

Tawarruq as an alternative product for bai al-inah within the Islamic banking system: A case study of Somali Islamic banks



 Galad Mohamed Barre^{1,2,3}

¹Faculty of Management Science, SIMAD University, Mogadishu, Somalia.

²Garaad Institute for Social Research and Development Studies, Mogadishu, Somalia.

³Faculty of Business and Economics, Somali International University, Somalia.

^{1,2,3}Email: daacad7545@gmail.com



ABSTRACT

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The problem of liquidity raises a lot of questions regarding the products and services that Islamic banks offer to their customers. The purpose of this paper is to examine the applicability of tawarruq as a cash financing instrument and the possibility of using tawarruq as an alternative to bai al-inah in Somalia. This study focuses on awareness, the need for tawarruq, comparability, behavioral intention to use tawarruq, the relative benefit of tawarruq, and the function of Shariah scholars in determining whether tawarruq is acceptable in Somalia. This study adopted a quantitative research method by using descriptive analysis. A self-administered questionnaire was distributed to 150 customers of Islamic banks in Mogadishu, Somalia. Convenience sampling was used to select the respondents and data was analyzed by employing Statistical Package for the Social Sciences (SPSS) 23. It was found that the customers of Islamic banks in Somalia would like to see banks offering tawarruq as a product. The study shows new evidence that the majority of the respondents agreed or strongly agreed with all variables. It was also found that tawarruq is very attractive to the respondents compared to other Islamic banking products that banks offer. The findings of this study will help Islamic financial institutions in Somalia by showing the positive aspects of utilizing tawarruq as a method of cash financing. This survey contributes to the literature by enhancing the awareness of tawarruq in Somalia. The study also shows the demand for tawarruq among customers of Islamic banks for cash financing purposes in Somalia.

Contribution/Originality: This study is the first attempt to examine the prospect of tawarruq as a cash financing method and the best alternative product of bai al-inah as a cash financing product in Somalia. This research offers a valuable contribution to the field concerning Somali banks.

1. BACKGROUND AND OBJECTIVES OF THE STUDY

Since its introduction to the financial scene in the 1970s, Islamic banking has grown in popularity and is currently one of the major players in the banking services industry. It has seen significant and consistent growth in recent years, with an astounding yearly growth rate of 15%–20% (Obeid & Kaabachi, 2016).

Although the concept of Islamic banking is not new to the global economy, it has recently become a global phenomenon and a fast-growing industry in the financial services sector. The facts indicate that there is a history of Islamic banking, as well as its laws and methods of conducting business, despite the efforts of western economists to exhibit Islamic finance as a part of a conventional financial structure. It is important to keep in mind that Islamic banking is sometimes viewed as an interest-free business model because “Allah has allowed trade and has prohibited

riba" (*surah Al-Baqarah: 257*) (Hanić, 2016). Although Islamic banking models and instruments date back to 1970, not all of their products—including the relatively recent tawarruq—have reached their full potential. Saudi Arabia began to use tawarruq in 2000 and it then spread to other nations. Some Muslim nations, such as Somalia, have yet to adopt it, although it is necessary as a form of cash financing because some of nations struggle with a lack of goods for such purposes.

Historically, before the central government of Somalia fell apart in 1991, there were no privately held commercial banks there. Instead, all banks were owned and run by the government of Somalia, which believed that socialism was the greatest economic structure for the country (Iman et al., 2012). The Somali Savings and Credit Bank and the Somali Commercial Bank were Somalia's two public commercial banks (Jibril, 2020). Additionally, these two banks managed loans and other funding sources, with restricted access for normal citizens. Somalia has ten Islamic banks and two Takaful insurance businesses (<http://www.somalbanca.org>). Among the supervised financial institutions are Dahabshiil Bank International, Salam Somali Bank, International Bank of Somalia, Trust African Banks, Premier Bank, and Amal Bank (Jibril, 2020).

During the last two decades, the Islamic banks in Somalia have experienced growth and expansion in both the financial sector and in Somalia, and banks in particular have experienced great success despite the absence of strict government regulations in the banking industry (Abdullahi et al., 2019; Jibril, 2020; Khadar & Jama, 2016). Despite great advancements, Islamic banks still do not provide the fundamental services required for the expansion of the Somali economy and society (Jibril, 2020; Khadar & Jama, 2016). Somalia is located in the horn of Africa and has a population of over 18 million that is 100% Sunni Muslim (Department of State, 2020). However, despite being a 100% Muslim country, Somalia was relatively slow to introduce Islamic banking products. It was almost 15 years ago when modern Islamic financial institutions were established in Somalia, However, many of the products that are offered by numerous Islamic banks worldwide have not yet been introduced in Somalia (Mohamed, Isak, & Roble, 2019).

