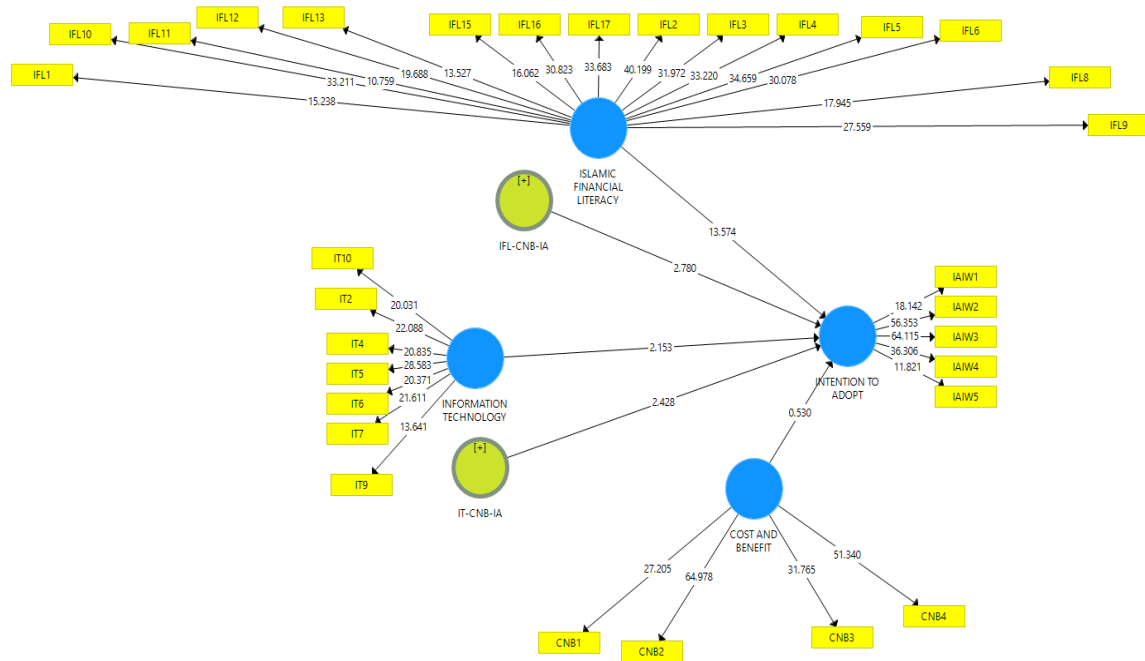


Figure 3: Structural Model

In addition to direct effect, cost and benefit moderates the relationship between Islamic financial literacy and intentions to adopt Islamic wealth accumulation products (**H<sub>3</sub>**:  $\beta=0.149$ ,  $p<0.01$ ). Moreover, Cost and benefit also moderate the relationship between information technology and intentions to adopt Islamic wealth accumulation products in Pakistan (**H<sub>4</sub>**:  $\beta=0.145$ ,  $p<0.01$ ). The results are aligned with previous research studies such as Hsu, Huang, and Wu (2020) and Tafesse and Firdawoos (2022), where cost and benefit is reported as a significant variable that influence adoption (Al-Momani, Mahmoud and Sharifuddin, 2016). Barakat et al. (2019) also reported cost and benefit are important determinants of adoption. Cost and benefit analysis is a crucial aspect that helps individuals and businesses evaluate the feasibility of investing in a particular financial product. The cost of Islamic wealth accumulation products may include management fees, account opening charges, and other transaction costs. These costs can influence corporate customers' intentions to adopt such products, as they may consider them to be expensive and not worth the investment. Therefore, financial institutions offering these products need to communicate the cost and benefits of the product, such as higher returns, lower risks, and the alignment of the investment with Islamic principles.

## CONCLUSION

Based on the findings it can be suggested that Islamic financial literacy and information technology found to be a significant influence on intentions to adopt Islamic wealth accumulation products. In addition, cost and benefit play a significant role in making decision to adopt Islamic wealth accumulation products. Addressing the issues of low intentions is critical and important to promote greater adoption of Islamic wealth accumulation products by corporate customers in Pakistan. This may involve targeted efforts to improve financial literacy, as well as investments in information technology infrastructure to improve accessibility and transparency for customers seeking to invest in these products. It is



suggested that Islamic banks must invest in increasing customer Islamic financial literacy and information technology and provide reliable and accessible online platforms to attract customers. In addition, cost and benefit of Islamic wealth accumulation product found to be significant moderator. Islamic financial institutions need to adjust the cost of the product offerings and provide more benefits to the customer as compared to the conventional products. In this way, the adoption of Islamic wealth accumulation products can be enhanced.

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