

**Growth and challenges of the Islamic banking system: A  
perspective of the British Bangladeshi Muslim Community  
in London, United Kingdom**

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## ABSTRACT

During recent years, there has been an increase in Islamic banking compared with conventional banking. This research aims to explore and determine potential factors pertaining to the growth of the Islamic banking system in the banking and finance industry and asks the following questions: i) Which factors influence the British Bangladeshi Muslim Community (BBMC) in Greater London regarding adopting the Islamic banking system? ii) Do the Muslim scholar's inconsistent views create any confusion about or obstacles to the growth and development of the Islamic banking system?

In this study, the researcher used a mixed methodology. From Greater London, 165 British Bangladeshi and Bangladeshi by citizen status Muslims participated and shared their views through the questionnaire. In addition, the researcher conducted 17 interviews with prominent British Bangladeshi Muslim Community members, such as Muslim Scholars, community leaders, banking practitioners and Islamic bank Shariah Board Members. The SPSS 22 software programme was employed for the data analysis.

The findings indicate that, in the BBMC, religious beliefs, faith and obligation play a prominent role in the adoption of Islamic banking rather than conventional banking. The UK's financial regulators are playing a decisive role in this growth and development. Furthermore, a higher level of commitment has evolved amongst BBMC members towards the growth of this banking system, despite a lack of understanding of it, where the products and services are perceived as less competitive and limited in range. Moreover, the ongoing Muslim scholar's inconsistent views also create contradictions and confusion amongst both customers and non-customers of the Islamic bank. This, in turn, might impede the future growth and development of this banking system. This research will contribute to increasing the knowledge of those in authority who are concerned with understanding the BBMC's socio-economic conditions. Because, the BBMC is a surrogate measure of broader Muslim communities Islamic banking system perception of growth. This research will also increase knowledge of how Islamic banks are using brand image and ethical principles in their successful operations in the banking and finance industry, so that other financial organizations can develop their operation strategies based on the Islamic banking system.

The correlation between the financial and community-based performance of Islamic banks can be studied for future research.

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Almighty Allah's true Messenger Prophet Mohammad (S.A.W) said that *"Whoever does not thank the people has not be thanked, Almighty Allah"*.

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Finally, I pray to Almighty Allah to grant all of them the best reward which they deserve.

## DECLARATION

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

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## **DEDICATION**

I devotedly dedicate this research towards my guiding beloved elder brother (Late) Dr Golam Samdani, loving parents, dearest wife Sumi who never stops her inspiration and my breathtaking son Ihtisham and daughter Iffat.

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## **ABBREVIATIONS**

**AAOIFI** = Accounting and Auditing Organization for Islamic Financial Institution

**BBC** = British Bangladeshi Community

**BBMC** = British Bangladeshi Muslim Community

**IBB** = Islamic Bank of Britain

**CSC** = Centre for Social Cohesion

**LIBOR** = London Interbank Offer Rate

**DCLG** = Department for Communities and Local Government

**EKBM** = Engel, Kollat and Blackwell Model

**FAA** = Finance Accreditation Academy

**GCC** = Gulf Corporation Council

**HSM** = Howard-Sheth Model

**IBF** = Islamic Banking and Finance

**IFI** = Islamic Financial Institutions

**IFC** = Islamic Finance Council

**IFN** = Islamic Finance News

**IFSB** = Islamic Financial Services Board

**JRF** = Joseph Rowntree Foundation

**MIFC** = Malaysia International Islamic Financial Centre

**MCB** = Muslim Council of Britain

**OIC** = Organization of Islamic Countries

**OSI** = Open Society Institute

**SCF** = Shariah Compliance Finance

**SFAR** = Skills Funding Agency Report

**TMO** = The Migration Observatory

## CHAPTER ONE: INTRODUCTION

### 1.1 Background and Context

Making money from money in the form of interest is prohibited under Islamic law. Profit, however, is not forbidden. Historically, the idea of an Islamic banking system or its proposal remained merely a theoretical approach to the understanding of interest prohibition. The concept of Islamic economics was recognised as "Woodoo Economics" in The Wall Street Journal in the 1990s, where it was indicated that it would be impractical in any real-life context (Asutay, 2012). The practice of Islamic banking and finance is nearly three decades old, but the theory and proposition it is based upon is still in its infancy (Siddiqi, 2006; Mahamad et al., 2012; Bukhari et al., 2013). Moreover, it is further noted that Islamic banking practices have a doubtful validity, which is built upon misconceptions within the Muslim community (Anwar, 2003; Muhith, 2015). Despite these findings, the Islamic banking system operates its activities under Islamic law. It is still one of the fastest growing banking systems, not only in predominantly Muslim countries, but also in predominantly non-Muslim nations (Rana, 2006; Amin et al., 2013). It now operates in more than 50 countries (Hanif, 2011; Liu and Chong, 2009) and involves approximately 300 banking and financial organisations worldwide (Khan and Bhatti, 2008). Tarek and Hassan (2008) have advocated that the practice of Islamic banking has increased by 15 to 20% globally with assets of USD 1.7 trillion in 2013 (World Islamic Banking Competitiveness Report, 2014). There are some non-Muslim regions, such as Europe and USA, where HSBC, City and the ANZ International Standard Chartered Bank have opened an Islamic banking division (over their value chain) (Hasan and Dridi, 2010; Khan and Bhatti, 2008; Gupta, 2009). Table 1 below reveals the global growth trends of both conventional and Islamic banking systems.

**Table 1: Global population growth and growth of conventional and Islamic banks during 2010-2016**

Year	Global Population (bl)		Growth (%)		Global Banking Assets (trl)		Growth (%)	
	Total	Muslim	Total	Muslim	Conventional	Islamic	Conventional	Islamic
2010	6.89	1.59	--	--	3.19	1.10	--	--
2011	6.98	1.67	1.3	5.0	3.27	1.19	2.5	8.1
2012	7.05	1.73	1.0	3.5	3.46	1.30	5.8	9.2
2013	7.13	1.87	1.1	8.0	3.51	1.41	1.4	8.4
2014	7.23	1.93	1.4	3.2	3.68	1.53	4.8	8.5
2015	7.34	2.04	1.5	5.6	3.81	1.67	3.5	9.1
2016	7.42	2.14	1.1	4.9	3.92	1.89	2.8	13.1

Source: Compiled by author 2019

Table 1 indicates a continuous growth of both the Muslim population and assets of the Islamic banking system. This constant growth encouraged the interest of not only Muslim communities, but also a considerable segment of non-Muslim investors; people and bankers began to be very keen on the Islamic banking system and its operational framework. It is worthwhile mentioning, however, that there are several working factors, such as economic, social, political and psychological matters behind this rapid growth.

Customers are using Islamic banking for relative advantage, compatibility, complexity, trialability and observability (Jamshidi et al., 2015). Moreover, government support, petrodollar dominance, a fast-growing Muslim population, a successful image, name selection, branding and niche marketing, and Halal perception are contributing to the growth of Islamic banks in the UK (Saidi, 2009; Malik et al., 2011; Imam and Kpodar, 2013). Muslim consumer Halal awareness is risk hesitant, which makes sense along with the high involvement of customer behavioural traits (Jonathan and Jonathan, 2011). It is also another growth factor linked with the Muslim customer's emotions. Johnes et al., (2014) compared efficiency in Islamic and conventional banking during the period of 2004-2009 and

found that Islamic banks are equivalent on gross efficiency, significantly higher on net efficiency and lower on type efficiency compared with conventional banks. It is noted that Islamic banks have a leaning towards instability because of a lower efficiency level, the absence of trade-off, default risk and inefficiency of bank profit compared to cost and revenue (Bakar et al., 2015) in Malaysia, and are less active than conventional banks in Kuwait (Yaser et al., 2013).

The performance of Islamic banks is remarkable in terms of the liquidity and solvency ratio, better capitalisation and greater operating leverage (Khediri et al., 2015), domestic tax policy, macroeconomic variables (Hassan et al., 2013), higher supervisory power and lower debt compared to conventional banks (Alam, 2013). During the financial crisis of (2008), Islamic banks displayed robust financial stability, soundness and resilience (Cihak and Hesse, 2010; Hasan and Dridi, 2010; Beck et al., 2013; Caby and Boumediene, 2013; Bourkhis and Nabi, 2013). Most of the Islamic banks are 20% less dedicated to both long-term investment and taking a low risk of investment sharing (Bourkhis and Nabi, 2013), smaller loans to asset and liabilities (Yaser et al., 2013) and seeking to satisfy consumers' needs rather than demand (Hamid 2006). Besides, Islamic finance has continued to show rapid growth, and the volume of Shariah-compliant assets doubled to USD 900 billion during the period 2006-2011 (Financial Times, 2011). Here it is important to mention that the essential feature is an interest-free, ideological banking system, as Islam prohibits interest (Riba) for Muslims in any financial transaction, either giving or receiving. The Al-Quran plainly declares that those who have a relationship with interest (Riba), or who disregard interest prohibition, are "at battle with Almighty Allah (God) and His true messenger, the Prophet Mohammed" (Usmani, 2002). Concerning interest prohibition, the Prophet Mohammed mentioned in Hadith (Prophet Mohammed's words, actions or habits) that there is no uncertain term in the Shariah. He strictly condemned not only those who are taking interest (Riba) but also those involved with the entire, or any part of the process, such as giving, witnessing and conducting the transaction: "All are guilty".

Muslim populations are expected to demonstrate an intense devotion to the maintenance of social justice divine doctrines, including moral ethics, in an Islamic socio-economic framework. Globally, the Muslim population is nearly two billion (1.9 bl) which accounts for 27% of the total world population. They reside, not only in Muslim-dominated countries (e.g. Asia, Africa and the Arabic peninsula), but also around the world, even in the west (UK, USA, Canada, Australia and Europe) with 'ethnic minority' status (Chappell, 2015). For example, 4.8% of the total UK population is Muslim, of whom 14.9% are Bangladeshi and 92% of whom live in London (ONS Census, 2011). In the UK, there is a considerable demand for Shariah-compliant financial products and services, not only from the British Bangladeshi Muslim community, but also other communities. The reasons may include the majority of Muslims not wanting to have interest involved in their banking practices. Moreover, they are less likely to compromise their religious beliefs. As a result, the Islamic banking system is becoming a more popular option within the Muslim community in the UK, for interest prohibition opportunities and other ethical values, including religious norms. In addition to these, the Bank of England and Financial Service Authority (FSA) have also shown themselves willing to provide help and support for establishing interest-free banking in the UK. These regulatory authorities also influence the Muslim community regarding joining the Islamic banking system, which is becoming more popular at the present time.

Based on the above, this research has focused on the British Bangladeshi Muslim Community (BBMC) in Greater London. This area constitutes a significant fraction of the UK Muslim population and the research's community-based features. In this study, an attempt has been made to examine the BBMC Islamic banking system's financial practices and difficulties in this specific area, because the BBMC members' financial needs indicate that they do not want to compromise their religious faith as a Muslim, whatever rewards are offered by the banking and finance industry in the UK.

Therefore, the present study has identified a strong need to identify the significant factors contributing to the growth and challenges of the Islamic banking system. Identifying the performance indicators of the Islamic banking system, exploring the validity of core Islamic values present and future expectations of the banking sector, and investigating the impact of brand image and ethical principles are the critical areas of this contribution.

## 1.2 Research Question

- What factors influence the acceptance, adaption and use of Islamic banking, instead of conventional banking, within the British Bangladeshi Muslim community?
- Do the Muslim scholar's inconsistent views create confusion about or obstacles to the growth and development of the Islamic banking system within the British Bangladeshi Muslim Community?

## 1.3 Research Aim

This research aims to explore potential factors in the growth of the Islamic banking system in the area of banking and the finance industry.

## 1.4 Research Objectives

- To identify and analyse the significant, decision-making, phenomenal growth factors used by BBMC financial practices.
- To analyse the growth factors which impact upon the whole banking industry using BBMC financial practices.
- To identify the significant challenges and opportunities for interest-free banking.

## **1.5 Research Contribution**

This research will contribute knowledge to those in authority concerned with understanding the BBMC, socio-economic conditions, because the BBMC is a surrogate measure of the broader Muslim communities' perception of the growth of the Islamic banking system. It will also increase understanding of how Islamic banks use their brand image and ethical principles in their successful operations in the banking and finance industry. This research will also add knowledge to the exploration of the validity of core Islamic values towards the present and future expectation age of committed consumption (influences of IB bank selection) from the banking sector Islamic values. The research will contribute to how great the impacts of the existing Muslim scholar's inconsistent views are in creating confusion in the BBMC population.

## **1.6 Research layout**

The first chapter is an introductory chapter. It provides a brief description of the fast-growing Islamic banking and finance industry by laying out this research's important data and information.

The second chapter conducts a critical review of literature related to Islamic banking and finance. It includes a comparative analysis of Islamic banking, the conventional banking system and consumer behaviour. It also offers a study of contemporary migration, the Islamic banking system's prime challenges, including opportunities, and finally, it gives details of the socio-economic conditions of the British Bangladeshi Muslim Community (BBMC).

The third chapter identifies the most appropriate research methods and methodologies. It includes data collection techniques, such as questionnaires and interview processes, data analysis tools, ethical consents, sampling frames, and the design of questionnaires and interview questions.

Chapter four focuses on the analysis of data and findings of the questionnaire. Chapter five concentrates on survey results and findings from the interview. The interviews have been taken from the British Bangladeshi Muslim Community, prominent members such as Muslim scholars, community leaders, banking practitioners and Islamic bank Shariah Board Members. Chapter six discusses the risks, opportunities and challenges that the Islamic banking system's faces in the current capital market.

Chapter seven, the final chapter, provides an analytical synopsis of this research with related implementation along with the concluding remarks.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

After providing the background information, research aims and objectives in chapter one, the purpose of this chapter is to gain a better understanding of how consumer behavioural factors impact upon and influence Muslim customers, in particular, in selecting Islamic banking. This chapter also evaluates the overall ideology of the Islamic banking system by providing a detailed analysis of the retail Islamic banking system and its practical perspectives. Five other important topics are also discussed in this chapter. The first of these is consumer behaviour and its related model of Islamic bank selection. Here the reasons for growth and the performance of the Islamic banking system are also discussed. The second topic focuses upon the implications of Shariah law within British society, while the third topic includes current patterns of Bangladeshi migration to the UK. The fourth topic identifies the socio-economic conditions of the British Bangladeshi Muslim Community and, finally, the fifth topic identifies the challenges and opportunities of the Islamic banking system.

### **2.2 Importance of consumer behaviour**

'Here author would provide a summary of consumer behaviour and its importance'. However, a statement by Assael (1995:3) mentions that consumer determinants of sales, including profits, favour a firm through buying or selection decisions. Again, consumer motives and actions determine the economic feasibility of a firm. If a firm wants to be a successful product or service seller, it is mandatory to understand consumer wants, needs, as well as behaviour and demands.

For the current study, consumer behaviour is an important and essential aspect because the consumers are not only the kings of the market but also an integral part of planning for strategic marketing. A business organisation cannot run its business smoothly without the involvement of consumers. Most of business organisations' activities are very much concerned with the analysis of consumer behaviour towards satisfaction. However, customer satisfaction based on their buying or selection behaviour regarding products and/or services, where a consumer plays three important, distinct roles: buyer, user and payer. It is also true that consumer behaviour is influenced by a number of diverse facts and forces, such as cultural, psychological, social and personal. Here it is worth mentioning that there are several factors which are uncontrollable and largely outside of the marketer's hands. Again, consumer behaviour seeks to recognise gaps in shaping consumers' desires, aspirations and solving many consumers' problems, on a day-to-day basis, regarding products, services, purchases or selection. Understanding consumer behaviour helps business organisations with their perception of various market segments and assists with developing adequate strategies for penetration of them.

### **2.3 Consumer behaviour traditional models**

Traditional consumer behaviour models include the individual learning model, economic model, behavioural model and psychological model. According to Jisana (2014), the economic model refers to consumers' buying patterns based on their idea of where they want to maximise the benefits through cost minimisation. For instance, consumers always like to purchase comparable products or services, which are offered at a lower price, to maximise possible benefits. However, the economic model has a high degree of rationality inadequate to describe how consumer patterns behave whereas incompleteness as well as a lack of a broader perspective; these are the two significant limitations of this model.

According to Schiffman and Kanuk (2002), the individual learning model asserts that consumer behaviour usually governs through a need to convince and satisfy basic along with learner needs. This model also identifies that a consumer tends to buy things which satisfy and fulfil needs. This consumer tendency helps the marketer with promoting products associated with active drivers, as well as indications which create positive reinforcement from a consumer. The psychological model demonstrates that consumer behaviour is influenced by both the cognisant and sub-cognisant mind. Again, the individual consumer has a complex and unique set of profound, deep-seated motives that facilitate the decision to buy a particular product or service (Jayachandran, 2004). According to Jain and Bhatt (2003), the sociological and behavioural model suggests that the consumer's buying pattern is changed or controlled by society. It has a strong association with influences on consumer behaviour. Finally, consumer behaviour through cultural influence has significant value regarding the selection of a product or service.