Islamic banks are still relatively new in Somalia and have a small amount of funding, and Islamic banks in Somalia in particular have liquidity issues (Jibril, 2020; Musse, Rashid, & Zainol, 2019). There is no method for a consumer to obtain the cash they require from a bank in Somalia since the financial sector has only recently established itself and lacks adequate liquidity management. Customers of Somalia's Islamic banks have access to Murabaha, which can be used to purchase goods such as real estate, cars, and other tangible goods. However, customers are not always looking to purchase an asset or a commodity; instead, they are looking to obtain cash for a variety of uses, including weddings, education, businesses, and personal use. Therefore, Somali Islamic banks must create new products, such as Tawarruq, that allow customers to get the cash they require. Tawarruq is one of the Shariah-compliant contracts that is regularly used by Islamic banking institutions throughout the world, particularly when it comes to making it easier for consumers to obtain funds. Tawarruq is not practiced in Somalia since the country's Islamic financial sector is still developing. As one of several products, tawarruq is not performed in Somalia for many reasons, including a lack of human resources, a lack of awareness, and potential Shariah issues (Jibril, 2020; Musse et al., 2019). To evaluate the tawarruq contract's overall applications in Somalia for cash financing, this study focuses on some different variables, including level of awareness, the need for tawarruq, compatibility, relative advantage, behavioral intention to use it, and the role of Shariah scholars (Amin, Abdul-Rahman, Ramayah, Supinah, & Mohd-Aris, 2014; Faisal, Akhtar, and Rehman, 2014; Jansson, 2011; Obeid & Kaabachi, 2016). These factors were also used in previous studies (Amin & Hamid, 2018; Haron, Subar, & Ibrahim, 2020; Obeid & Kaabachi, 2016).

2. THEORY OF ISLAMIC CONSUMER BEHAVIOR (TICB)

To comprehend why a consumer might choose tawarruq cash financing, the TICB is used as a foundational theory in this study. This theory can be broadly described as a body of concepts designed to explain a situation, a

context, and a perspective. The TICB theory describes standards and principles that, among other things, clarify facts and events. Its basis and inspiration are Islamic world views derived from the Quran and Hadith. Concepts for Islamic consumer theories can be derived from (Kahf, 1978), who analyzed the consumption theory in light of Islamic principles. The same is true for Islamic consumer behavior, which can be drawn from Naqvi (1981). Unlike Kahf (1978), Naqvi (1981) introduced three key aspects of Islamic consumerism to explain consumer theory. The first is that Muslim consumers can only consume halal goods. Second, a Muslim consumer does not have an insatiable need for every good. Third, the consumption of one good implies the consumption of other goods. Muslims must practice moderation to maximize their resources due to their limited income and religious freedom.

3. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Tawarruq is the most utilized product in the Islamic banking and finance sector, particularly in the Gulf Cooperation Council (GCC) countries, and is a funding mechanism that is subject to discussion among scholars of Muslims and academicians (Abdillah, Rabi, & Firli, 2020; Ahmad & Shihama, 2017a; Iman et al., 2012; Roslan, 2020). According to Ahmad and Shihama (2017b), tawarruq is a Shariah-compliant mode used for cash-based financial products because the mechanism's goal is to provide cash liquidity (Ahmad & Shihama, 2017a). Since most traditional banking services, such as deposits, loans, bonds, and money market products, are compatible with the concept, many of its services are also compatible. As a replacement for bai al-inah, which was initially utilized as a contract to handle liquidity difficulties among market players, this kind of cash-based instrument, which is well known in the Gulf Region, has recently grown in popularity in Malaysia (Roslan, 2020).

In a tawarruq, a person buys a product with a deferred payment and later sells it to someone other than the person from whom it was purchased for a lump sum of cash. Usually, it describes a transaction in which an Islamic bank sells a commodity to a customer on a delayed payment basis at cost plus profit, and the customer then sells the commodity on a spot basis to a third party for cash (Yuhanis & Ismon, 2018). Therefore, the product's goal is to obtain bank cash.

There are two types of tawarruq: organized tawarruq and classical tawarruq. The traditional definition of tawarruq is the act of buying something that the seller already owns on credit who then resells it to someone else for money. On the other hand, an organized tawarruq can be described as a transaction in which somebody makes a purchase from the marketplace at a delayed price while simultaneously asking the investor to reschedule the sales transaction, typically at a lower spot price, in his or her official capacity or through his or her agent. The primary goal of tawarruq is to supply customers with liquidity through methods such as personal loans, business finance, cash lines, and credit cards (Mohd Izuwan Mahyudin, 2018).

The Islamic banking system has advanced significantly during the past few decades and has arisen as a competitive component of the financial system, competing with the traditional financial system and serving as a driver of growth and development for the economies of many countries. The Islamic financial system has experienced very positive growth on a global scale (Mohd Izuwan Mahyudin, 2018). Although Islamic finance has made positive achievements, Islamic banks in many Muslim countries, including Somalia, don't offer basic Islamic banking products and services, such as loans. Islamic banks have been operating in Somalia for the last two decades, but the products they offer are not enough to meet the needs of customers.

In recent years, both academic research and the Islamic banking sector have given the commodity Murabaha particular attention (Ahmad & Shihama, 2017a; Muhammad et al., 2019; Usman, Ahmad, Zahir, Muneeza, & Mustapha, 2020). Numerous research articles related to Murabaha have been conducted across the globe.

Tawarruq is not usually seen in Arabic dictionaries and cannot be traced back to the Arabic language. Its name is a translation of the Arabic word al-warq, which refers to dirham coins or any other kind of silver used as a medium of exchange (Roslan, 2020). Technically speaking, a tawarruq is a collection of sales contracts in which an investor (al-mustawriq) purchases from a seller in exchange for future payment before selling it (at a discount) to a

different party. Instead of intending to use the purchased asset, the transaction is carried out with the ultimate goal of acquiring cash or liquidity at that specific time. Many historical scholars from the Hanbali, Shafi', and Hanafi schools of thought support and view the classical tawarruq (tawarruq al-Fiqhi) as permissible (Roslan, 2020). The legality of tawarruq and 'Inah transactions has been the subject of numerous discussions and research. Even though tawarruq is widely utilized in Malaysia and throughout the world, Inah has been rejected by many Islamic banks that operate in a variety of countries (Ahmad & Shihama, 2017b; Ali & Hassan, 2020).

3.1. Level of Awareness

Numerous empirical investigations have revealed that customers' use of a product is significantly influenced by their level of awareness about it (Obeid and Kaabachi, 2016; Warsame, 2016). Customers' level of tawarruq awareness is a significant predictor of tawarruq adoption (Ali & Hassan, 2020; Obeid & Kaabachi, 2016). Thus, this study examines how informed Somalian consumers of Islamic banks are regarding Murabaha (tawarruq).

3.2. The Need for Tawarruq

The idea of tawarruq is not new to Islam. While others have severe reservations, some jurists embrace the modern concept of structured tawarruq. Practitioners' view is that if tawarruq is a Shariah-approved concept, then what is wrong with its use? And since tawarruq is a common practice throughout the Muslim world, customer demand for this product is high (Usman et al., 2020). The results of this study show that although tawarruq applications are few in many nations, including Somalia, Malaysia has been able to develop advanced tawarruq products in all areas of banking and finance operations, including personal financing such as cash financing (Abdillah et al., 2020). Therefore, this study explores the demand for tawarruq among customers of Islamic banks.

3.3. Compatibility

If a new idea or product feels consistent with their social structure, conventions, beliefs, and current standards as well as their lifestyles and values, people are more likely to adopt it, according to research carried out using various situations (Obeid & Kaabachi, 2016; Tornatzky & Klein, 1982). Tawarruq banks are now known as Islamic banks due to the widespread use of tawarruq. However, Shariah scholars have criticized the Islamic banking sector for using tawarruq so frequently (Usman et al., 2020). Numerous studies have shown, however, that people are more likely to use Islamic banking products if they have faith that they would align with their lifestyle, banking practices, and financial demands (Obeid & Kaabachi, 2016).

3.4. Relative Advantage

The degree to which an innovation is seen as superior to the concept it succeeds in is termed as a relative advantage (Obeid & Kaabachi, 2016). The customer's view that tawarruq cash financing benefits them more than other accessible options is the relative advantage in this study, which shows how product attractiveness has a big impact on product choice in Islamic banking products (Amin & Hamid, 2018). The following sections detail the main effects of relative advantage on customers' intention to use tawarruq, proving that relative advantage significantly affects the intention to use Islamic banking products (Obeid & Kaabachi, 2016). Hence, this research evaluates the relative benefits of tawarruq for Somalian customers of Islamic banks.

3.5. Behavioral Intention to Use Tawarruq

The attitude of customers toward assessing the impact of individuals' good or negative perceptions when using a certain product is known as the behavioral intention to use the product. Numerous studies have shown that there is a strong positive association between attitude and behavioral intention (Obeid and Kaabachi, 2016); therefore, this study investigates the behavioral intention to use tawarruq among customers of Islamic banks in Somalia.

3.6. Role of Shariah Scholars

Shariah experts are crucial in Islamic banking for clearance reasons because the main goal is to satisfy Muslim consumers' requests for halal money or loans that are free from riba, as per their religious standards. The legality of the newly developed product depends on the participation of Shariah experts in product creation (Siddiqi, 2006). Given that the majority of Somalis are Sunni Muslims and are therefore extremely pious people, they cannot accept a product that has not been approved by their Shariah scholars. Therefore, the adoption of this new product in Somalia depends heavily on Shariah academics. There is a correlation between the degree of Iman and adherence to Islamic Shariah, and this is true of the number of Muslim customers who contact an Islamic financial institution to obtain financing for transactions that will be financed using tawarruq (Amin, 2017). Therefore, this study investigates how Shariah scholars influence Somalian consumers of Islamic banks to use tawarruq as a method of cash funding.