#### **2.4 Contemporary consumer behaviour models**

It is assumed that the majority of contemporary consumer behaviour models are built on two assumptions. The first of these is that a consumer's purchase is influenced by a variety of factors, which can be grouped under three broad headings: environmental influence (e.g. family situation, culture, personal influence and social class); individual dissimilarity (e.g. consumer resources, motivation, involvement, values, knowledge, attitudes, social class and personalities' value), and psychological process (e.g. information processing, learning, attitude and behavioural change) (Szmigin and Piacentini, 2015; Blackwell et al., 2006; Grewal et al., 2012; Kotler et al., 2009). The second assumption is that customers are considered as rational decision makers based on that sensible decision; consumers bear their ability, including skills towards a sequential process of decision making for the optimal making of choice

between alternative products or services (Szmigin and Piacentini, 2015). Again, other contemporary models, such as Nicosia, EKB, EMB and Howard & Sheth have attempted to understand consumers' purchasing behaviour. It is true that consumer behaviour is associated with information processing, along with evaluating alternatives due to uncertainty, such as the future, cost and time. According to Geng and Kauffman (2014), rational customer decisions have become limited to the extent which indicates rational consumer decisions could be considered as bounded rationality.

The Nicosia stimulation model is based on four different fields: consumer and firm attitudes, evaluation and exploration, purchasing the product for use and purchase decision (Nicosia, 1966). This stimulation model explains the strong relationship existing between the consumer and the firm. In addition, this relationship maintains communication flows from firm to customer. It is again returning to a firm with consumer purchase response (Jisana, 2014). This flow assumes that the customer, or even the firm, does not have any direct, previous experience with a specific product or service brand. There is a shortcoming in this model, however, which fails to describe influence patterns and inter-relationships between individual determinants and consumer behaviour. From the broader acceptance point of view, this model again fails to explain general consumer types and natures towards a possible existing association between consumer and firm. The well-known EKB model identified several decision-making components, relationships and communications between them. It is mainly a problem solving and customer process of buying and learning model. In addition, it is based on a consumer's descriptive ability and the relationship with component and subcomponent. It has four main stages. The decision process and the central focus is the first stage. This consists of five different steps: problem recognition, consumption, search alternatives, alternative evaluation and purchase. However, the EKB model also suggests that not every consumer needs to follow all five stages. The remaining three stages relate to input information coming from internal or external sources. Information processing refers to consumer

exposure, acceptance, incoming information retention, perception, attention, individual decision processes, different influence variables (personality, motives, lifestyle and values) and environmental influence variables (culture, family, friends and reference group). It is again argued that customer purchase decisions often occur in an unconscious manner. Moreover, there are two essential factors, namely incomplete information and information processing limits of capacity, which are ignored in this EKB model.

The above EKB model's shortcomings have been explained in the H-S model. These are very much integrated with various psychological, social, cultural and marketing influences on customer choice through introducing difference between problem-solving behaviours in respect of extensive difficulty resolving (explorative stage) and imperfect problem solving (preference criteria are satisfactorily defined and are unsure about which brand will best suit their needs). It is true that these two models, namely H-S and EKB, share some similarities; the most critical difference between the two models, however, is based on information processing handling along with post preference experience. The H-S model has explained consumer brand choice behaviour on incomplete purchase decision along with limited information and circumstances. The H-S model has a starting set of input variables by the concluding or ending set of output variables. The collection of input variables contains three variable sets of stimuli, such as significative (price, service and quality), symbolic (advertisement) and social (family, friends and group). Output variables consist of consumers' observable reactions to stimuli inputs (intention, attitude, comprehension, attention and purchase behaviour). In spite of comprehensive reporting through putting a significant number of variables within the working relationship towards explaining the buying decision, the H-S model is subject to dimension inaccuracy, i.e. this model cannot survive and be tested realistically. Other important factors are exogenous and endogenous variables, which are not evident in this model. Furthermore, Grewal et al., (2012) argued that this model ignores marketer influences and has placed little importance on marketing, where marketing

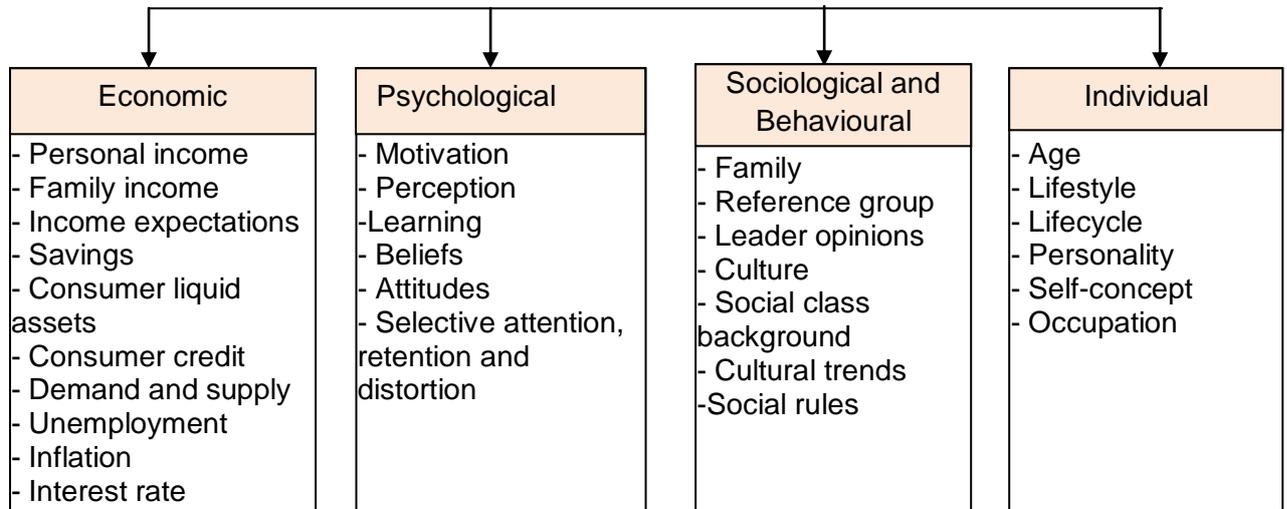
emphasis has a significant effect on consumer purchase of product or select service decision.

All of the above-discussed theories and models suggest that consumer purchase decision processes follow several steps. However, it is not necessary to support each stage of every purchase situation but can be left or reverse basis of various conditions and purchases or select types. In fact, the process is systematic plus thought which originates from cognisant effort for arriving at outcomes of gainful and cost-effectiveness (Goodhope, 2013). Therefore, it can be argued that the consumer purchase process covers a great deal of ground and endeavours to explain “how individuals are making their purchase decisions” by brand, frequency, quality and dealer timing. This can apply either to individuals or in respect of any group or organisation. According to Sayani and Miniaoui (2013), the marketer needs to consider and give in depth attention to this process, realistically towards planning their business mix for ensuring and retaining consumers’ patronage. For instance, the H-S model starts from input aspects to output plans and demonstrates various facts: that individual is rational and is responding to stimuli, including their environments, in making their purchase decisions. On the other hand, the Nicosia model discloses that a correlation exists between firm and customer, supporting the view that “the final purpose of each marketing practice is to draw out purchase reaction from the consumer”.

## **2.5 Consumer behaviour: individual determinants**

In this section, the study will focus on and discuss individual determinants of consumer behaviour, which are combined aspects of sociological, psychological, behavioural and individual factors, as shown in Figure 1 below.

**Figure 1: Determinants of consumer behaviour**



Source: Compiled by author 2019

Based on previous analysis with respect to consumer behaviour models, related factors and the effect of these factors on consumer purchase decisions, it can be said that the success of financial organisations, such as banks, depends on attracting customers and increasing their number by providing effective and efficient services that create value for them. Market analysis starts by understanding the customer, their motivations, their demographic characteristics, lifestyles, personalities, feelings, attitudes and preferences. On gathering this information, the current research aims at discussing and focussing on individual bank selection determinants, along with social and environmental factors.

Before assessing individual determinants of bank selection or choice processes, the current research highlights some contradictory arguments regarding the individual determinants of bank selection. At present, every customer is valued and is tremendously important to the UK banking industry. It is also true that each customer has unique characteristics; for example, a customer might have a lot of time but not enough money. It means that this customer wants to maximise their benefits through the

selection of a bank and their current products or services offering minimal costs. Again, another customer might have sufficient money but not much time, so this customer might be tempted to accept a bank product or service that offers a quicker timescale, even at a higher cost. However, these types of customers like a bank's reputation on product or service. Other types of customers prefer to use banking services from a remote location instead of in-person. Therefore, they will select a bank which has advanced technological facilities. This factor, however, is not necessarily applicable to every customer.

The UK is not a Muslim country, as only 4.8% of the total UK population is Muslim, of which 14.9% are Bangladeshi and 92% are living in London (ONS Census, 2011). They are aware of bank products or services offered by interest-based banks but this conflicts with their religion, beliefs and social values because giving and taking interest is completely prohibited in Islam (Dusuki and Abdullah, 2007; Al-Ajmi et al., 2009). It is true, however, that a significant number of interest-based banks exist in the UK financial market. Islamic bank selection and growth factor studies conducted in various countries found that Islamic bank growth factors facilitated by Muslim customers are mostly influenced by religious beliefs and motivation (Dusuki and Abdullah, 2007; Al-Ajmi et al., 2009). This motivation leads Muslim customers to select a financial organisation (i.e. bank) which meets their religious objectives. According to Lateh et al., (2009) customers' bank selection criteria in Thailand are highly determined by religion rather than by economic or other factors. This study also revealed that the religious factor reflects distinctiveness in the position of a brand (i.e. emphasis of a social compared to a commercial objective). Therefore, it is the key motivating factor of a customer selecting a bank to use a product or service. That is why the Islamic banking division continuously reinforces the concept that their products and services enable their consumers to communicate and respect their religious values. In the UK banking sector, some products (Amex credit card) offered through foreign banks (City, Standard Chartered and HSBC) are cited as supplying or increasing the social image of customers, which others may not view as

doing consequently. On this point, customers are very likely to want to prioritise and resolve their motivational needs' conflict. This means that customers must decide on the relative importance of every single need. However, a popular approach to Maslow's hierarchy needs to specify relative priorities assigned to various needs and it reminds us that individuals attach themselves to various priorities according to their needs. However, this approach fails to explain and reflect everybody's priorities in all situations.

According to Blankson et al., (2007) and Al-Ajmi et al., (2009), retail customers' bank selection criteria differ significantly even within the same socio-economic location, regardless of individual differences and variation of needs concerning consumer involvement with products and services.

It is a fact that retail banking is not a new phenomenon in the UK. In general, the UK retail banking sector offers products and services in three important elements: utility service, making a deposit and advancing. Retail customers needing understanding from their bank is not the primary objective of this research, but it is necessary to understand customers' needs, which come from a variety of factors. These factors encompass retail customers' different bank selection criteria, especially Muslim retail customers' Islamic bank selection. According to Evans et al., (1996) retail customers' selection criteria by attributes do not directly reflect these needs and are one of the more persuasive arguments. Now the question arises: What is motivating retail customers, based on their needs, from their selected bank? However, one possible answer could be under-identifying various purchase motivators. These motivators are: money needs, return needs, earning needs, information needs, money movement needs and advice required. Finally, these needs are classified under three broad headings: survival needs (information, advice, management risk and money); growth (knowledge, return on assets, advice and money movements) and lastly, peace of mind (advice, information, management risk and money). This reflection answers the above questions through customer needs but there are two significant problems: there is no clear indication where customers are the same importance or any hierarchy and

it only concentrates on what types of customer needs are satisfied rather than how they are, i.e. the degree of satisfaction.

Customer bank selection criteria and their evaluation depend on what types of needs and benefits. The customer's desire and are looking to fulfil respectively. For instance, some customers give priority to physical bank coverage, while for other customers, the priority is an economic benefit. This variation comes from customer motivational priority. According to Armstrong and Kotler (2010), financial organisations need to identify this variation when making their market segment, as well as their benefit segmentation (i.e. divide the market based on customer benefits). The fundamental reasons for bank selection expressed above might not give the real story behind why customers are engaging with certain types of behaviour. It might be less transparent and difficult to unravel why customers behave in this way. It one reason is a customer not willingly disclosing the primary factor for their action; another might be not feeling comfortable expressing the reason in front of others. Understanding customer motivation presents another challenge because motivation patterns change based on the individual situation. It means that a customer's motivation today might not be similar or the same tomorrow or in the near future. Therefore, a customer's degree of motivation regarding bank selection differs not only for needs but also depends on the financial organisation's product, service, situation, availability and alternatives. Again, the consumer's degree of motivation regarding bank selection might be driven by unique needs. However, it is sometimes more complicated, especially when fuelled by multiple needs. It is agreed by some of the following studies (Ta and Har, 2000; Abduh and Omar, 2012) that the consumer bank selection process is a multi-attribute-based decision. Consumers satisfy their varied needs (e.g. higher benefits, possess, comfort, social image) in different ways, depending on the nature and urgency of these needs. In the bank selection process, there are some very fundamental needs, while some other requirements may be less essential, although still critical, for the consumer. Finally, it concludes that banks are more successful in the banking industry if they can

understand consumer needs better by the advance process and they have more chance to attract and retain the customers. After reviewing the above theories and studies, this study has categorised customer attitudes and behaviour to bank selection factors into the following groups:

### **2.5.1 Personalities**

According to Blackwell et al., (2006), some factors, such as lifestyle, personalities and values, affect consumer behaviour and can be closely associated with consumer motivation. Some of these factors are more obvious than others. As a result, marketers have had to find a more straightforward way to transform their independence into products and services. This initiative sends customers the message that the bank is considering their needs and respecting their individuality with more value. On the other hand, some banks are less responsive to marketing tactics. It is known that most of the research has been focused on customer personality traits, namely the “BIG FIVE” (neuroticism, extraversion, conscientiousness, openness and agreeableness). According to Evans (1996), some of the intrinsic links have very little variance. Again, the personality factor found purpose and behaviour as valid predictors towards the particular case, and it is difficult to apply to marketing planning, especially for the consumer attraction strategy. It is difficult mainly for two prime reasons: firstly, people have well-known personalities and this can reflect a wide variation. In addition, people’s attitudes and behaviours might be different in other variables, such as demographics; secondly, a personality measure often isolates and does not demonstrate satisfactory validity, including reliability. It indicates that there are some limitations on instrument towards the degree of generalisability (Szmigin and Piacentini, 2015). The Procter and Gamble (P&G) example is especially credible at this point because they constructed personality considerations by using segmentation variables for predicting consumer behaviour. It has been applied to several studies. However, the attempt was abandoned because of an inability to generate results after three years of extensive effort. For

this reason, P & G have made a new plan for their marketing strategy and they have discovered that the personality factor can account for only a one-tenth variance in behaviour (Blackwell et al., 2006).

### **2.5.2 Values and lifestyle**

According to Kotler et al., (2009) values represent customers' beliefs. Again, values express goals which motivate people towards attaining these goals. It is one of the dominant elements for financial organisations, such as banks, to gain an understanding consumer and their bank selections from many aspects (Brown and Dacin, 1997). According to Baston and Ventis (1992), a financial organisation segments a target market by social and religious values. This again is well-established in the financial industry. Several studies (Bian and Moutinho, 2011; Broderik and Mueller, 1999) investigated brand choice, market segmentation and innovative behaviour concerning customers' values and suggest that a consumption-related variable relates to family-oriented, core values that stimulate the motivation of the consumer, which has a significant influence on consumer behaviour. However, it is often argued that transcending such a situation or construct can create a mixed result because individuals with the same values might behave differently because of the different levels of importance they place on them (Peter and Olson, 2010). Despite this inconsistency about the implication of values in marketing, there is a consensus that social values, in particular religious values held by people, have an enormous effect on their bank selection (Al-Ajmi et al., 2009; Abduh and Omar, 2012). From the above discussion, it can be said that values (i.e. the social or religious values held by a customer) are a relatively stable predictor, especially in the financial services industry. In the certain geographical area that can successfully answer the question "is this product or brand consistent with my values?" which might play a critical role in investigating bank selection criteria.

The concept 'lifestyle' that reflects the pattern in which people live, spend time and money, and reflect personal activities, interests and opinions, is more contemporary than personality and more comprehensive than values in understanding consumer behaviour, in particular with regard to answering the question of 'why do people buy?' But owing to its nature of continuous change, lifestyle seems to be more useful for relating a product to the target customer, developing a distribution channel or communication strategy or promotion pattern or shopping environment, than identifying the attributes customers' value in selecting their bank.