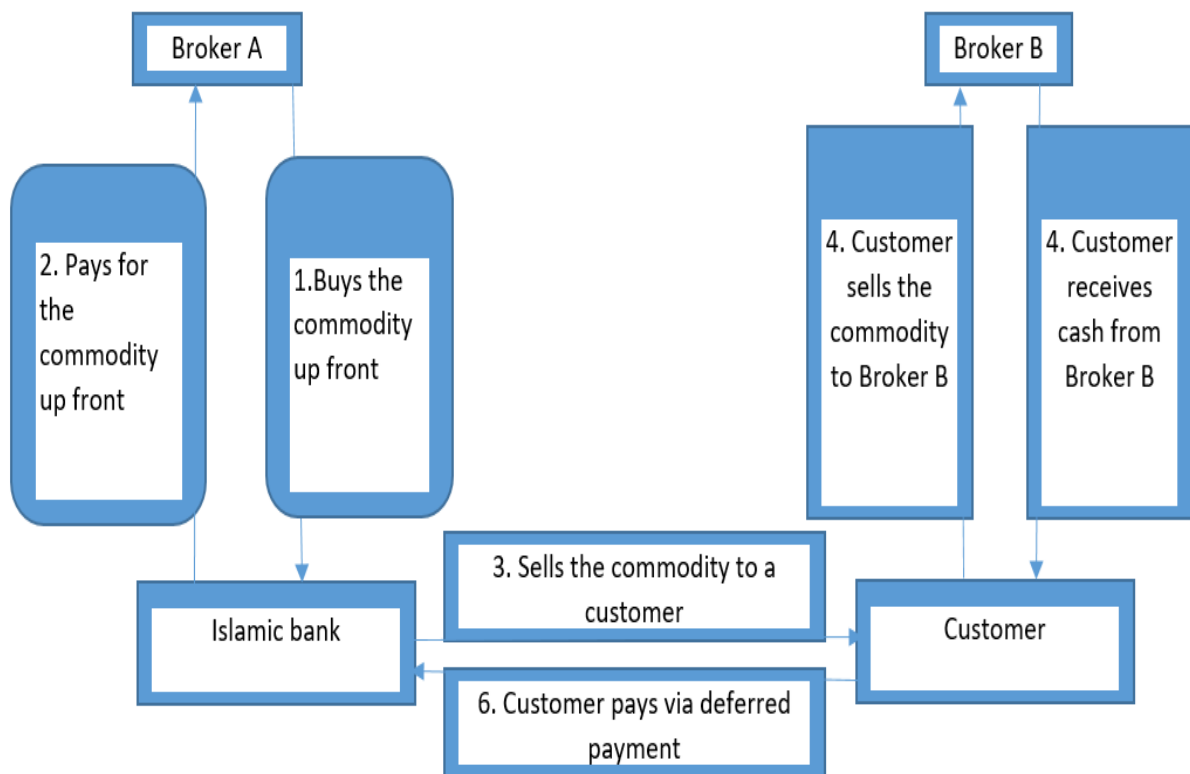


Figure 1. Commodity Murabaha.

Figure 1 shows how a customer in Somalia could obtain cash financing from an Islamic bank utilizing tawarruq. First, an Islamic bank purchases a product from the market and sells it to the customer on a deferred payment. Then, the customer sells the same product to the market for cash to obtain the funds they require.

An example of the diagram is seen in Muhammad et al. (2019).

1. An Islamic financial institution purchases a commodity from Broker A.
2. Cash is paid for the commodity by the Islamic bank.
3. The Islamic bank sells the customer's purchase via Murabaha.
4. The client sells the item to Broker B at the market price.
5. Broker B gives cash to the client.
6. The customer makes deferred payments for the cost and makes a profit.

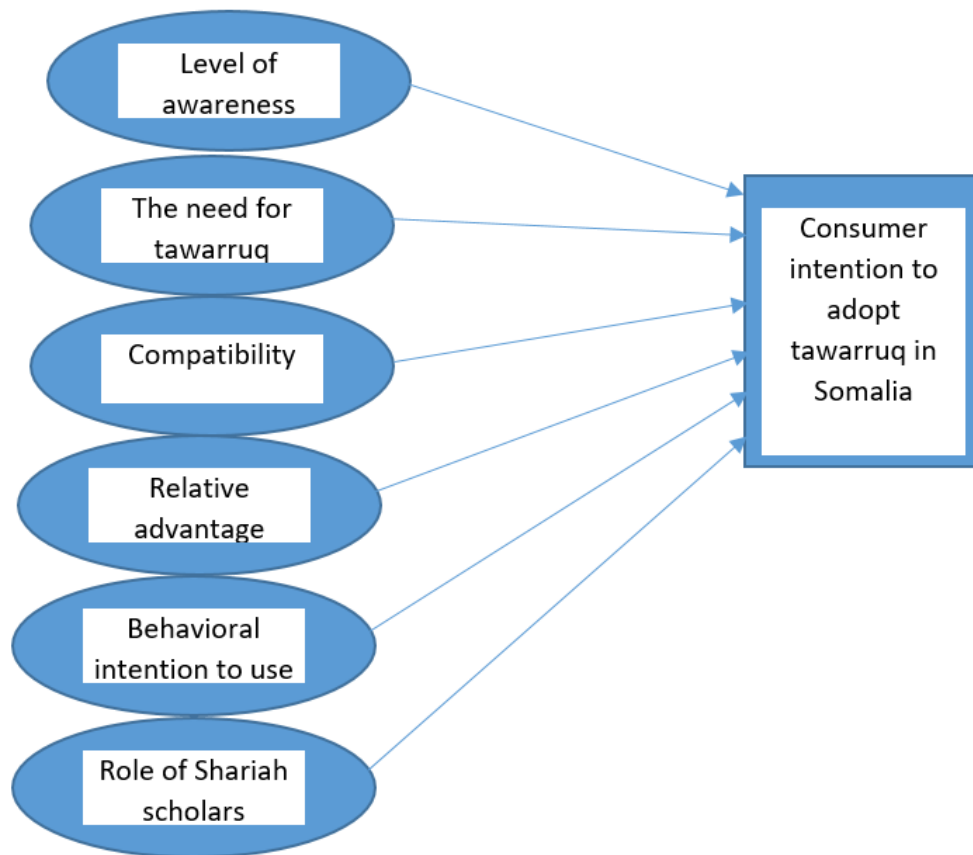


Figure 2. Research model.

Figure 2 explains the conceptual framework of the study.

4. METHODOLOGY

A convenient random sample of 150 customers of Islamic banks in Mogadishu is used in this study to collect data. The confidentiality of the survey responders is ensured, and to guarantee the survey's quality, filter questions are used. These filter questions are primarily used to determine whether respondents meet the three prerequisites – the respondents must be at least 15 years of age, hold an Islamic bank account in Somalia, and have prior use of products from an Islamic bank.

The questionnaires are distributed in person; the researchers respectfully speak with consumers who are present at the Islamic financial institutions' counters to hand them out. The questionnaires are delivered during the working hours of the banks as well as on different days of the week to minimize any potential bias brought on by the high concentration of bank clients during particular hours of the day or days of the week.

The questionnaires, which are written in English, including the cover page and the contents, are given to the responders. Mogadishu, the capital of Somalia, serves as the location where the study's data is gathered. All Islamic banks have their headquarters in this city, or at least have a branch there, which was a major factor in the decision to choose it as the location. A five-point Likert scale (1 = strongly disagree to 5 = strongly agree) is used in the questionnaire to assess the responses to the items.

4.1. Measurements

The survey questions were adapted from earlier research. The awareness level questions were modified from Obeid and Kaabachi (2016) and Amin et al. (2014). By taking into account these works, the items under “The Need for Tawarruq” are self-created. The compatibility items are taken from Jansson (2011) and Obeid & Kaabachi

(2016); the components of relative advantage are taken from Obeid and Kaabachi (2016) and Faisal et al. (2014); the questions on behavioral intention were taken from Obeid and Kaabachi (2016) and Viswanath Venkatesh (2000); and the Shariah scholars' questions are self-created.

5. ANALYSIS AND FINDINGS

5.1. Descriptive Statistics

The respondents' demographics are summarized in Table 1. According to the results, men make up 72.3% of the sample's respondents, while women make up the remaining 27.7%. According to their level of education, most of the respondents (79.2%) are graduates. Regarding the marital status of the respondents, 51.4% are married and 48.6% are single. Most of the products used from banks are Murabaha products (75%). In terms of respondents' income, 50% of their returns are below \$1,000, followed by 42.4% between \$1,000–\$20,000.

Table 1. Respondent profiles.

Demographic attributes	Frequency	Percentage
Gender		
Male	104	72.3
Female	40	27.7
Age		
15–25 years	35	24.3
25–35 years	89	61.8
Above 35 years	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 (in US dollars)		
<1000	72	50.0
1,000–20,000	61	42.4
20,000–30,000	9	6.3
Other	2	1.4
Total	144	100.0

The first section of the study examines how well informed consumers in Mogadishu are about tawarruq. The results are presented in Table 2. The most of respondents (46.5%) strongly agreed and 31.9% agreed that they have general information about tawarruq. On average, 30.6% of people strongly agreed and 39.6% agreed that they had learned enough about tawarruq. The majority of respondents agreed (33.3%) and 27.1% strongly agreed that they had learned enough about the characteristics of tawarruq. Regarding the benefits, 25% strongly agreed and 41% agreed that they are familiar with the benefits of using tawarruq. Lastly, 20.8% strongly agreed and 32.6% agreed that they have learned about using tawarruq for cash financing purposes from media sources.