What a consumer knows about a specific brand within the product category is called brand knowledge. The most fundamental aspect of brand knowledge is whether or not consumers are aware of the brand's existence, which could play a significant role in the bank selection decision, as a brand needs to enter into the awareness set before being included in the 'evoke' or consideration set (Solomon et al. 2010). Until a person learns about a brand's existence, converting them into a customer is quite impossible. This applies not only to the new brand, but also to an established brand. The brand association comes in many shapes and forms, such as: product endorsers, logos, advertising campaigns, sponsorship and so on, which ultimately create a brand image (the entire array of association that is activated from memory when consumers think about a brand). Not all associations are equally linked to a brand, i.e. some are salient or stronger than others. For example, bank reputation, which creates a strong influence on the bank selection process, not only enhances the odds of a consumer selecting a particular bank but also makes consumers more likely to recommend the brand to others, which has a significant impact on customers' bank selection. In addition to this, there is a considerable amount of research acknowledging that, in a situation where the credence and experience attributes dominate the purchase decision, the role and importance of reputation and word of mouth seem to be very effective (Lovelock and Wirtz, 2007).

### **2.5.3 Consumer belief, feeling, attitude and intentions**

People usually do what they intend to do. A common practice in forecasting consumer behaviour is to rely on their past actions; although things are constantly changing and, thus, what has happened in the past might become far less relevant than what is happening today. Therefore, it can be assumed that the customer's behaviour is shaped by their intentions built upon their beliefs and feelings, which play a significant role in developing their attitudes. Like belief, feeling is another fundamental determinant of consumer behaviour, which hinges on mood and how a consumer feels (Zaichkowsky, 1985). Research suggests that people evaluate a brand or product more favourably when they are in a good mood rather than in a bad mood. For example, when a bank environment or interior design gives the consumer a good feeling that helps to create a positive attitude towards a particular bank (Lakstutiene and Naraskeviciute, 2012). Owing to the dominance of service nature and absence of tangibility of evaluative criteria in the banking industry, the beliefs or feelings of the consumer about a brand are critical to developing a favourable consumer attitude. In this situation, consumers use different search attributes associated with the bank and the image of belief and experience attributes act as a signal of quality to evaluate and justify their bank selection choice. The UK's financial industry consists of many banks where people select their choice of bank based on their attitudes and preferences. For example, some people may choose their bank to maximise economic benefit, while others may look for smooth and efficient services. Consumer attitudes towards banking services depend on many factors. For example, some customers may choose a bank which is near to their home or workplace, while others may prefer a bank because of its internal environment or friendly behaviour of its staff. There are some banks, in particular foreign and private banks, which have introduced different technology-oriented services, including mobile banking, mobile commerce facilities and internet banking.

Attitudes are not carved in stone, are often fickle and can differ in a variety of ways. However, some attitudes are highly resistant to change, while others are relatively malleable. Like attitudes, intentions are a significant predictor of behaviour, although they are far from being perfect predictors, as sometimes even the best of intentions go unfulfilled, as they open to change; measuring intentions does not tell us why consumers hold such plans (Cote et al., 1985). Personal variables such as gender, age, income, lifestyle and personality affect how the customer makes a choice and uses products and services. Understanding this individual variable is fundamental to understanding the market, although they are unique and vary from person to person. The existence of these vast variations of behaviour from individual to individual makes the marketing role challenging and complicated for the banks because what works for attracting one customer may not prove effective in attracting others. Besides, the individual determinants of bank selection, as well as some social and environmental influences might produce an enormous impact on customers' bank selections. This is discussed in the following section.

#### **2.5.4 Family and household influence**

Before going on to evaluate the influence of family and household on a customer's bank selection, it should be clear that they are important for two key reasons. Firstly, families and households are often the units of usage and purchase for many products and services. Secondly, "as the consumer, we as individuals are the creation of our families to a large extent". Consumers, as individuals, belong to a group and often try to 'fit in' and are motivated to please others, thereby producing an enormous, potential influence on customers' bank selection decision processes. Input from people with whom consumers identify and desire to emulate enhances credibility and reliability about bank choice.

One of the critical aspects of group and personal influences on consumers' bank selections can be termed as the reference group. The reference group may consist of individuals, such as celebrities, athletes, political leaders or groups, such as political parties, religious groups and so on. The norms, values, attitudes and behaviours of the reference group have a significant influence on consumers' aspirations, evaluations and behaviours because people often like to evaluate themselves in line with others and fit in with a reference group (Peter and Olison, 2010). The nature and intensity of influence derived from the reference group depends on different factors (e.g. size and cohesiveness of the group, individual characteristics of the consumer, purchase situation) that may be informative, comparative and even normative. For example, the more cohesive a group, the more influence it is likely to have on individuals. Individuals who have a strong need for social acceptance seem more likely to be influenced by others. This is evident from the increasing use of celebrities such as movie stars, television actors, sports figures and entertainers who have a powerful influence on consumers through attracting attention, creating awareness and communicating effectively to those who admire them, follow them and desire to be like them.

## **2.6 Behaviour of international consumer**

Consumer behaviour varies depending on the time, place, country, culture and situation. Consumer behaviour differences are based on the following individual factors: culture, consumer nature and lifestyle. Besides, there is a significant difference in the behaviour of the urban consumer when compared to their rural counterpart. For example, a rural consumer demonstrates conservative attitudes towards purchasing or selecting products or services and even an affluent rural consumer might think twice about spending on luxury products when they have sufficient funds. On the other hand, an urban consumer will spend money on luxuries, such as cars and household appliances even though this might require taking out a bank loan. It is also true that variances in consumer behaviour depend on

product differences. Some consumers like to buy more of some products and very little of others. Practically, all teenagers are spending more on branded products, such as mobile phones, clothing and cars instead of general or academic reading. Usually, middle-age consumers are spending less on clothing but more on investments for savings, pensions and insurance schemes. It is true that a company operating in one country, alone and might find it quite tricky to understand consumer behaviour, although that country may share most of the standard values, perceptions, culture and attitudes. However, companies are operating in a number of different countries. Differences in consumer behaviour are understandable and stable sometimes towards various goods and services. Within all aspects of consumer behaviour differences, cultural difference is the foremost and crucial beyond the borders. Besides, product and service preferences vary based on the specific culture of a country or state. Therefore, a business organisation should design its plans and programmes to meet and satisfy the unique, cultural consumer needs in the various markets. In that situation, the business organisation has two different options: either adopting a standardised strategy or following the localised approach (Kotler and Armstrong, 1995:170-171). For example, Americans and Europeans prefer dark chocolate rather than milk chocolate because it is more suitable for children, whereas most Asians, specifically south Asians, like milk chocolate. Another example is that Americans favour the colours red and blue, whereas Japanese prefer olive and brown (Kotler and Armstrong, 1995:171). Therefore, different countries' consumers display various needs, demands and desires in their shopping patterns, selection of goods and services, as well as in their spending power. If a company fails to understand such consumer differences within a country or compared to another country, it will be very difficult to ensure the survival of their business in the international market over a long period of time.

It is argued that standardised strategy proponents for industrial countries have a homogenised approach. In this situation, some of the companies are more successful with their global products, such as Coca-Cola, McDonald's, Pepsi, Sony Walkman and so on. However, localised strategy endorses the academic perspective and is more focused on variables within the culture. The main argument is that every country has a specific and national character, which involves distinctive behaviours including personal characteristics. Therefore, any effective strategy should be tailored to local sensibilities and meet specific cultural needs. An example of this is Gillette. Gillette is a brand and successful company which has 800 products and sells to circa 200 countries. It has various brand names and uses a different formulation strategy on the same product across multiple states. For instance: Gillett's skinless shampoo name is Soyance in France, Scdntalin in Italy and Silence in Germany (Kotler and Armstrong, 1995:171). Finally, consumer differences in behaviour, values and attitudes display significant changes internationally regarding products, services and marketing programmes to gain success in the international market.

## **2.7 Islamic and conventional banking systems' unique features**

For a better understanding of the unique features of both Islamic and conventional banking systems, this study requires a comparative analysis regarding both types of banking. In the Islamic banking system, all types of transactions, dealings, responsibilities, products, services and investments originate from Shariah law. The following table 2 displays the key differences between these two types of banks.

**Table 2: Major differences between Islamic and conventional banking systems**

<b>Islamic bank</b>	<b>Conventional bank</b>
Modes of operations and functions are entirely based on Shariah law	Modes of operations and functions are entirely based on secular law
Investor and entrepreneur share risk equally	An investor is assured a predetermined interest rate
Profit should be maximised under Shariah restrictions	Profit should be maximised without any restrictions which is the main aim
Zakat (Alms) is a mandatory part of the bank, and it is a bank service-oriented function	There are no Zakat (Alms) functions
Defaulters could be charged a small amount, which is donated to charity	Defaulters must be charged through penalties or compounded interest
Importance is given to public interest for ensuring the growth of equity, which is the ultimate goal	Bank's own concentration and attention is habitually at the forefront, where extra effort does not require ensuring growth of equity
Only a guaranteed deposit amount is the basis of Al-Wadiah (Deposit) principles rather than all deposits	All types of deposits should be guaranteed
The relationship is considered as the partner, investor or trader towards buyer and seller with clients	The client relationship can be termed as creditor to debtor
Project viability is given greater emphasis	Clients' creditworthiness is given greater emphasis
Islamic banks borrow money from the market, but it has to be approved by a Shariah board based on original transactions	Conventional banks borrow money from the market and it is relatively easy to do so

Source: Compiled by author, 2019

## **2.8 Islamic bank selection factors: An empirical perspective**

At present, identifying the motivational and influential factors behind the selection of Islamic banks is one of the leading research issues within the banking and finance industry. Customers' choice of an Islamic bank has many criteria. These have already been written about and reviewed in literature in Bahrain, Malaysia, Jordan, Pakistan and Bangladesh (Gait and Worthington, 2008; Dusuki and Abdullah, 2007; Naser et al., 1999; Metawa and Almosawi, 1998; Erol et al., 1990). Therefore, at this point of the current research, an attempt has been made to conduct a critical review of different bank selection literature, as evaluated in the following table.

## **SUMMARY OF KEY ARTICLES ON ISLAMIC BANK GROWTH AND SELECTION FACTORS**

<b>Author</b>	<b>Context/Study location</b>	<b>Research population</b>	<b>Methodology/Method</b>	<b>Sampling/Data analysis</b>	<b>Key findings (Summarised )</b>
Blankson et al., (2007)	Customer purchase behaviour/ Ghana, USA and Taiwan	College and university students	Quantitative/Questionnaire	Multistage Probability/EFA and CFA	Location does not make a significant difference, but the USA, Taiwan and Ghana prefer convenience, competence and ethical service respectively.
Dusuki, A.W. and Abdullah, N.I. (2007)	Customer behaviour/Malaysia	General customers	Quantitative/Questionnaire	Simple random/Friedman Test and Factor analysis	Islamic bank reputation, quality service, CSR, convenience and pricing. Another remarkable and vital factor is that Islamic banking is not entirely dependent on Islamic financial products. Islamic bank does not attract only religious and pious customers.
Mokhlis et al., (2008)	Consumer behaviour/Malaysia	College and university students	Quantitative/Questionnaire	Convenience/Factor analysis	Secure feeling, ethnicity, gender and ATM coverage are key factors.
Lateh et al., (2009)	Customer choice/ Thailand	Retail customers	Quantitative/Questionnaire	Multistage probability /Descriptive statistics	Mainly interest prohibition characteristics.
Bravo et al., (2009)	Purchase plan/Spain	General customers	Quantitative/Questionnaire	Quota/Structural or Fundamental Equation Modelling	Accessibility, CSR, satisfaction, personal, global image and location.
Jahiruddin, M. and Haque, R. (2009)	Market Strategy/Bangladesh	General customers	Quantitative/Questionnaire	Convenience/Descriptive statistics	High priority on convenience and consumer demographic character.

Al-Ajmi, et al., (2009)	Consumer behaviour/Gulf region, Bahrain	General customers	Quantitative/Questionnaire	Purposive /Non-parametric test and descriptive statistics	Religious belief and cost benefits are the primary factors.
Rashid, M. and Hassan, M.K. (2009)	Customer Behaviour/ Bangladesh	General customers	Quantitative/questionnaire	Simple random/Correlation and regression	Confidence, motivation, corporate efficiency, core banking services, technology orientation, the sophisticated marketing tools used coupled with experienced human resources.
Senyucel, E. (2009)	Customer behaviour/Turkey and Cyprus	General customers	Quantitative/Questionnaire	Convenience/Student T-Test and Descriptive statistics	Turkish customers' priority is assurance where Cyprus is responsive. Tangibility is not an essential factor for both countries
Al-Tamimi et al., (2009)	Consumer behaviour/Abu Dhabi, UAE	General customers	Quantitative/Questionnaire	Purposive/Regression	Bank products, efficient service, religious beliefs, gender and education levels are dominant factors.
Hinson, et al., (2009)	Consumer behaviour and preference/Ghana	General customers	Quantitative/Questionnaire	Multistage Random/Logistic regression	Proximity, accessibility and word of mouth are the main important motivating factors towards maintaining the relationship.
Rao, A.S. and Sharma, R.K. (2010)	Customer behaviour/Delhi, India	General customers	Quantitative/Questionnaire	Convenience/Factor analysis and descriptive statistics	Reliability, security, zero balance facility and a lower rate of service charges are the key factors.
Lajuni et al., (2010)	Consumer behaviour/ Pearl Island, South China	Working class people	Quantitative/questionnaire	Convenience/Student-T test, ANOVA and Variance analysis	Financial stability, attractive offers, efficient service, confidentiality, strictly regulated and reliable brand name.

Chigamba, C. and Fatoki, O. (2011)	Consumer behaviour/South Africa	University and college students	Quantitative/Questionnaire	Convenience/T-test, regression and ANOVA	Service excellence keeps students strategy as customers, low service charge and technology are the key motivating factors.
Maiyaki, A. (2011)	Consumer preferences/Nigeria	General customers	Quantitative/Questionnaire	Convenience/Descriptive statistics	Bank size, product cost and bank specialisations are the vital essential factors.
Hedayatnia, A. and Eshghi, K. (2011)	Consumer preferences/Iran	General customers	Quantitative/Questionnaire	Convenience/Friedman test and FA	Quality service, innovation, delivery process, corporate image, staff friendliness and previous attachment are the key customer focus factors.
Awan, H.M. and Bukhari, K.S. (2011)	Consumer attitude, behaviour and awareness/Karachi Pakistan	General customers	Quantitative/Questionnaire	Not Identified/Not Identified	Employees less competent and knowledgeable about products and services where religious beliefs have less influence.
Lee, K. and Ullah, S. (2011)	Consumer behaviour/Pakistan	Muslim general customers	Quantitative/Questionnaire	Not Identified/Descriptive statistics and cross tabulation	Sensitive customers, security, Islamic law values delivered by convenient and latest technology
Katircioglu et al., (2011)	Consumer behaviour/Romania	Retail customers	Quantitative/Questionnaire	Convenience/Descriptive statistics and FA	Mass media impact, recommendations, available ATM, online banking and reputation.
Abduh, M. and Omar, M. (2012)	Customer behaviour/Malaysia	Most depositors and general customers	Mixed/Semi structure interview for qual and questionnaire for quant	Cluster/Thematic coding	Shariah complaints law, profitability, reputation and employee competences are main vital factors.

Siddique, M. (2012)	General customer/Rajshahi, Bangladesh	General customers	Mixed /Questionnaire for quant	Convenience/Factor analysis and descriptive statistics	Quality product, efficient operation and customer service, low loan rate, investment security and technological features.
Parvin, A. and Perveen, R. (2012)	Consumer behaviour/Bangladesh	General customers	Quantitative/Questionnaire	No sampling technique/Descriptive statistics and Factor analysis	Competitive price strategy, safety, responsiveness, reliability and use of latest technology.
Sayani, H. and Miniaoui, H. (2013)	Consumer behaviour/Gulf region, UAE	General customers	Quantitative/Questionnaire	Convenience/MDA	Islamic banks customers' high determination is the prime factor, and it is the key distinguishable factor compared with conventional banks. Reputation is also another key factor but not highly significant.
Choudhury, K. (2013)	Consumer select service intention/India	General customers	Quantitative/Questionnaire	Convenience/Correlation, regression and exploratory factor	Reliability is top priority. The healthy relationship between perceived service quality and select service intention.
Amin et al.(2013)	Consumer attitudes and behaviour/Malaysia	General customers	Quantitative/Questionnaire	Multi-stage random probability/Factor analysis and structural equation modelling	There is a relationship between image, trust and loyalty. The non-Muslim customer has a more significant effect on above factors compared to Muslim customers.
Juniar et al., (2013)	Consumer behaviour/Malaysia	General customers	Quantitative/Questionnaire	Convenience/Parametric and Descriptive statistics	Safety, confidentiality, convenient location and occupation are the most important factors.
Zulfiqar et al., (2014)	Consumer behaviour/Pakistan	General customers	Quantitative/Questionnaire	Convenience/Parametric and descriptive	Convenience, service quality, service charge, younger customer involvement and latest technology use are the key contributors.