Table 2. Level of awareness of tawarruq products in Somalia.

1 = Strongly agree (%), 5 = Strongly disagree (%)									
No.	Statement	1	2	3	4	5	Cronbach's alpha (α)	Mean	Std. dev.
1	I have general information about Murabaha (tawarruq)	46.5	31.9	13.9	2.8	4.9	0.760	1.88	1.07
2	Generally speaking, I have already acquired enough knowledge about Murabaha (tawarruq)	30.6	39.6	19.4	6.9	3.5		2.13	1.04
3	I already know enough about the characteristics of Murabaha (tawarruq).	27.1	33.3	26.4	9.0	4.2		2.30	1.09
4	I've learned enough about the advantages of using Murabaha (tawarruq) as a commodity	25.0	41.0	20.8	8.3	4.9		2.27	1.08
5	I have learned more about using Murabaha (tawarruq) for cash financing	20.8	32.6	22.2	18.1	6.3		2.56	1.19

In the second section, the demand for tawarruq in Mogadishu, Somalia, is examined. The results are shown in [Table 3](#). As the table indicates, 26.4% strongly agreed and 29.2% agreed that they have asked for tawarruq products from a bank, which shows that most of the respondents would like this product. When the respondents were asked whether they need a product that can facilitate cash, 34% strongly agreed and 38.2% agreed, which indicates that they need cash more than anything else. A total of 35.4% strongly agreed and 35.4% agreed that they would like to use tawarruq for cash financing purposes, and this also shows the demand for cash financing among the respondents. Lastly, 34% strongly agreed and 20.1% agreed that they need tawarruq more than any other product offered by Somali Islamic banks. This is also a sign that if this product is available, it will attract more customers than any other product, including Murabaha, which is the most usable product in the market.

Table 3. The need for tawarruq products in Somalia.

1 = Strongly agree (%), 5 = Strongly disagree (%)									
No.	Statement	1	2	3	4	5	Cronbach's alpha	Mean	Std. dev.
1	I have asked a bank before about Murabaha (tawarruq)	26.4	29.2	16.0	21.5	6.9	0.662	2.53	1.28
2	I need a product that can facilitate receiving cash from a bank	34.0	38.2	12.5	11.1	4.2		2.13	1.13
3	I would like to use the Murabaha (tawarruq) for cash financing purposes	35.4	35.4	16.7	6.9	5.6		2.11	1.14
4	I need Murabaha more than any other product offered by Islamic banks in Somalia	34.0	20.1	23.6	17.4	4.9		2.39	1.25

The third part of the study aims to understand the compatibility of tawarruq with the values of people in Mogadishu, Somalia. The results are shown in [Table 4](#). As seen, 26.4% strongly agreed and 36.1% agreed that Tawarruq is consistent with their values. Only 9.7% disagreed and strongly objected, indicating that the respondents did not find Tawarruq to be consistent with their beliefs. 20.8% strongly agreed and 38.2% agreed that this product fits their needs and this also is another indication showing customers need this product, whilst only 9.7% disagreed and 2.8% strongly disagreed that tawarruq fit their needs. In terms of lifestyle, 20.1% strongly agreed and 30.6% agreed that Tawarruq is well suited to their lifestyle and just only 12.5% disagreed and 3.5%

strongly disagree this product is suited to their lifestyle. Lastly, 13.9% strongly agreed and 35.4% agreed that tawarruq fits well with how they would like to manage their financial issues.

Table 4. Compatibility of tawarruq products

1 = Strongly agree (%), 5 = Strongly disagree (%)									
No.	Statement	1	2	3	4	5	Cronbach's alpha	Mean	Std. dev.
1	Murabaha (tawarruq) is in line with my values	26.4	36.1	24.3	9.7	3.5	0.715	2.28	1.07
2	Murabaha (tawarruq) fits my needs	20.8	38.2	28.5	9.7	2.8		2.35	1.01
3	Murabaha (tawarruq) is well suited to my lifestyle	20.1	30.6	33.3	12.5	3.5		2.49	1.06
4	Utilizing Murabaha (tawarruq) suits my preferred method of handling money-related difficulties	13.9	35.4	32.6	13.9	4.2		2.59	1.03

The fourth part of the study explains the compatibility of tawarruq. Table 4 presents the outcomes. According to the table, 26.4% strongly agreed and 36.1% agreed that tawarruq is consistent with their values. Only 9.7% disagreed and 3.5% strongly disagreed, indicating that the respondents did not find tawarruq to be consistent with their values. Only 9.7% disagreed and 2.8% strongly disagreed that tawarruq fits their needs, whereas 20.8% strongly agreed and 38.2% agreed that this product fits with their needs, which is further evidence that buyers need this product. Only 12.5% disagreed and 3.5% strongly disagreed that this product suits their lifestyle, whereas 20.1% strongly agreed and 30.6% agreed that tawarruq is well suited to their lifestyle. In addition, 35.4% agreed and 13.9% strongly agreed that tawarruq is a good fit for how they would like to handle their financial concerns.