Polat et al., (2014)	Consumer behaviour/Turkey	General customers	Quantitative/Questionnaire	Convenience/ Descriptive and factor analysis	Islamic values, fast, efficient service and quality products are the main preferred factors.
Jaffar, M.A. and Musa, R. (2014)	Consumer planned behaviour theory/Malaysia	Islamic bank employees	Mixed /Interview for qual and questionnaire for quant	Purposive/Descriptive statistics with reliability analysis	The Halal industry representative, images, motivation inclusion and inhibition of boost credibility.
Souiden, N. and Marzouki, R. (2015)	Customer purchase intention/Tunisia	Insurance related customers	Quantitative and Questionnaire by online	Convenience/Regression, ANOVA and Structural Equation modelling	Customer involvement level remarkable on product and service but based on religiosity. Again, customers have low Islamic value; their purchase intention is high on traditional insurance and vice versa.
Salehi, S.A.S. and Rajabi, F.K. (2015)	Consumer behaviour/Iran	Working class customers	Quantitative/Questionnaire	Convenience/Factor analysis, regression and Friedman test	Welfare, economical, bank goodwill, branch location and social factors.
Naz and Farooq (2016)	Consumer attitudes/Pakistan	General customers	Qualitative/LR Survey	Cross sectional	Offer attractiveness, cost-benefit, bank personnel friendliness and Shariah compliance law.
Nashwa and Mona (2016)	Customer attitudes/Syria	Islamic bank customers	Quantitative/Questionnaire	Descriptive statistics, Regression and Factor analysis	High quality service with empathy.
Naeem et al., (2017)	Consumer behaviour/Pakistan	General customers	Quantitative/Questionnaire	Descriptive analysis	Islamic banks product and service awareness, advertising, social media networking and reputation.
Mariadas, P.A and Murthy, U. (2017)	Customer attitudes/Malaysia	General customers	Quantitative/Questionnaire	Descriptive statistics, Regression and Correlation analysis	Customer knowledge and satisfaction.

Based on the findings presented in the above summary table, the following discussions focus on identifying and categorising the selection and growth factors of the Islamic bank.

### **2.8.1 Religion**

The study of Al-Ajmi et al., (2009) suggests that religious belief of consumers, along with their social responsibility, is one of the crucial, influential determinants of bank selection. Cost-benefit is another influential factor, which plays a significant role in customer bank selection (Zulfiqar et al., 2014; Parvin and Perveen, 2012; Maiyaki, et al., 2011; 2010; Al-Amin et al., 2009). Customers in Islamic banks are more concerned about Shariah law. Those who are using different banks mainly do so for better products and service facilities, although this does not mean that the products and services of Islamic banks are not good enough/as good as the products and services of non-Islamic banks. Religious belief is a substantial factor, which motivates people to choose Islamic banks and hence influences the growth of Islamic banking. This is evident in the UK, Egypt, Bahrain, Jordan, Malaysia, and Turkey (Al-Tamimi et al., 2009; Dusuki and Abdullah, 2007; Okumus, 2005; Zainuddin et al., 2004; Al-Sultan, 1999; Naser et al., 1999; Metawa and Almosawi, 1998; Hejazy, 1995; Omer, 1992). However, from the previous list of countries, the UK has a smaller Muslim population than other religious faiths, yet Islamic banking is growing fast. This is due to the importance of almost all Muslims' firm religious beliefs. Several studies further suggest that religious belief is not the only factor that is influencing Islamic banking growth; consumer attitudes and behaviour are also doing so (Awan and Bukhari, 2011; Erol and El-Bdour, 1989; Erol et al., 1990; Metwally, 1996). In addition, motivational factors, such as customer satisfaction and religious responsibility, economic status, cost of service, return rate, product brand reputation, service convenience (ATM facilities), how friendly and fast services are, location, brand, social responsibilities and personal reference all influence consumer bank selection (Blankson et al., 2007; Bley and Kuehn, 2004; Ahmed and Haron, 2002). Therefore, this discussion concludes that religious belief is not the sole motivational factor

which influences Muslims to choose Islamic banking; there are other factors that also play an important role in bank selection.

### **2.8.2 Service quality and satisfaction**

A considerable number of studies (Polat et al., 2014; Zulfiqar et al., 2014; Choudhury, 2013; Siddique, 2012; Awan and Bukhari, 2011; Hedayatnia and Eshghi, 2011; Chigamba and Fatoki, 2011; Rao and Sharma, 2010; Blankson et al., 2007) have investigated the relationship between customer satisfaction and quality of service. Amin and Isa (2008) also determined the degree of correlation between these two factors. These studies used the SERVQUAL and later the CARTER model, owing to some limitations with the SERVQUAL model in measuring the level of service quality (Othman and Owen, 2001). Finally, these studies found that high-quality service with empathy has a significant role in customer bank selection and satisfaction (Nashwa and Mona, 2016).

### **2.8.3 Specific user groups**

Some studies have focused on particular user groups. For example, the study (Okumus, 2005) was focussed on business customers regarding facilities in Islamic and conventional banks in Muslim-dominated countries, in particular, to determine their perception. There are other studies (Mansor and Bhatti, 2011) that aim to identify the most influential factor's motivating SME entrepreneurs in choosing their bank. In fact, there are some other studies conducted on bank selection suggesting that high reputation, convenient parking facilities, better ATM facilities and employee friendliness are the most influential factors with regard to bank selection (Salehi and Rajabi, 2015; Juniar et al., 2013; Abduh and Omar, 2012; Lee and Ullah, 2011; Katircioglu et al., 2011; Bravo et al., 2009; Moklhis et al., 2008; Devlin and Gerrard, 2005; Almossawi, 2001).

#### **2.8.4 Socio-demographic variables**

In bank selection literature, the demographic factor is found to play a significant role. For example, research in Bahrain and Malaysia conducted on conventional banking found that socio-demographic factors, such as gender, age group, income level, profession, standard of living, education and citizenship are important determinants of bank selection (Juniar et al., 2013; Al-Tamimi et al., 2009; Jahiruddin and Haque, 2009; Moklhis et al., 2008; Metawa and Almossawi, 1998). Similar research has been conducted in the context of Bangladesh considering almost the same variables but found them to be insignificant (Noman et al., 2015).

#### **2.8.5 Knowledge, awareness and influence**

Many studies have recognised customer awareness as one of the influential factors affecting the choice of an Islamic bank (Awan and Bukhari, 2011; Maiyaki, 2011; Lajuni et al., 2010). The popularity of Islamic banking products and services was affected significantly by the perception of quality service in the United Arab Emirates (UAE). Studies also recognise that the Muslim who lives in a Muslim-dominated country is more aware and knowledgeable about Islamic banking than the Muslim who lives in a non-Muslim-led country. This is because of the influence of the mass media, the influence of society, recommendations of friends and family regarding the use of Islamic banks in Muslim-led countries such as Bangladesh, Saudi Arabia, and Dubai and so on. This influence contributes to the growth of Islamic Banking (Mariadas and Murthy, 2017; Katircioglu et al., 2011). There are also some other factors, such as the attractiveness of offers and the influence of banking personnel's friendliness and Shariah compliance awareness, which also play a vital role in the selection of Islamic banking (Naz and Farooq, 2016).

### **2.8.6 Religiosity role**

Many studies examined religious principles as one of the key variables that influence consumer behaviour in bank selection (Souiden and Marzouki, 2015). A model was applied to the Malays in Malaysia to assess bank choice behaviour (Amin et al., 2013). In this regard, they used the religiosity index to measure the degree of religious commitment among Malaysian people (Jaffar and Musa, 2014). The study reported that the higher the level of religiousness, the more elevated the intention of people to use an Islamic banking service. However, the overall findings of the survey found that a smaller number of Muslim consumers used Islamic banking services and the majority used conventional banking services, even though 71.5% of the Muslims were highly religious.

### **2.8.7 Subjective norms, intention and attitude**

Other research studies have emphasised a connection between customer intention, their attitudes and norms. These studies accepted and supported the Theory of Reasoned Action (Fishbein and Ajzen, 1975). For example, one of the studies focused on TRA, which supports the intentions of Muslim customers who were most influenced to use Islamic banking services (Ali et al., 2017).

### **2.8.8 Reputation, brand images and uses of latest technology**

According to Schiffman and Kanuk (2010), a positive brand image is facilitated by a marketing programme and can be made a link or may be capable of producing exceptional and unique relationships with the brand, which will always assist in consumer retention. Again, Pujadi (2010) mentioned that brand image is a consumer, psychological aspect created by an impression, which builds up in a consumer's subconscious through their expectations, as well as their experiences. This expectation and expertise form a positive brand image, where it will increase continuously

and create a strong position in the market for the company. In the current banking and finance industry, primary competition is anticipated mostly from conventional banks, where Islamic banks are at the second level based on a brand image perspective (Choudhury, 2013). Islamic banks' brand planning, therefore, should be concentrated on their ability to gain viable and strong institutional brand image to achieve a competitive advantage in the market.

From the point of view of reputation, this is of great importance when selecting and dealing with the Islamic banking system and is one of the prior selection criteria; this study has indicated that consumer preference is reputation in choosing Islamic banks and the reason why the majority of customers are pleased with a relevant bank's reputation, as well as its status. Therefore, customers stay with their relevant bank (Hamid and Masood, 2011).

According to Poon (2008), not only the younger generation, but also 70% of all customers, like advances and the latest technological facilities for using online banking, which encourages them to stay with their relevant bank. Notably, the younger generation's impatience is an important criterion, which makes the (handiness) factors an important consideration in bank selection. A study of Waleed (2010) mentioned that the development of technology by fully-fledged Islamic banks provided more magnificent online facilities and created an advantage in increasing consumer attraction, which also changed customers' preference for selecting Islamic banks in Saudi Arabia because Islamic banks' online service superiority is crucial to customers.

## 2.9 Islamic finance current state

According to the IFSB (2017), the Islamic banking and finance sector, which practised “reasonable levels” of growth (deposits, assets, market shares and financing) and holds the majority of Shariah-compliant assets. In 2016, the IBF’s (Islamic banking and finance) assets of regional (except GCC) composition were changed because of the Iranian Rial’s (currency) depreciation. The IBF’s assets dropped from USD 566 bl to 541 bl (IFSB, 2017). Conversely, their assets grew in the GCC, including Asia, even though both regions experienced currency depreciation. Surprisingly, the IBF’s total asset shares in both the GCC and Asia increased by 42% & 22%, respectively, at the end of 2016. Despite these revolutions, 88% of the IBF industry’s assets were persistently being held in controls with a consistently important Islamic banking and financial sector (Dubai Islamic Bank, 2017a; IFSB, 2017). In these regions, the following factors, such as the significant presence of capital resources, high oil prices, use of a high percentage of educated people and stable domestic prices have had a positive effect on the growth of Islamic banking and finance (Tamsir, 2018). Another study demonstrates that profitability and tangibility supports the growth of the IBF, whereas leverage levels are not a significant determinant factor of the IBF in capital structure decisions (Abdullah & Abdullah, 2018). However, the Sukuk (Islamic bonds) market has recovered after three difficult years, while both Takaful (Islamic insurance) and Islamic equity, including managed funds are performing well. Regarding Assets Under Management (AUM), the Islamic banking and finance industry maintains to be conquered by the global banking and finance sector (Thomson Reuters, 2017b). Based on the Islamic window, both Islamic and conventional banks hold approximately 75% of the entire Islamic financial assets (Dubai Islamic Bank, 2017a; Thomson Reuters, 2017b). The Takaful (Islamic insurance) industry has enormous potential because it grew by 12% in 2015 and averaged 16% growth during the 2008 – 2015 periods. Still, it comprises, at present, 305 operators along with windows which, during 2015, predominantly came from Asia (18%),

MENA (33%) and the GCC (47%). It has increased from USD 22.2 bl. to USD 25.1 bl. since 2014 (World Bank & IDB, 2017).

Despite the comparatively wide exceed of the IBF industry in 2015, the IBF majority assets were abided in the GCC USD 922 bl., Southeast Asia USD 473 bl. and the Middle East USD 453 bl. (excluding GCC). It is further noted that USD 72 bl. was embraced by Europe and the Americas, USD 51 bl. in Asia (remaining parts) and USD 32 bl. in Africa (Thomson Reuters, 2017a). Over 80% Islamic banking and finance Assets Under Management (AUM) are concentrated in 10 different countries, whereas oil dependence, a crucial factor for the growth of the IBF industry is mainly concentrated in Malaysia, Saudi Arabia and Iran USD 335 bl, USD 431 bl. and USD 560 bl., respectively, as of 2016 (Dubai Islamic Bank, 2017a: ISRA & Thomson Reuters, 2017).

Based on the slow pace of the IBF growth industry, the Dubai Islamic Bank (DIB) has reworked its 2016 predictions and is projecting this industry will be worth USD 3 – 4.4 tl. by 2020 compared to the 2015 forecast of USD 3.2 – 4.6 tl. Thomson Reuters also provides a parallel forecast, which amounts USD 3.5 tl. by 2021, whereas Deloitte projects USD 3.3 tl. by 2020 (Deloitte, 2016; Thomson Reuters & Dinar Standard, 2016). Islamic banks and the finance industry, especially in the GCC region, are perceived as being concerned by this slow pace forecast of profitability deteriorating because of the risk to funding costs is increasing (S&P, 2017). However, the DIB expected that the slow pace of the IBF's growth should accelerate in the forthcoming decade through non-core market expansion (Africa, CIS, Europe and Russia) including the lifting of sanctions in Iran which are supposed to boost the Sukuk (Islamic bond) market (Dubai Islamic Bank, 2017a). Moreover, it is known that Morocco and Oman have also entered into the IBF market recently (S&P, 2017). Owing to the global financial crisis of 2008, the IBF cannot achieve its predicted growth. Despite this, the IBF has been performing better (7%) than conventional banking and finance during the last two years. Its average growth rate was 13.9% during the 2009 – 2016 period (Dubai Islamic Bank, 2017a; IFSB, 2017). According to Asmild et al., (2018), the

Islamic banks' performance outclassed conventional banks during the Global Financial Crisis (GFC) period. Another study by Mamun et al., supported it (2015) and found that the IBS performed better than the traditional banking system, based on the majority of financial performance indicators, during the 2010 - 2014 period. Nonetheless, the World Islamic Banking Competitiveness Report (WIBCR) and the Islamic Financial Services Board (IFSB) jointly believe that the overall growth rate and performance of the IBF industry could be considered as "satisfactory" (WIBCR, 2017; IFSB, 2017).

## **2.10 Shari'ah Law implications in British society**

Shari'ah law, and its legality and implementation in the UK, is one of the most recent and most discussed issues by legal professionals, politicians and theological writers. The debate was started by an upper-status, UK church official's (Dr Williams, 2008) statement regarding Shariah law and its function. His speech focused on a tolerant and peaceable society construction where he said that "community, social integration and unity are very essential. To achieve these objectives, Islamic Shariah Law recognition is unavoidable to a certain extent". Based on that statement in the UK, a debate started on Islamic Shari'ah, as well as its implications. Some people criticised Williams for his views, claiming that this statement promoted Islamic Shariah law in the UK. However, he replied that this statement was taken out of context and denied the allegation that he was promoting Islamic Shariah law in the UK as a comparable legal system. His remark about Islamic Shariah law suggested that a well-established society and the Beth Din Institute's religious legal structure had been operating some very successful projects in the UK for several decades. Moreover, the local Islamic Shari'ah council was also performing a variety of useful tasks concerning matrimonial, civil and private life issues within the Muslim community. In addition, Williams (2008) explained the Shariah law divorce process, which has similarities with British law, so it could be incorporated into British law. Also, some British citizens are not completely familiar with the English legal system where they argued on some English

law based on “face up to the fact” and suggested Shariah law could improve community relations.

The basis of William’s above statement resulted in much criticism from a variety of perspectives, some arguing that he should quit his position, while others even threatened to kill him. Furthermore, this scenario indicated that citizens have the freedom of logical speech and fundamental rights in Britain under English law, which demonstrates the soundness of the British democratic system. Another critical statement has a close relation with UK Shariah law, coming from another high official, namely Chief Justice (Lord Phillips, 2008) based on the fallout from William’s (2008) statement. He stated that “there was not any harm, as long as there were a few contractual agreements between two parties towards judgement through any law”.