The fifth part of the study explores the relative advantage of tawarruq in Mogadishu, Somalia. The results are shown in Table 5. Regarding the advantages of tawarruq, 25.0% strongly agreed and 34.0% agreed that tawarruq is more helpful for their needs compared to other products, while only 11.1% disagreed and 6.9% strongly disagreed. A total of 19.4% strongly agreed and 41.7% agreed that tawarruq is more attractive than any other Islamic banking product in Somalia, which implies that tawarruq will attract more customers. When asked if they use Islamic banking products that do not fit their actual needs, 19.4% strongly agreed and 30.6% agreed, indicating that many customers are not satisfied with many of the products they use. However, 20.1% disagreed with this statement, and 7.6% strongly disagreed, claiming that they use products that don't meet their needs. Lastly, 18.1% strongly agreed and 25.7% agreed that tawarruq is more beneficial and more interesting to them than any other Islamic banking product in Somalia, while 16.7% disagreed and 7.6% strongly disagreed with that statement.

Table 5. Relative advantage of tawarruq products in Somalia.

1 = Strongly agree (%), 5 = Strongly disagree (%)									
No.	Statement	1	2	3	4	5	Cronbach's alpha	Mean	Std. dev.
1	Murabaha (tawarruq) is more helpful for my needs compared to other products	25.0	34.0	22.9	11.1	6.9	0.714	2.41	1.18
2	Murabaha (tawarruq) products are more attractive than other Islamic banking products	19.4	41.7	22.9	11.8	4.2		2.40	1.06
3	I always use Islamic banking products other than Murabaha (tawarruq) that do not fit my actual needs	19.4	30.6	22.2	20.1	7.6		2.66	1.22
4	Murabaha (tawarruq) is more beneficial and more interesting to me than any other Islamic banking products	18.1	25.7	31.9	16.7	7.6		2.70	1.17

Table 6. Behavioral intention to use tawarruq products in Somalia.

1 = Strongly agree (%), 5 = Strongly disagree (%)									
No.	Statement	1	2	3	4	5	Cronbach's alpha	Mean	Std. dev.
1	I intend to adopt a Murabaha (tawarruq) contract in the future	22.9	41.0	23.6	9.7	2.8	0.731	2.28	1.02
2	I predict that I will frequently use Murabaha (tawarruq) in the future	24.3	36.8	25.7	8.3	4.9		2.33	1.08
3	I would like to see many Islamic banks in Somalia offering Murabaha (tawarruq) for personal and corporate financing	42.4	34.0	15.3	4.9	3.5		1.93	1.04
4	I will strongly recommend others to use Murabaha (tawarruq)	27.1	36.8	25.0	7.6	3.5		2.24	1.04

The sixth part of the survey investigates the behavioral intention to use tawarruq among customers in Mogadishu. The results in Table 6 show that 22.9% strongly agreed and 41.0% agreed that they intend to adopt a tawarruq contract in the future, which indicates that many customers are expecting to use this product if it is available in Somalia. Only 9.7% disagreed and 2.8% strongly disagreed, which shows very few people do not use this product compared to those who would like to adopt it. A total of 24.3% strongly agreed and 36.8% agreed that they will frequently use tawarruq in the future, and only 8.3% disagreed and 4.9% strongly disagreed, which shows that many customers want to use this product frequently. Only 4.9% disagreed and 3.5% strongly disagreed that they would like to see several Islamic banks in Somalia offering tawarruq for individual and business funding, whereas 42.4% strongly agreed and 34.0% agreed. Therefore, the majority of bank customers would prefer to see Somali Islamic banks facilitating tawarruq. In terms of recommending the use of tawarruq, 27.1% strongly agreed and 36.8% agreed that they would recommend others to use this product, while a minimal number disagreed.

Table 7. The role of Shariah scholars in the use of tawarruq products in Somalia.