The Chief Justice (Lord Phillips, 2008) had said that “Britain’s Muslims should be lived under Shariah law but with the respect of British law”. He had given his opinion on William’s (2008) statement at the Muslim Centre, East London, though it was ‘not incredibly essential’ that Shariah law be exercised regarding helping to govern issues, such as family disputes, as well as financial products or services sales. He pointed out that Shariah law may be operated in the UK because he wants to see some of Shariah law willingly brought into British law if it does not conflict or lead to the imposition of harsh physical punishment over British law. Finally, he concluded that “Shariah law has undergone a widespread misunderstanding in the UK” (Lord Phillips, 2008).

It is a fact that Great Britain is a multicultural society where democratic practices dominate, and people have the right to choose and practice any law under the democracy maintained by the principles of British law. Therefore, Shariah law is never considered as a parallel of British rule because it was a misunderstanding by Williams (2008). Instead his statement considers an issue of multiple jurisdictions where every community has different laws and jurisdictions based on their religious beliefs and personal legal requirements. For example, the Ottoman Empire

rolled past (disintegrated after the WW1), but Israel is still in existence. According to The Centre for Social Cohesion (CSC, 2009), the legal system could be considered as multiple jurisdictions; for example Israel has three different courts in their legal system, namely a Muslim court, a Christian court and a Jewish court. In addition, the Jewish community's Beth Din legal system has been practising for more than 70 years in the UK.

Here it is worth noting that there is no intention to implement all of Shariah law, such as illegal penal codes, harsh physical punishment on drinking alcohol, cutting off hands for theft, stoning for adultery or decapitation for murder. Instead it would be confined to several important laws, such as those governing financial transactions or matrimonial concerns, which have a great impact on Muslim daily life; these laws would need to accommodate British law. Indeed, this was the main focus of those two UK high officials mentioned above. In addition, Muslim personal law is not new because it has been experienced and exercised since the time of the British Empire, specifically in some regions of India and Africa (John, 2016; Grillo, 2015; Stephen, 1996). It has also been found that major commonality such as mutual community responsibility, trade including financial transactions authenticity and contractual piety on service user and provider are the most significant features for every individual. For example, British contract law has various elements of offers and acceptances which play a major role. However, Shariah law is based on contract law as well but this is free from any prohibited aspect, so it can be implemented and enforced by any type of judicial system. Furthermore, legal events where judgments are passed, dispute hearings held and decrees issued are not essentially confined to Shari'ah councils. English magistrates and judges could take a significant active role in contract implementation and here the Shari'ah council would only takes part in an advisory role through their opinion based on Shariah law.

On the basis of the above discussion, it can be said that English and Shariah law shares some common areas and both form the basis of certain fundamental principles, such as truth, equity, justice, proportionality, obligations, rights and social responsibility for everyone with respect to avoiding any discrimination based on gender, race, colour and religious belief. Therefore, it can be said that Shariah law might not be a problematic issue in the British legal system because of the precedent of Jewish courts and the two important contextual statements of Williams and Phillips (2008) towards recognition of the Shariah council based on democratic values.

## **2.11 British Bangladesh Muslim Community: socio-economic conditions and migration study in the UK**

Considering the socio-economic and migration study, the British Bangladeshi Muslim Community (BBMC) is regarded as the second largest ethnic minority. This community has a great significance in this study regarding the evolution of the Islamic banking system in the UK. The BBMC has a significant segment compared to the entire Muslim community of the UK, but this segment shows dynamism, a distinct culture and religious characteristics. However, this considerable segment represents the second largest population segment compared to other Muslim communities in the UK (MCB, 2015), where Pakistanis are the most significant Muslim community. The BBMC follow a specific religious belief in the UK. Therefore, this section discusses the BBMC migration study and socio-economic conditions, which have important relevance for this research.

### **2.11.1 Contemporary Migrations**

From a population of 6000 in 1961, the Bangladeshi community rapidly increased to 447,201 in 2011, where the largest British Bangladeshi community (202,127) resided in Greater London, particularly in East London, with a population of 160,500 (82%) Muslims among them (ONS,

2012). According to Joy et al., (2006) more than fifty percent (53%) of British Bangladeshis were born in Bangladesh. A total of 6,221 Bangladeshis had been granted leave to settle in 1991; this rose to 123,921 in 2009, and of these 83.6% were Muslim (IOM, 2009). Moreover, approximately 6,300 Bangladeshi families have moved to East London from Italy, as EU nationals, since 2011, and the majority are Muslim (Clark, 2015). This report also mentioned that more than 60% of these new migrants conformed to an age range of between 25 and 44 years, which might suggest that their settlement was based on the marriage and work permit route. Hoque (2015) noted that there are two other routes included in this settlement figure: full-time education and intra-company transfer employment, at 42.8% and 5.6% respectively. However, a recent change of government immigration policy decreased this ratio to 2.3% in 2013 (The Migration Observatory, 2016: Table 3). In the period from 2012 to 2015, foreign-born points of view, only 3.1% of Bangladeshi people had settled and were living in the UK, particularly London, (The Migration Observatory, 2016: Figure, 5). Furthermore, the Bangladeshi Muslim birth rate increased by 1% from 2011 to 2001 (4% to 3%) and were considered as residents but not born in the UK (ONS, 2011: Table 3). From an employment perspective, newly settled Bangladeshi migrants have slightly enhanced rates of employment (42.8%) compared to previous immigrants (40%). However, newly settled immigrants have a marginally higher unemployment rate (7.8%) than previously settled migrants (6.8%) (Kyambi, 2005:76).

### **2.11.2 Housing**

The British Bangladeshi Community (BBC) has repeatedly faced inequality with regard to housing issues, not only in Greater London but also across the whole of the UK (Lucinda, 2011; Bunting, 2007). BBC housing problems have their roots in the historical migration of the 1970s and the use of housing issues in a political fashion (Riaz, 2013; Glynn, 2006). The remarkable number of new immigrants needing housing created competition with the white, working class, British population, amongst others. According to Abbas (2005:23), the BBC suffers from poor housing

because of the high levels of male unemployment and the low female participation rate in the current labour market. The BBC household percentage has also decreased from 47% to 30%. In addition, BBMC households are officially recognised as “non-decent homes”. Usually, more than 4.6 people are living in one property, but this is now decreasing (DCLG, 2009). The majority of the BBC population like living in Greater London, especially in the London Borough of Tower Hamlets (Perry and Azim, 2008), which makes overcrowding nearly three times higher there than the national average. Only 37% of the BBC community have their own homes, while 62% rent homes from social sectors (DCLG, 2009). On the other hand, in the British Bangladeshi Muslim Community (BBMC), 35.1% of households reside in social housing (MCB, 2015). Furthermore, 55% of members of the BBC flat-share (ONS, 2011; DCLG, 2009). According to Glynn (2006), the housing battle has created “ghettos” because of shortages of community leadership needed for authorising and organising the BBC. This study also concluded that it had changed because, nowadays, members of the BBC are leading their community in recognised positions, such as councillors, community figures and MPs.

### **2.11.3 Poverty**

The British Bangladeshi Community’s (BBC) poverty level, with regard to income, is high compared to other ethnic communities, as two thirds (65.7%) of children are growing up in impoverished conditions (Lucinda, 2011; OSI, 2010; Nandi and Platt, 2010). There are three significant reasons for this: family type, unemployed family status and age difference. From these three factors, unemployed family status has a bigger effect on the BBC, as these people are more related to the community’s different activities and have a higher risk of income poverty. In addition, working-class adults within the BBC have a high proportion of unpaid work. However, there are other reasons why the BBC has a high poverty level, for example poor, education, ethnicity, household size and rates of pay, which cumulatively have an impact upon the poverty issue.

#### **2.11.4 Employment**

Considering participation in economic activities, the British Bangladeshi Community (BBC) has a lower rate compared to the national average. Where both a male (61.7%) and female (27.4%) compared to the national average is 79% and 70% respectively. Again, economically inactive men and women number 28.3% and 66.6% respectively, whereas the national average is 16% and 26%. The BBMC unemployment rate is 16% for men and 18% for women, whereas the national average is 6% percent and 5% respectively. Furthermore, with regard to the long-term unemployment rate, the BBC has a high percentage (17.1%) compared to other ethnic communities (2.7%) or the national average (James and Dharmi, 2013; DCLG, 2009; Aston et al., 2007). The majority of BBC members are employed in hotels, restaurants and catering, where they are work as waiters or cook or chefs or occupy managerial positions in this industry, which is six times more compared to other occupations such as teaching, administrative, security officer and etc (OSI, 2010). Self-employment is another popular route for BBC members, where a large proportion are involved in taxi cabbings, as driving instructors, as well as in small business (DCLG, 2009). According to Abbas (2005), a low percentage (2.1%) of BBC members hold high professional positions compared to the national average (6.1%).

The information given above indicates that the BBC is one of the most impoverished communities in the UK. According to Nandi and Platt (2010), low educational qualifications might be one of the key reasons. As a result, most are employed in poorly-paid jobs, although this trend is changing because a growing proportion of BBC youngsters are achieving higher level qualifications and high salaried employment compared to the previous generation (Brynin and Guveli, 2012). Many BBC females are achieving higher level educational qualifications, which is reducing the unemployment rate; religious restrictions, however, and the traditional culture of the BBMC mean that most are still not managing to secure high profile roles at work (Stephen and Ken, 2007). Therefore, religious identity

is playing a vital role in reducing female unemployment in the BBMC (Nandi and Platt, 2010; Modood, 2005).

### **2.11.5 Education**

The GCSE achievement rate of British Bangladeshi Community students had increased at least 5 A\*-C grades by 2013 and this remarkable rate is 61% percent by the third generation compared to White British and Pakistani 56% and 51% respectively (Haider, 2016). According to the Joseph Rowntree Foundation (2014), British Bangladeshi graduate students increased during 2014, when the rate was up 0.5% from 1.9% in 2013. British Bangladeshi students have a 49% higher chance of gaining admission to universities in the UK than their white British counterparts (Institute for Fiscal Studies, 2015). There is no educational qualification of women 39.1 percent and 30.3 percent men in the UK British Bangladeshi Community. However, this ratio is comparatively less than the above-mentioned numbers (3.7%for women and 5.4%for men) in Greater London, i.e. BBC people have a higher educational attainment in this region, especially among the second generation and newly settled immigrants with Bangladeshi origins (JRF, 2014: Figure 5). It is remarkable that almost 50% of students are aged between 16 and 24 in Greater London compared to a 45% average across the UK, and 47.6%of newly settled, Bangladeshi born immigrants have a higher qualification from UK or high level Bangladeshi institutes (Kitty and Meesnakshy, 2014; Kyambi, 2005:76). Accordingly, Tim (2016) finds that the third generation of younger members of the BBC are taking more educational opportunities compared to the second generation. From the GCSE results' point of view, the Bangladeshi students' overall achievement figure is 48%, a third higher than the actual prediction of 36% (OSI, 2010). Another study mentioned that BBC students are improving their skills through additional educational qualifications and this has increased significantly from 69% in 2008 to 71% in 2009 (Skills Funding Agency Report, 2010). More surprisingly, in 2007-8, 37% of BBC females, by the age of 19 years, had entered higher education institutions, which was more than males (32%) (DCLG, 2009). More recently, it has become evident that young males and

females from the BBC are more likely to attend university because of their significantly higher application rates for admission, which indicates that the BBC's level of education will increase in the near future.

## **2.12 Challenges Ahead for the Islamic Banking System**

Despite the Islamic banking system promising development and rapid growth, it is nonetheless facing significant challenges, in particular:

### **2.12.1 Issues of human capital**

The success of any organisation depends on highly dedicated, qualified and experienced human resources and the Islamic banks are not an exception to these preconditions; for example, staff with an understanding of both Shariah law and possessing market insights. The Capital Market Regulators Forum (2016) discovered that 82% of countries displayed a scarcity of experienced intellect and talent within the Islamic banking system's services in areas such as Shariah and Islamic insurance (Takaful). This study also found that circa 61% of Islamic finance and banking professionals needed further training and development. A dearth of intellectual and talented Islamic banking and finance personnel has had an impact on this industry (Finance Accreditation Academy, 2017). It has also been found that there is a considerable shortage of qualified Shariah scholars.

The UK requires a pool of educated individuals ready to take part and adopt an active role in the Islamic finance and banking industry, and use their full potential. Recent statistics and evidence suggest that the education sector can meet this need. The UK Islamic Finance Council report (2016) claims that 60 UK institutions are offering Islamic finance and banking courses, whereas 22 universities provide related degrees. In addition, this council is providing training and development services for corporate as well as educational institutions. According to David (2013), concerns have arisen regarding how the UK's Islamic finance and banking education sector assesses compared to its Gulf equivalents. Again, Daud

(2014) mentioned that UK Islamic banking and finance industry expertise is “spread extremely thin”, whereas the UK universities’ standard of education is “variable”. Furthermore, Baldwin (2016) suggests that the weakness of the UK Islamic banking and finance industry is the reason for the shortage of expertise. It is also worth mentioning that the UK bodies (i.e. government and private) can produce Islamic finance and banking expertise through future planning, including significant investment in educational institutions and training facilities. However, the Islamic finance and banking industry could play a substantial role through offering a competitive package.

### **2.12.2 Standardization including harmonization**

Shariah (Islamic) law has different forms with different interpretations. However, the Islamic finance and banking system has different definitions subject to the conditions which lead to different traditions and concepts. This might obstruct the rapid growth of the internalisation of the Islamic finance and banking system, since assured products and services might not be permitted in some Islamic jurisdictions. Therefore, it is essential to call on Shariah views for including mutual acknowledgement, harmonisation and standardisation. It will help to minimise or reduce the risk of Shariah non-conformity and legal uncertainty.

### **2.12.3 Shariah obligations and the current legal framework**

The Islamic finance and banking system operates at a global level, which is also considered as a challenge. It is known that the Islamic finance and banking system is mainly based on Shariah compliance law and its principles. Therefore, the existing regulatory, legal and policy frameworks must take into consideration the value of propositions promulgated through Shariah. Nevertheless, there are several challenges regarding coordination with Shariah principles, as well as existing regulatory and legal frameworks in practice. For example, the Islamic finance and banking system product and legal service definition may not be recognised as Islamic financial transactions in certain Islamic jurisdictions because of their distinctive nature and characteristics, which can lead to possible

conflict and undesirable legal effects (Laldin and Furqani, 2015). Combating this deficiency of uniformity obliges a move forwards global standardisation for Sharia-compliant products and services. At that stage, some of the initiatives, for example standardisation, have already taken place. One of the most well-known Malaysian banks, namely Bank Negara Malaysia, established a Law Harmonization Committee in 2010. It did so mainly to construct a conducive environment for a legal structure which supports, helps and facilitates the Islamic finance and banking industry for efficient development. Furthermore, the AAOIFI (Accounting and Auditing Organization for Islamic Financial Institution) published Shariah standards in an attempt to provide a degree of harmonisation. However, Shariah law's unusual nature, with its origins in ancient religious doctrine, raises anxieties over whether appropriate standardisation might ever be reached.

#### **2.12.4 Public awareness**

The Islamic banking and financial industry's lower market penetration rate is caused by a lack of public awareness, including the perception of the Islamic banking system offering products and services, particularly Islamic jurisdictions (Bursa Malaysia, 2009). This same study revealed that the Islamic banking system is trying to develop an Islamic stock market with their products and services, but there are significant obstacles which include potential investors' deficiency of awareness. The PWC (2014) carried out a survey and revealed that awareness deficiency plays a vital role in the low level penetration of the Islamic banking system in the Gulf Corporation Council (GCC). This survey also found that half of the survey participants think that they are familiar with the Islamic banking system, whereas 64% of non-Muslim participants cited that awareness deficiency is the main reason for not subscribing to any Islamic financial and banking system product and/or service (PWC, 2014).

### **2.13 Prospects or Opportunities in Non-prime Islamic Finance and Banking Jurisdictions**

Apart from prime Islamic finance and banking jurisdictions, such as the GCC and Malaysia, this industry is gaining a stronger and more secure position in other parts of the world. This is evidenced in the countries of the African continent: Nigeria, Senegal, South Africa, Kenya and Gambia. However, this industry has not only bright prospects in the African region but also in Asian countries, such as Brunei, Bangladesh, Indonesia and Pakistan. Furthermore, there are some advanced economies and developed countries namely the US, Europe, Singapore and Australia.

Bangladesh is the fourth largest and most significant Muslim country in the Asian region (Pew Research, 2015) and has an extensive history in the development of Islamic banking and finance. According to IFSB (2014), Islamic banking and finance started through IBBL (Islamic Bank Bangladesh Limited) in 1983. There are currently seven fully-fledged Islamic banks and twenty conventional Islamic banking and finance branches in 2014 throughout the continued development since 1983. The Bangladesh Bank Annual Report (2014) published that the Islamic bank and finance market share is sizeable, and has a total deposit of 18.9% and total financing of 21.1%. Most importantly, this industry is growing rapidly with the products of Takaful (Islamic insurance) and at present there are eight Takaful operators and five Takaful families in Bangladesh. Besides, this industry has a record market share of 26.5% in total life insurance premium based products and 5.6% non-life business insurance (IFSB, 2014).

Indonesia is another country where one of the world's largest Muslim populations live, i.e. 12.7% of the world's Muslims (Chappel, 2015). The OECD Indonesia (2015) reports that the net worth of a high number of individuals has increased significantly in Indonesia. Financial circumstances have been positive compared to those of past decades and economic conditions are expected to grow at 5.3% in 2015 (OECD Indonesia, 2015). However, there are important Islamic financial and

banking institutions existing at present in the Indonesian market from the supply point of view. Currently, there are 12 fully-fledged Islamic banks with 163 Islamic rural banks and 22 conventional Islamic banking and finance branches in Indonesia (Bank Indonesia Annual Report, 2016). Again, the Islamic bank's assets have grown from USD 8.1 bl. in 2010 to USD 22.3 bl. in 2014, where the CAGR rate was 29.2% between 2010 and 2014 (Indonesia Investments, 2015). On the other hand, Takaful (Islamic insurance) is also growing because 45 Islamic insurance institutions are operating and offering family and business insurance. It is expected to produce 20% of Takaful in the year 2015. Additionally, this country has 316 Shariah compliance stocks that have been categorised, as well as being listed under the Shariah Listed Securities. It again comprises total stocks of approximately 60% in Indonesia (Indonesia Investment, 2015). In addition, there are other remarkable Islamic banking products and services in Indonesia, such as 61 Shariah acquiescent mutual funds, 23 Islamic government bonds (Sukuk) and 35 Islamic corporate bonds (Sukuk). This is why the Indonesian government has allocated an extra IDR 6.94 trl. into the National Budget towards infrastructure projects through government Sukuk (Islamic bonds) issuance (Indonesia Investment Stock Market, 2015).

Islamic finance and banking have made remarkable progress in African regions, spurred on by demand from both Muslims and non-Muslims. For instance, Nigeria has one fully-fledged Islamic bank and three conventional banks offering Islamic window since 2012 and these Islamic financial organisations are serving a population of 173.6 ml Muslims (Oluoch, 2017). In June 2017, the Nigerian government issued USD 318 ml. debut sovereign Islamic bonds (Sukuk) into the local market for helping and developing substitute funding sources for the government and establishing a reasonable benchmark arch for a corporate level to follow (Oluoch, 2017). These recent examples, therefore, suggest a potential field for Islamic banking and finance to invest in Nigeria. Meanwhile, South Africa, Kenya and Gambia also have potential fields, and they are welcoming Islamic banking and finance to spend. To date, some African

countries have recently used the global Islamic bond (Sukuk) market for autonomous funding.

Amongst the autonomous issuers, another African country, namely Senegal, has issued sovereign Islamic bonds (Sukuk) for sub-Saharan Africans, which demonstrates the African continent's common economic path towards following the debut of Sukuk (Visser and Marone, 2014). Besides, the Securities and Exchange Commission of Nigeria's (SECN) regulations allow public or private companies in Nigeria to issue Sukuk (Islamic bonds) in order to attract Shariah-compliant funding. For instance, one Nigerian state, Osun, sold Sukuk USD 61 ml. in 2013 and was the first Nigerian state to sell Islamic bonds (Sukuk). Elsewhere, South Africa also issued their first Sukuk (Islamic bonds) in 2014. Eastern Asian investors are attracted to Ijarah Sukuk (Lease Islamic Bonds) and invested USD 500 ml., and these were more than four times oversubscribed (Luxembourg For Finance, 2014). Dubai International Islamic Banks announced in 2014 that they would expand their market in Kenya's capital city, Nairobi, by opening a branch based on potential demand and the Kenyan government's financial regularity support (Oluwa and Sotunde, 2014). According to MIFC (2015), Africa has more than 2.6% accounts on global Islamic banking and finance assets, and has 0.5% Islamic bonds (Sukuk) outstanding. The financial and legal support of the governments of African countries has supported the developments of and opportunities for Islamic banking and finance. For example, the Nigerian Central Bank introduced a regulation, namely the Islamic Banking Operation System Law Governing in 2009, which supports Shariah compliance financing for Nigeria's significant portion of the world's Muslim population. Based on that supporting rule of the government, half of Nigerian Muslims have an account with Islamic banks. Furthermore, the emergent new middle category, including the steady financial growth of African countries during the last couple of years, is anticipated to drive strong demand for Shariah-compliant commercial products and services (Hassan and Ali, 2013).

Islamic banking and finance have bright prospects in Europe, Australia, Latin America and countries such as Brazil and Singapore because of their advanced attention and attractive offers. Within Europe, the UK has already approved and issued sovereign Islamic bonds (Sukuk) via Islamic banking and finance. It should be mentioned here that Islamic banking and finance's five-year, British sovereign Islamic bonds (Sukuk) were the first, global, sovereign Islamic official documentation from any non-OIC country; they were distributed to investors and raised USD 339.5 ml. for the UK government. Finally, it provided profit to investors with a rate of 1.986% and was more than ten times oversubscribed (MIFC, 2015). In 2014, the Luxembourg Parliament passed a remarkable bill in issuing Islamic bonds (Sukuk) using tangible assets of real estate and government-issued five-year Islamic bonds (Sukuk), which were valued at EUR 200 million. In addition, it was the second, European, sovereign Islamic bond (Sukuk) issuance within the world's Islamic assets markets, which was oversubscribed twice over (MIFC, 2015). It is also true that the Islamic finance and banking sector is comparatively small in Europe, but it has potential for achieving traction, given the fast-increasing, bilateral ties amongst European countries, the GCC and Malaysia. Furthermore, the Islamic finance and banking industry, in overall terms, is looking at good prospects and maintains a positive trend in Europe, based on the following factors:

- Increasing trade and financial relationship between EU, the GCC and Malaysia
- Growing ethical preferences towards economic alternatives
- Increasing interest in Halal business development in Europe
- Increasing necessity for an alternative pool of liquid funds
- Strengthening government and financial authorities' help and support

Source: Cattelan, 2013

By 2030, the Asian middle-class population will make up two-thirds of the world's total population. It is expected that a significant portion of the Asian population will migrate to Australia based on their work skills, business and higher education qualifications. Therefore, these people will create a substantial demand for financial products and services in Australia (Wright, 2016). According to King and Chaaya (2012), there is a Muslim population of 2.2% (476,000) living in Australia based on the 2011 census and this segment is rapidly increasing, which is creating a significant demand for Islamic banking and finance. Most of the Australian Muslims use conventional finance, as there is not enough scope for using Islamic finance. Nowadays, Islamic banking and finance offers opportunities for broader Australian residents where most of the Shariah-compliant investors are Australian non-Muslims (Wright, 2016). Therefore, it is evident that Shariah-compliant products and services are creating greater customer choice for all. Most importantly, Australian customers (Muslim or non-Muslim) usually have the option to contrast any financial product or service contrast them based on the product or service range, from the perspective of their moral principles, risk, style of investment, cost and return (Wright, 2016). Therefore, this type of option is encouraging Australians to seek and choose substitute financial products and services. In Australia, the Islamic banking and finance industry's strong development could be an 'innovation'; with this in mind, the Australian government wants to establish a financial hub between Australia and Asia, as a basis for fast-growing, global Islamic finance and banking markets (King and Chaaya, 2012).

Brazil is an emerging market whose GDP increased three times from USD 800 bl. in 2005 to USD 2.4 trl.in 2011. In Brazil, there is a large population of 202 million people; this has helped the country to develop a trade relationship with GCC and OIC countries, such as Saudi Arabia, the UAE, Indonesia, Malaysia, Qatar and Iran. There are 1.5 million Muslims living in Brazil, 200,000 of who are Saudi Arabian. In addition, Brazil is a significant producer of Halal meat, which is mostly exported (Naveed, 2015). Brazil also exports nearly 35% of its raw sugar cane globally, including refined

sugar, and has attracted Brazilian Arab investors. These two above-mentioned export sectors are proving that this country has the ability for competitive adoption with Islamic based (Shariah-compliant) market requirements which consider attracting investors for the “Halal Dollar”. Furthermore, Brazilian trade has increased and the government (has forged a relationship with the GCC and OIC countries which amounted to USD 26 bl. with sugar valued at USD 4.2 bl., Halal meat valued at USD 3.93 bl. and ores valued at USD 2.4 bl. (Lopes, 2013). Considering the above discussion, Brazil has an opportunity to expand Islamic banking and finance, and this industry’s future is promising.

In Singapore, 15 financial institutions offer Shariah compliant banking options including opportunities to invest Islamic Sukuk (Islamic bonds) (Simmonds, 2014). At present, the Islamic bank's assets are worth USD 4.37 bl. in Singapore. Again, there are multiple Sukuk issuance opportunities because 31 Sukuk (Islamic bonds) have been distributed, issued by the government’s financial authority (MAS, 2014); for example, the Export and Import bank of Malaysia recently released USD 300 ml. Islamic bonds, namely Sukuk Wakalah and Golden Assets International Finance; they issued USD 118 ml. Islamic bonds, namely Sukuk Murabaha in 2014 (MAS, 2014). Again, the Axiata Group has priced USD 258.06 ml. Sukuk Wakalah which also consider a dominate Sukuk issued (Axiata, 2016).

## **2.14 Conclusion**

The preceding discussion includes customer attitudes, perceptions and behaviours towards bank selection; comparative analysis between British and Shariah law with its implications, and a BBMC migration study, as well as socio-economic conditions and motivation factors for selecting the Islamic banking system. Finally, it can be said that different facts and forces influence customer behaviour here towards bank selection; these can be grouped broadly into economic, sociological behavioural, psychological and individual circumstances. From the Muslim customer’s

point of view, it has been found that they are selecting and dealing with the Islamic banking system only for traditional religious and cultural reasons, whether they are from a Muslim or non-Muslim country. However, the Muslim point of view, it is related to consumer belief, feeling, attitude and intentional behaviour related theory rather than any other consumer theories. In addition, influenced by the community, friends, family and relatives are also playing an important role in selecting and dealing with the Islamic banking system in the UK, where the BBMC population focuses mostly upon the after-life consequences of Shariah law. Although the extraordinary rise in the Islamic banking system's profitability, efficiency, reliability and security in the current global banking and finance industry is supported by previous studies, it has also been found that the religious motivation factor is not the only prime factor; financial support, including risk sharing, is considered as another factor for selecting and dealing with the Islamic banking system.

The BBMC population has a strong association with its religious beliefs. Moreover, although they identify with British nationality, they always consider that Islam is one of the most significant factors in their identification. Devout BBMC members understand that Shariah law governs, not only the betterment of their private lives, but that it also has social, economic and political issues for the community's broader life, which brings spiritual satisfaction, peace, happiness and prosperity at a high level. Conversely, BBMC members have strong concerns and feelings about their involvement with economic, sociological and political behaviours which do not comply with Shariah law, and which might cause humiliation and dishonour.

Therefore, Shariah law with these perceptions and celestial legal commitments, on the one hand, and interest based traditional banking systems on the other, have encouraged BBMC members to find or use an alternative banking system, which not only caters to BBMC banking needs but also complies with Shariah principles.

The Muslim population of the UK is 4.8% of the total population, of which 14.9% are Bangladeshi and 92% live in London, so the BBMC represents a considerable segment of the total, UK, Muslim population; it increased by 1% from 2001 to 2011 (ONS, 2011). Therefore, this community growth rate has been increasing consistently. In addition, many BBC (British Bangladeshi Community) members are settling in the UK from EU countries, such as 6,000 Bangladeshis and Muslims from Italy (Clark, 2015). This is, therefore, one of the significant factors for the continuous growth of the BBC in the UK. Another important factor behind the constantly increasing Muslim community population in the UK is the fact that many people are also converting to Islam.

It can also be said that the BBMC's socio-economic conditions, including educational achievement, poverty status, living standards, employment situation and financial exclusion give an unfavourable picture. Therefore, these issues must be addressed wisely, which will help the BBMC to contribute both pro-actively and reactively to their societal and economic wellbeing.

At present, the Islamic banking system mainly faces four significant challenges, which include the lack of sufficiently skilled and experienced human capital, standardisation including harmonisation, as well as Shariah obligations including current legal frameworks and shortages of public awareness. Islamic banking and finance have bright prospects around the world, mainly in Singapore (Asia), Nigeria and Senegal (Africa), Australia, Brazil (Latin America), as well as in the UK and Luxembourg (Europe).

The BBMC population has various perceptions, attitudes and behaviours in selecting and dealing with Islamic banking system growth and development, which mostly relate to their traditional religious culture. These diversified attributes inspired this study to explore the BBMC population's attitudes, behaviours and factors, other than religion, towards selecting the Islamic banking system in the UK because currently there is no other study focussing upon this issue.

## CHAPTER THREE: RESEARCH METHODS AND METHODOLOGY

### 3.1 Introduction

Having identified the research background in Chapter One and reviewed the relevant literature in Chapter Two, Chapter Three aims to present the research methods and methodology for answering the research questions and meeting the research objectives. This chapter comprises the specific methods, processes and techniques, which have been applied and used systematically to achieve the current research objectives. This chapter also focuses on research reliability and validity issues, protocol and triangulation. Finally, ethical issues, limitations and difficulties are highlighted, followed by the conclusion of this chapter.

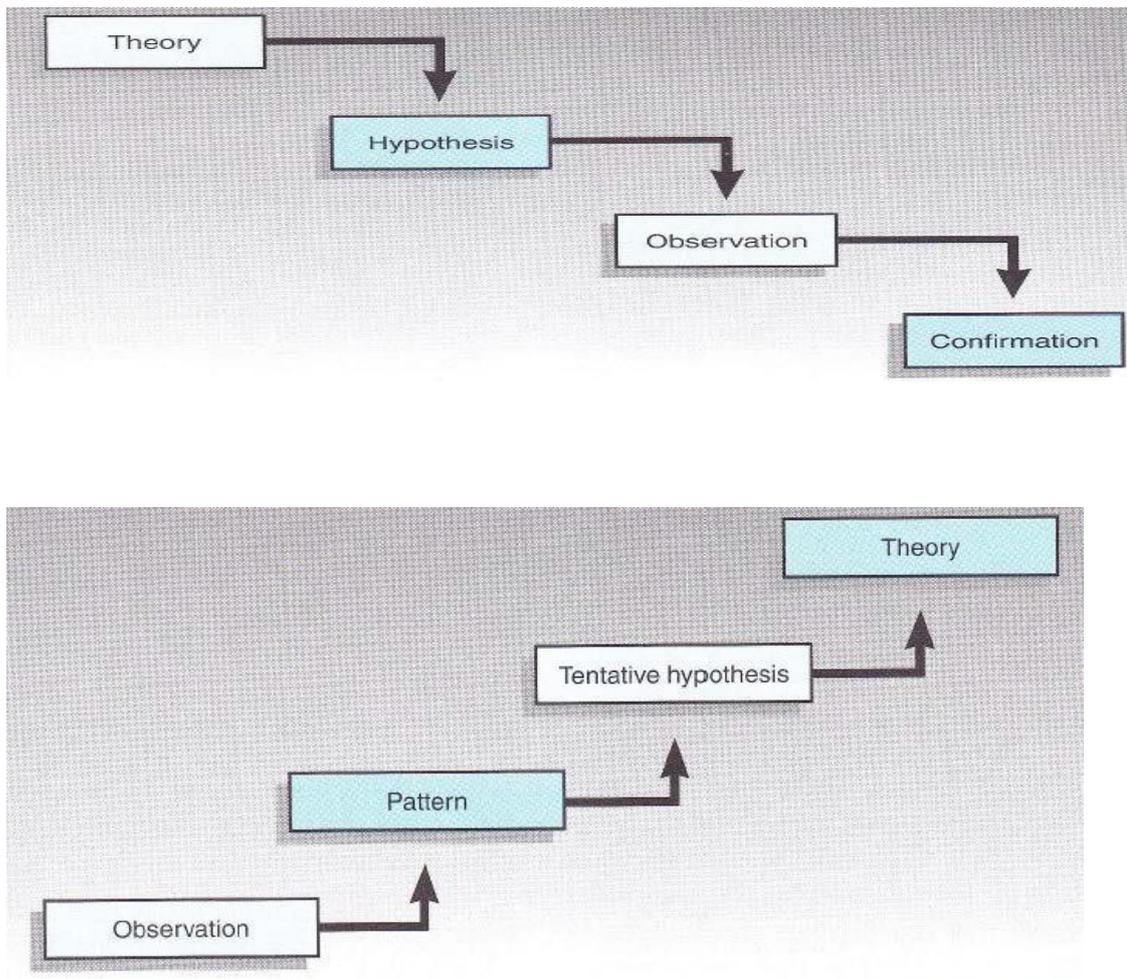
### 3.2 Research Philosophy

The philosophical stance of a researcher is very important and needs to be clear for the research, as well as the reader. The study of the social world always raises a number of philosophical questions (Ritchie et al., 2014). However, these questions are sometimes related to ontology (i.e. the nature or character of the social world) and again are associated with epistemology (i.e. based on what knowledge and how we can learn regarding the social world).