1 = Strongly agree (%), 5 = Strongly disagree (%)									
No.	Statement	1	2	3	4	5	Cronbach's alpha	Mean	Std. dev.
1	I am knowledgeable about the foundational principles of my religion	47.2	30.6	12.5	6.3	3.5	0.704	1.88	1.08
2	I will use Murabaha (tawarruq) if Shariah scholars approve	47.2	30.6	15.3	4.2	2.8		1.85	1.01
3	I will use Murabaha (tawarruq) if Somali Shariah scholars approve	41.0	34.7	14.6	5.6	4.2		1.97	1.08
4	I will use Murabaha (tawarruq) if it is practiced in other Muslim countries	32.6	36.8	17.4	10.4	2.8		2.14	1.07
5	Shariah compliance with this new product is my priority	46.5	29.9	16.7	5.6	1.4		1.85	0.98

The last part of the study scrutinizes the role of Shariah scholars in the use of tawarruq in Mogadishu, Somalia. The results are shown in Table 7. Respondents were asked if they had a fundamental understanding of their religion, to which 42.2% strongly agreed, 30.6% agreed, 6.3% disagreed, while 3.5% strongly disagreed. A total of 47.2% strongly agreed and 30.6% agreed that they will use tawarruq if Shariah scholars approve, which indicates that Shariah approval is crucial in the acceptance of this product. Only 4.2% disagreed and 2.8% totally disagreed. According to the approval of Somali Shariah scholars, 41.0% strongly agreed and 34.7% agreed and said that it is important to have Somali Shariah scholars' approval. When asked if they will use tawarruq if it is practiced in other Muslim countries, 32.6% strongly agreed and 36.8% agreed, while only 10.4% disagreed and 2.8% strongly

disagreed. Lastly, 46.5% strongly agreed and 29.9% agreed that Shariah compliance with this new product is their priority, while only 5.6% disagreed and 1.4% strongly disagreed.

6. DISCUSSION

This study is a pilot test study examining the possible applications of tawarruq in Somalia from customers' perspectives. The results show that customers have a good level of awareness of tawarruq, which is similar to studies by Echchabi et al. (2015) and Faisal et al. (2014). This study also shows that the need for and the acceptability of tawarruq are very high among the respondents because they recognize that the only way to get cash in a Shariah compliant way is to use a tawarruq contract. This is similar to Ali (2020), who revealed that the tawarruq principle is used for cash financing by 15 Islamic commercial banks in Malaysia. Moreover, the study indicates that the compatibility of tawarruq from the respondents' point of view shows that it is in line with their values. This result is similar to those found by Echchabi et al. (2015) and Jansson (2011), and it serves as an example of the importance of how well an invention is perceived as being consistent with the norms. Compatibility is one of the most important elements that determines consumer inclination to use Islamic banking services (Obeid & Kaabachi, 2016).

There is a high level of relative advantage of tawarruq for the respondents because customers of Islamic banks consider tawarruq to be more advantageous than any other Islamic banking product in Somalia. This result is similar to that of Echchabi et al. (2015), as it demonstrates how an innovation's perceived superiority over the idea it replaces is quantified regarding financial gain. Therefore, the advantage of a product over other products matters more because benefits are what drives customers to use any product.

The behavioral intention to use tawarruq among customers is crucial because many of them expect to use it frequently, and tawarruq users recommended it to others because more than 80% of tawarruq users would like to use it again. The same result was shown by Viswanath Venkatesh (2000). A study in Greece found a direct correlation between behavioral control and intentions to innovate and save (Satsios & Hadjidakis, 2018). Finally, regarding the role of Shariah scholars in the acceptability of tawarruq, the respondents said they would accept tawarruq if both Somali non-Somali scholars approve. It is evident that modern scholars do not categorically reject the application of tawarruq; rather, they do so because the application violates fundamental Shariah principles (Ahmad & Shihama, 2017a). Hence, if tawarruq is applied in a Shariah-compliant manner, this is the most appropriate mode of Islamic cash financing.

7. CONCLUSION AND MANAGERIAL IMPLICATIONS

This study examines the possible applications of Murabaha (tawarruq) in Somalia's Islamic banking institutions. First, it indicates the need for cash accessibility at both personal and corporate levels in Somalia. Second, it investigates the application of Somali markets for bai al-inah indirectly, and the study showed that when customers use products from Somali banks, they resell commodities to the original suppliers, which is referred to as bai al-inah and is prohibited. Third, the study also lays down a foundation for future research into the application of tawarruq contracts in the context of Somalia.

Several recommendations for the study are presented. First, the report suggests using tawarruq cash finance at both personal and business levels as long as there is a need for cash financing in Somalia. Second, the study suggests eliminating bai al-inah, as most Shariah scholars agree that it should be prohibited and Somali markets are applying bai al-inah excessively as it is their only means of obtaining cash. The application of tawarruq will eliminate bai al-inah once and for all. Third, according to the report, a system should be put in place that would enable bank customers to obtain cash as needed, similar to Bursa Suq Al-Sila' in Malaysia. Future studies may consider a wider and richer set of data that not only includes customers of banks but also includes the views of Somali Shariah scholars.

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