This research aims to explore the factors that influence the growth and challenges of the Islamic banking system in the UK. It is a socially constructed phenomenon in a real-life perspective. In addition, research interpretation and findings are the basis of opinions, attitudes, behaviours, actions and experiences of those people intimately involved with the entire process of the Islamic banking system. The sums of the specific characteristics of this research lead to the adoption of the subjective approach. It is supported by Ritchie et al., (2014) reason why this study has mentioned that there are scarcely few things which can be disconnected or separated from the real world. Furthermore, Silverman (2014) noted that the data collection process, analysis along with

presentation socially constructed issues by the following investigation (i.e. next sentence). The main issues of this research are: why Muslims choose Islamic or conventional finance, what are the key motivational factors behind their choice and which strategies Islamic and conventional banks are following in order to attract Muslims that issues are virtually inseparable. The above justification influenced the researcher and encouraged them to take the subjective approach based on an ontological perspective.

**Figure 2: Differences between the deductive and inductive approaches**



Source: Trochim and Donnelly (2007:15)

The nature of the current research questions relates to developing knowledge which influences researchers to opt for the inductive process. The output of this research and findings will be extracted from observation, and there is no presumption made at the beginning of the study, including the data analysis (Ritchie et al., 2014; Saunders et al., 2012). Moreover, the inductive approach is the methodological approach used for answering research questions (Silverman, 2014). It is based on the nature of the study and this study has tried its best to explore the reasons behind the growth and challenges of the Islamic banking industry in the UK. The data is collected and then used to better comprehend the condition inside the UK Islamic banking industry. The above justification influenced the researcher to use the inductive process based on an epistemological perspective.

### **3.3 Theoretical perspective of research**

After examining the nature of the current research in section 3.2 above identifying the motivation, attitude and behaviour of BBMC members, it is evident that the acceptable level of knowledge required to answer the research question is socially constructed rather than displaying a separate existence (Saunders et al., 2012). Again, the phenomena need to be understood through experience and reflection instead of taking an objective stance (Collis and Hussy, 2003). Moreover, the construction of meaning and interpretation is primarily based on the views, opinions and experiences of the research participants (Bryman and Bell, 2011). Ritchie et al. (2014) noted that the social world is not run by law-like regulations but by human behaviour and interaction. Again, the researcher wanted to construct meaning, including interpretation, with the help of research participants because the social world is not directed by rules and regulations but instead is settled or motivated by human behaviour and attitudes (Ritchie et al., 2014). Based on the research aims and theoretical perspectives, including understanding, the researcher's theoretical stance is interpretivism.

### 3.4 Research design

The exploration and establishment of the research purpose is the key to understanding the research design. According to Robson (2011), research design is primarily concerned with turning research questions into projects. In a more detailed definition, Creswell et al. (2003) reveal research design as a procedure of collecting, analysing and reporting. This indicates that research design is composed of tactics and strategies undertaken to complete research. According to Robson (2011), there are five key components of research design: purpose, theory, research questions, method and sampling strategy. Additionally, Blaikie (2000), reveals that the research design involves answering three fundamental questions: What will be studied? How will it be studied and why will it be studied? Their findings support the view that it is essential to create the research design at an early stage to get an overall idea of what might guide the researcher to answer the research questions. Robson (2011) classifies research design into two major categories, namely fixed design and flexible design. Concerning fixed design, the process and procedures are largely theory driven. In other words, the researcher needs to have a substantial understanding of the issue being researched. In this case, the understanding of the issue is presented as a theoretical or conceptual framework (Saunders et al., 2009). With regard to fixed research design, the researcher opts for a pre-specification before conducting the final data collection, where the data are collected almost in the form of numbers, while the process is commonly known as quantitative strategy.

In contrast, flexible research design evolves in nature, where the necessary data or information is grounded in a real-life context, usually in the form of words, which ultimately takes the form of a qualitative research strategy (Robson, 2011). In terms of the above discussion, it can be said that when opting for a fixed research design, the researcher needs to perform a feasibility study prior to moving onto the final stage of the data collection. On the other hand, when opting for a research design with a flexible approach, the researcher enjoys some flexibility when investigating the issue, until the end of the research (Robson, 2011).

The current research is about exploring the factors that influence both the growth of and challenges to the Islamic banking system in the UK. It indicates that there is a minimal amount of literature currently addressing this issue. This, in turn, lead the researcher to adopt a flexible research design, i.e. a qualitative model, in which data and information are collected through in-depth interviews.

Additionally, the research can also be designed on the basis of its purpose. For example, Neuman (2000), tells us that a purpose research design can be classified into three types, namely: exploratory research, descriptive research and explanatory research. This study concludes that when the issue being researched is very new and little is known about it, the research is exploratory. Zikmund (1994) suggests that exploratory research, as initial research, aims to clarify and define the nature of the problem. In this type of research, the researcher uses all possible sources of information to answer the question, and their creativity, openness and flexibility can play an important role. If opting for descriptive research, the research issue is more established than in an exploratory study, which aims to present a more detailed picture of a setting, situation or relationship (Creswell, 2003).

The above discussion and analysis lead to the understanding that the current research is predominantly descriptive, qualitative and partially analytical. It is descriptive as it describes people's changes of trends which occur in a specific discipline through their social attitudes and behaviours. In that case, the current research is very much associated with knowing people's financial attitudes. Besides, descriptive research is concerned with what exists, as well as how or what is associated with several previous conditions that have prejudiced or prejudice an existing event (Best, 1970). Another reason for the adoption of the qualitative research design is that it enables the researcher to answer the research question through exploring and understanding the social world in a real-life context, which is mostly based on meaning and interpretation (Silverman, 2014). It helps the researcher to construct meaning and interpretation from the opinions and perceptions of the research participants, as literature

suggests that law-like generalisation does not govern the social world, but that reconciliation through human behaviour does (Ritchie et al., 2014). The current study is partly analytical, as the research aims to find the answer to what the motivational and behavioural approach to selecting and dealing with Islamic banking is and whether there is any impact on the community from the inclusive growth of the Islamic banking system. The interpretation of the current research findings is centred on the actions and experiences of the people involved in the process. It argues that the meaning behind this might take different forms and will very likely apply to individual situations. This, in turn, supports the view that the researcher needs to be an inseparable part of the research process.

Based on the above discussion and argument, the research will adopt a descriptive, qualitative and partly analytical design.

### **3.5 Research strategy**

The issue of the research strategy might arguably arrive at the difference between the bottom-up and the top-down approaches (Trochim, 2005). The term research strategy is quite different from the concept of research design, as the former mainly focuses on the process of research, while the latter deals with the outcome or framework of the research. According to Sekaran (2003), a researcher can adopt a deductive or inductive research strategy to investigate the issue; it is also possible to adopt a combination of both inductive and deductive approaches in the same piece of research. According to Saunders et al. (2009) and Ritchie et al., (2014) a deductive research strategy (i.e. top-down approach) involves developing a pre-assumption or hypothesis, or a set of pre-assumptions and hypotheses, against the observation where the step starts from theory.

In contrast, an inductive research strategy (i.e. bottom-up approach) begins with specific observations, detecting patterns and regularities, developing tentative hypotheses and, finally, developing a general conclusion and theories (Creswell, 2003), where knowledge and patterns are derived from observation (Ritchie et al., 2014). Inductive reasoning is more open-ended and exploratory (Trochim, 2005). Thus, it can be said that the decision of adopting an inductive or deductive strategy, or both strategies, for research depends on the nature of the research design. For example, if the research starts with a specific theory to test whether that theory is valid or not, then the research takes the form of the deductive research process. On the other hand, if the study aims to develop a theory, the research process can later be identified as inductive research (Saunders et al., 2009).

Based on the research problems and associated research aims and objectives, this study adopts an inductive research strategy, as the research process involves collecting data from the field to answer the questions (Trochim, 2005; Sekaran, 2003). Moreover, the researcher finds that the findings derive from the observation and data analysis where no presumption is made at the outset of the research (Saunders et al., 2012). In other words, the answer to the research question is mainly subjective which, in turn, supports the view that knowledge is socially constructed and can be extracted as part of the subject instead of taking an objective approach as a researcher. Finally, the research aims to develop a theory; the process can be then identified as inductive research (Saunders et al., 2012).

### **3.6 Research methodology**

There are arguably different ways of defining the research methodology. Among them one of the feasible ways to conceptualise each word (i.e. research & methodology) that forms the phrase research methodology. One of the easiest ways of defining research is provided by Zikmund (1991:6), who states that research means 'search again'. In other words, it

can be said that research is normally carried out by an individual or organisation by performing the action of 'searching again'. According to Neuman (2004), research is a systematic process of finding the answer to the question; this has also been supported by Sekaran (2003) who stated that research is an organised, critical and scientific inquiry into a specific problem. Therefore, in a simplified way, it can be concluded that research is a continuous and systematic process of conducting an investigation that aims to explore the social world. Concerning methodology, different researchers define this in a variety of ways.

Monahan (1998) defines methodology as how the researcher goes about answering the research question. This means that methodology refers to the overall strategy of generating and analysing information directed at answering a specific research question. It also indicates that the term 'methodology' focuses on two key issues: firstly, how the relevant information is gathered; secondly, once the data is collected, how it will be interpreted (Morgan, 2007).

On the other hand, the other dominant form of research methodology, namely quantitative methodology, takes the form of quantitative aspect. Bryman and Bell (2011:26) stated that "quantitative research can be constructed as a research strategy that emphasises quantification in the collection and analysis of data". They also support the view that quantitative strategy vies with social reality as an external and objective reality, where the emphasis is on testing the theories. It can be said, therefore, that quantitative research aims at analysing and finding a causal relationship within a controlled research environment, while qualitative research aims at further elaboration, which is mostly subjective and where exploration is essential.

Based on major types of research methodology (i.e. qualitative and quantitative research), it should be noted that the current research is qualitative in nature. The research aims to explore the factors that influence both the growth of and challenges to the Islamic banking system in the UK. It is quite challenging to identify the extent of qualitative

research, owing to its diversified approaches. As it turns and transforms the world into a series of the form (Ritchie et al., 2014; Banister et al., 1994) and in making sense of and interpreting phenomena in terms of the insights people bring to them (Collis and Hussey, 2003). It can further be argued that the researcher's role in this research is to identify the inherent meaning of the facts being investigated from the point of those being investigated (Ritchie et al., 2014). There is a previous microscopic study that examined the issue which supports the view that the study is dominantly explorative. As a result of these features, the current research adopts a qualitative research methodology. This research involves an exploration of British Bangladeshi Muslim's opinions, motivations, behaviours and perceptions. The adoption of a qualitative research methodology also leads the researcher to an in-depth understanding of the issues by their learning about the entrepreneur's sense, experiences, circumstances and perspectives, which is vital for the current research. This research aims at revealing the opinions of the Muslim scholars, Islamic bank Shariah board members and community leaders through interviews on the same issues; it could, thus, also be considered as a qualitative research methodology-oriented study. It is possible to discover the root cause from the researcher which facilitates an in-depth and in-breadth interview on the field survey (Silverman, 2014).

### **3.7 Sampling methods and units**

Before explaining the sampling process, it is essential to define the source of the sample or the target respondents. It is important because an appropriate selection of the target population and finally the sampling from this distinct population can give the researcher a stronger basis of sampling method and quality of data. This is so because when researching methodologies, the researcher finds that in qualitative research there are no robust tools or techniques to measure the reliability and validity of the data, as there are in quantitative research methods (Saunders et al., 2009; Bryman and Bell, 2011; Ritchie et al., 2014)

Identifying and applying an appropriate sampling strategy is a crucial element, as it has a significant impact on obtaining good quality data. According to Ritchie et al., (2014) a small sample size is an excellent characteristic of qualitative research. Again, a qualitative research study typically employs the non-probability method when selecting the sample (Ritchie et al., 2014). Sample units are chosen deliberately, and these units reflect particular features which are necessary for responding to the research question. Furthermore, Silverman (2014) noted that qualitative research doesn't require samples but must be represented statistically, because qualitative research's sample severity and accuracy depends on its capability to represent the salient characteristics. It again fits best with the research question and its type, along with nature. The current study has followed the purposive and convenience sampling techniques from the above discussion. Qualitative research samples follow the purposive sampling technique (Saunders et al., 2012), as participants are decided upon and selected for their likelihood of generating helpful data and information.

This research aims to explore the factors that influence the growth and challenges of the Islamic banking system in the UK. Therefore, to ensure that the sample demonstrates due rigour, this study has developed an interview based on the following criteria for selecting the sample:

- Islamic banks located in London with fewer than 50 employees
- Various types of Islamic banks such as investment, retail and high street banks
- Islamic bank Shariah board members involved in this role for at least three years
- Participants who know about Islamic banking

For the basis of the above criteria, this research planned to collect data and information using semi-structured interviews from the following five types of sample units:

- Type I sample: 3 - 5 Muslim Scholars
- Type II sample: 3 - 5 Islamic banks' Shariah Board Members
- Type III sample: 3 - 5 Islamic banking practitioners
- Type IV sample: 3 - 5 Community leaders
- Type V sample: 3 - 5 People of other faiths

To apply the criteria, which are mentioned above, the researcher has extended the community leaders to include categories such as councillor, newspaper editor and media journalist. In addition, the researcher has chosen some scholars, such as Islamic bank Shariah board members and Muslim scholars, because the researcher has tried to ensure the relevance of the key constituencies, which need to be covered in this research. The sample units, however, have an adequate degree of variation regarding the subject matter of this research. Finally, the list of semi-structured questions is attached at Appendix 2.

In terms of justifying the sample size, this study narrowed the population to the British Bangladesh community to ensure that the data is homogenous. Consideration was also given to previous studies (Noradilah, 2018; Riaz, 2014 and Rahman, 2012) who conducted similar research with a sample size of 72 for the questionnaire and 16 for the interview, 98 for the questionnaire and 25 for the interview, 150 for the questionnaire and 11 for the interview, respectively, because of the homogeneity of data. It is unlikely that the results would be different if the sample size was increased further.

This research intends is to gather information regarding the financial perception, attitudes and behaviour of members of the British Bangladesh Muslim Community in mainly the Greater London area, where there is a significant segment of British Bangladeshi Muslims. The whole Muslim community is considered as the primary population in Greater London for this research. Based on research time constraints and other significant characteristics, this study has had to narrow down the population size and so focuses only on the British Bangladeshi Muslim Community (BBMC). From the selection of the BBMC, this research only considers individuals

using either Islamic or conventional banking products. Moreover, it considers BBMC individuals who may not be using Islamic or traditional banking products and services but who could be potential customers for such banking services and products.

### **3.8 Research protocol**

Silverman (2014) defines research protocol as the set of questions asked of the respondents, as a process of data collection. Generally speaking, for survey research purposes, researchers are very likely to use a set of predefined fixed questions, but this would be very unusual for conducting qualitative research, in particular for a semi-structured, in-depth interview. It is, however, deemed most appropriate for the current study because, in an interview based, descriptive and explorative piece of research like the current study, it is very likely that many new insights may evolve during the interview. It means that it is ideal to start with a list of questions as guidance, but departure from this in descriptive and explorative research is highly encouraged (Silverman, 2014). Based on these facts the researcher would here like to adopt a flexible research protocol to encourage the research participants to speak personally and freely in order to obtain a higher degree of reliable and valid data. The research protocol or list of interview questions is attached at Appendix 2. In addition to the adoption of this flexible research approach, the protocol enables the researcher to avoid asking any direct, personal or confidential questions to the research participants. The probable set of questions (i.e. the research protocol) that will be used in conducting the interviews will evolve in two separate stages. The first stage involves piloting, which includes the design of a list of probable questions to read out the issue to the sample respondents and recording it anonymously. This will be conducted for a variety of reasons, including identifying how much time the interview might take, whether there is any addition or subtraction needed in the list of questions and whether there are any technical difficulties in recording the feedback from respondents. The second stage of interviewing involves bringing the

necessary changes to the research protocol and conducting the final interview.

### **3.9 Validity, reliability and triangulation**

The terms reliability and validity in qualitative research reveal the degree to which both the researcher and the participants are confident about the findings of the study concerning the issues the research set out to answer (Silverman, 2014). Thus, in ensuring validity and reliability, the researcher will focus on the following key points:

- Assessing the degree to which the research participants answer the questions in a way that reflects their views and experiences;
- Evaluating the researcher's assumption regarding how it comes into play, while interpreting the feedback and answers from the interview;
- Ensuring that the researcher is not choosing interviews that are merely consistent with and supporting of existing ideas and assumptions;
- Ensuring that the findings of the research are derived from reasoned judgement;
- Explaining the detailed methods so that the audience can understand how the data and information are collected and analysed.

In addition to the above, the researcher will follow a clear code of ethical practice, ensuring that no parties involved in the research process are harmed and/or affected. Moreover, the researcher will respect the philosophy of informed consent and will not disclose identities.

The absence of any statistical measures in qualitative research aimed at assessing validity and reliability means that enormous importance is given to triangulation. According to Silverman (2014:288) "triangulation refers to the attempt to get an actual fix on a situation by combining different ways of looking. There is a consensus among researchers of methodology that

triangulation can play a significant role in improving the reliability of a single method” (Silverman, 2014), as it is suggested that the question might give rise to different answers from different perspectives. However, there are various ways of triangulating the research findings; the current research triangulates the research findings in the following three ways:

### **3.9.1 Triangulation throughout three different sample units**

This current research has been conducted by integrating three distinct sample types, such as a maximum of five Muslim scholars who have good amount of knowledge and experience of the Islamic banking system, a maximum of five Islamic bank Shariah board members with at least three years involvement and, finally, a maximum of five community leaders and people of other faiths who have experience of the Islamic banking system.

### **3.9.2 Triangulation throughout distinct theoretical perspectives**

It has been ensured by looking at the specific direction of data from different theoretical perspectives (Ritchie et al., 2014).

### **3.9.3 Feedback triangulation**

The researcher has adopted feedback triangulation by giving backfield notes to respondents that might be worked on in a triangulation effective and efficient way (Silverman, 2014).

### **3.10 Methods of data collection**

Jankowicz (2005:220) defined research methods as ‘a systematic and orderly approach taken towards the collection and analysis of data so that information can be obtained from those data’. In other words, Bryman and Bell (2011) simply defined it as a technique of data collection which coincides with the view delivered by Saunders et al. (2009). This research method can be described as the various means by which data can be collected and analysed (Collis and Hussey, 2003). In supporting this view, research methods can be classified into qualitative research methods and quantitative research methods that primarily depend on the nature of data collection and analysis.

Similar to research methodology, the research methods can be either qualitative or quantitative; the choice of which mainly depends on the nature and type of the research and data that need to be collected. The techniques, such as interviews, observation and focus groups, can be described as a qualitative technique, whereas questionnaires and secondary data base research can be identified as a quantitative method.

Before proceeding to focus on the core aspects of research methods in terms of which method is used (i.e. qualitative or quantitative or a combined approach), this study would like to offer a brief view about the nature of the necessary data. In this respect, Saunders et al. (2012) reveal that there are two major types of data, namely primary data and secondary data. The former is a type of data not available in any form within the existing sources of data, while the latter can be collected from current sources of literature (Saunders et al., 2012).

The data and information required to answer the research questions are not available in any data sources. This means that the researcher is mostly dependent upon primary data. It has already been mentioned that “methods are linked with methodologies” (Silverman, 2014:123), and the author also mentions that “most qualitative research is based on asking respondents questions or making an observation in the field” (Silverman, 2014:199). In general, there are hardly any unique or universal ways of conducting qualitative research, which in general depends on a variety of factors including the belief of the researcher concerning the nature of the world or knowledge (ontology) and how that can be accrued (epistemology) (Ritchie et al., 2014). The factors that determine the most appropriate methods of data collection of a specific research project can be described as follows:

- The purpose of the study;
- Characteristics of the research population or participants;
- Nature of the research audience;
- The context of the research regarding resources available to the researcher;
- Access to the research participants;
- Risk and ethical issues involved in the process.

The current research requires interaction with research participants who will be discussed in detail later in the sampling section of this chapter. In addition to this, it will be the exactor that the final research participants are not clearly defined at the initial stages of the data collection. Depending on this situation, along with the nature of the research, the researcher will adopt an interview method of data collection. One of the key reasons behind choosing the interview method is to gain as much relevant and valuable data as possible. For example, Sekaran (2003) suggests that the interview method of data collection can give the researcher a wide range of valuable data when participants spontaneously offer information. Moreover, their responses are not limited to any predefined answers or a framework usually set for a questionnaire survey. It might be argued that conducting the whole process of an interview is not only expensive but also time-consuming, but another reason for conducting them is that the researcher is likely to gain the subjective meaning rather than eliciting responses within a standard format (Banister et al., 1994). There are several different types of interview methods of data collection, namely: the structured method, the semi-structured method and the unstructured method (Saunders et al., 2009), all of which are discussed in the following subsections.

### **3.10.1 Structured interview**

The structured interview is conducted on the basis of a standardised or identical set of questions, where the interviewer reads out the questions and records the responses on a regulated schedule, generally with a pre-coded answer. This particular method of interview is commonly used in collecting quantifiable data and is widely known as a quantitative research interview (Saunders et al., 2009); it is more effective when the researcher knows precisely what sort of information will come out during the interview process.

### **3.10.2 Semi-structured interview**

The semi-structured interview is one method that ranges from semi-structured, to less structured and then onto very detailed (Saunders et al., 2012). The semi-structured method of interview is loosely structured and made up of a series of open-ended questions, where the area needs to be explored as predetermined.

### **3.10.3 Unstructured interview**

Finally, the unstructured interview, which is usually less structured than the semi-structured, aims to cover one or two broad issues. In such a case a detailed exploration of the research participants dominates the purpose of the interview (Ritchie et al., 2014). This method of interview is considered as highly effective when very little is known about the topic to the researcher or in the existing literature: gaining an in-depth understanding of participant dominates the purpose of the interview.

The nature and type of information that the current research is likely to produce is mainly descriptive, explorative and responsive questioning which leads the researcher to adopt a semi-structured method of interview. Additionally, the data and information needed to answer the research questions and meet the research objectives are not only subjective but also constructed within a real-life context. These sums of characteristics influenced the researcher to adopt a semi-structured method of interview as the prime means of data collection, which is also supported by different

researchers of methodology. For example, Ritchie et al. (2014) noted that sometimes it is complicated to deal with the issues in qualitative research in a structured way. Silverman (2014) also supports this view by stating that interviewing with open-ended questions is not straightforward. Keeping the above issues in mind and considering the attributes of three different methods of interviewing, along with the access to participants, the current research finds the semi-structured interview method the most appropriate. For example, Silverman (2014) noted that the semi-structured interviewing technique with open-ended questions could be considered as the most appropriate when the data collection process involves small samples. Another reason for adopting such a method of interview is that it gives the researcher direct access to the respondents' experiences and their narrative constructions of the issue being researched (Silverman, 2014). Additionally, Sekaran (2003) noted that the use of a semi-structured, in-depth interview process helps the researcher to bring new insights to the surface with which they can determine the sorts of variables needed for further investigation.

### **3.11 Designing and administrating the semi-structured interview**

The interviews that the researcher has employed in this research are semi-structured, in-depth and open-ended. The interviews were conducted between February and March 2016 and their duration was from 15 minutes to 1 hour. This method proved more reasonable, useful and efficient for collecting the data, mainly from skilled, knowledgeable and experienced members of the BBMC.

This research has identified several groups of respondents for data collection who are directly engaged or involved with the subject being investigated. They include Muslim scholars, community leaders, banking practitioners, Islamic bank Shariah board members and people of other faiths.

In order to conduct the interviews, a list of generic questions was designed for every respondent. However, there are some specific and precise questions designed for some group members because of their areas of expertise, such as Muslim scholars, Islamic bank Shariah board members and community leaders. By the time of the interviews, the researcher had attempted to collect a comprehensive view of the Islamic banking and finance industry. The data collection process also involved an in-depth interview of Islamic banking professionals to gain a deeper understanding of the Islamic banking system.

The sample includes more than five Muslim scholars with different backgrounds and from different schools of thought, such as Hanafi, Shafiee, Maliki, Salafee and so on. Surprisingly, almost every Muslim scholar responded and participated actively and willingly, with a positive attitude and a willingness to discuss and debate the issues. However, one Muslim scholar did not participate in a face-to-face interview because he was on a two months' training schedule outside of the UK. The researcher recorded the interview and also provided a consent form. Following that, the researcher conducted the interview in person at an agreed later date and time.

Similarly, the researcher contacted more than five Islamic bank Shariah board members and asked them to participate in the current research, although ultimately gaining appointments with only four. In this case the same procedures were used to conduct the interviews.

In addition, the sample includes interviews with three current and former Islamic banking practitioners so that the researcher could gain insights into the Islamic banking system in the UK. Moreover, three BBMC (British Bangladesh Muslim Community) leaders were involved in the data collection process. Finally, the researcher included people from other faiths, which comprised of one single participant.

### **3.12 Designing and administrating the survey questionnaire**

It has already been mentioned that the current research is primarily qualitative but has some analytical characteristics. This lead the present study to gather extra information by using the survey questionnaire for reasons discussed below.

The survey questionnaire is a well-known and widely used technique for data collection. The employment of the questionnaire technique has certain advantages which may not be available in other methods of data collection (Malhotra, 2012, Hartman and Hedblom, 1979:185). According to Saunders et al., (2012), the questionnaire method of data collection is a formal, cost-effective, written, closed or open-ended set of questions, designed to collect data and information from a particular group of respondents. There are different ways of administering the survey questionnaire. It can be conducted either in person, over the telephone or online. The questions can be constructed in a different pattern, such as closed, ranking, yes, no, agree, disagree and multiple choice. Whatever design is used, the important issue is to make sure that the respondents feel comfortable.

Based on the above benefits of using survey questionnaire technique discussions for the data collection, the current research adopts a self-administrating survey questionnaire. In this case, the survey is conducted on BBMC customers for the purposes of collecting their views, concerns and experiences regarding the enormous growth of the Islamic banking industry in the Greater London region. The questionnaire that has been used is attached at Appendix 1. Some questions are designed to discover BBMC members' concerns, habits, trends and opinions of the traditional banking Islamic window and Islamic banking services under Shariah-compliant law. Other questions are designed to gather information about the availability of products and services of the Islamic banking system, the satisfaction or dissatisfaction of BBMC members, their concerns or reservations about these products and services, and what other types of products and services they might require. The data collected through the

questionnaire survey includes information from both traditional and Islamic bank customers, as well as from general members of the British Bangladeshi Muslim Community.

It should be noted that this research used self-administrative questionnaires to assess the views, concerns and experiences of BBMC members regarding the enormous growth of the Islamic banking industry. In this case, the respondents (the customers of Islamic and traditional banks) were selected from different parts of Greater London (i.e. the East, West, North and South)

At first, the survey was conducted at various mosques in Greater London. In this case, the respondents are those who are concerned with the compatibility of financial affairs or dealings from a Shari'ah perspective.

As part of the survey, the questionnaire was sent by email to target respondents, in particular those who find this more convenient for expressing their concerns, ideas, views and suggestions regarding their financial affairs.

The survey questionnaire consisted of 19 questions with some sub-questions and was divided into three main parts. Part One attempted to collect respondents' personal information, such as age, gender, annual income, profession, nationality, education, ethnicity and their social and economic status.

The list of questions in Part Two was used to identify financial demands, needs, attitudes, perceptions and behaviours of BBMC members regarding the Islamic and conventional banking systems. This part offers an overall scenario about respondents' use of bank type, nature of account, type of account and reasons for the selection of Islamic banking. It also assesses the level of satisfaction or dissatisfaction with existing products or services of banks. Here, the competitiveness of the Shariah-compliant law, profit and loss system has also been addressed in order to discover what the customer's view is, as well as their level of satisfaction.

Questions in Part Three focus upon identifying the determinant factors of bank selection of BBMC customers. In other words, what motivates them in selecting an Islamic bank? In addition, this part includes some statements about social cohesion, the involvement of the BBMC youth generation, financial inclusion, demand, economic growth, reduced poverty levels and Shariah Advisory Board roles. Finally, the main challenges for the Islamic banking system in the UK are identified.

### **3.13 Pilot Survey**

Under the pilot survey, the researcher conducted a mini-survey of 10 to 20 Islamic and conventional BBMC bank customers. The pilot survey went well, despite concerns about its length and the time required completing it.

Consequently, bearing the respondents' time restrictions in mind, the researcher discussed condensing the questionnaire with their supervisory team and agreed to reduce the number of questions. Following this discussion, the questions were reduced to almost one-third of the original number. As a result, the researcher obtained more responses from BBMC members because they were encouraged by the revised questionnaire and participated more fully in the survey. There was also a demand for an online survey from prominent members of the BBMC, such as solicitors, accountants, corporate figures and teachers. To offer these people a convenient way of providing data, an online (email) survey system was developed. Finally, the condensed questionnaire was prepared in both modes: hard copy and online (email).

### **3.14 Data analysis and presentation**

It should be noted that interviews involve a direct conversation between the interviewer and interviewee. Once the data is collected in a qualitative research context, the next activity is to sort and filter it, in order to identify sequences and patterns. This process was followed for assembling and

reconstructing the data in a meaningful and comprehensive fashion. Therefore, by taking notes and tape-recording the interviews, as mentioned above, the interviewer will attempt to highlight every word uttered by the interviewee, a practice formally known as transcription. The analysis of the interview data can either be coded, be descriptive or take the form of an interpretative analysis. According to Robson (2011), bright and critical thinking is one of the key fundamentals of qualitative data analysis, as it is a test of the ability to think. It is essential because it enables the researcher to process the data and manipulate the findings for making a reasoned judgement in a useful and meaningful manner. The data and information that is derived from the interviews will mostly consist of a narrative, which lead the researcher to adopt both quasi-statistical and descriptive approaches (Robson, 2011). The following Table 3 reveals the strategy and its associated tools and techniques of data analysis for the current research.

**Table 3: The approach, tools and techniques of data analysis**

<b>Approach</b>	<b>Tools and techniques</b>	<b>Implication</b>
Quasi-statistical approach	Narrative words, phrases, paragraphs, quotes, comments and finally reflection	Determining the relative importance of different terms and concepts derived from the interview
Descriptive	Common phrases, descriptive relationship, identifying sequences and differences	To evaluate the meaning of any particular findings and relate these to a theoretical understanding

From the above explanation, the data analysis of the current research involves reporting experiences, meaning and reality to evaluate the effects of the range of discourses within the real-life context. Thus, it can be said that developing and interpreting the thematic framework and its critical judgement are the central points of the data analysis for this research. In so doing, the researcher follows a sequential process that starts from

gathering responses and ends with the implication of those reflections. Words will analyse the data and information derived from the interview, owing to its assembling and sub-clustering attributes, as it allows the researcher to compare and contrast using a descriptive and analytical process. The interview analysis can be either a coded, descriptive or interpretative analysis. To analyse the interview data, the current research will adopt the descriptive analysis for this purpose. In this case, a descriptive arc of the questions will be made followed by analysing a relevant interview in response to meeting the research objective and research questions. In addition to the descriptive analysis, this research will also use an interpretative method that involves the interpretation of interviews by evaluating the subjective meaning of social action. The interpretivist method enables this research to summarise the essential ideas of the interviews on the issue of question in particular the views, perceptions and thoughts of the participants. They are discussed critically from a categorical perspective. The categorical perspective enables this research to evaluate opinions, attitudes and ideas. Moreover, these help in discovering different conformity or incongruity in current research topics.

There are many statistical, social science software programmes available for data analysis. This research has used the SPSS 22 software programme for data derived from the questionnaire survey. The results of the data analysis have been presented by using text, tables, graphs and figures.

### **3.15 Ethical issues**

The research process described in this chapter adheres to the ethical standards as defined by the University of Wales, Trinity Saint David's code of practice. In this process, the anonymity of all interviewees will be respected along with confidentiality in dealing with their responses. Moreover, all conducted interviews will be performed on a signed agreement basis. Therefore, the data collection will be achieved by agreement and informed consent.

### **3.16 Limitations and difficulties**

The current research has some limitations and has experienced some difficulties. These are discussed below:

- In the survey questionnaire, some BBMC members did not answer all of the questions, i.e. they missed some of the questions and, as a result, their questionnaires have been considered as incomplete. In order to adhere to the confidentiality rule, the researcher did not try to contact the respondents further because there was no contact information on the survey questionnaire. As a result, the research sample size was not large, but it was a reasonable size.
- Sometimes the researcher found that respondents were answering questions without fully concentrating on the task in hand. In such cases, the researcher explained the necessity for them to concentrate fully.
- This questionnaire survey covers only the Greater London area for Islamic banking and finance, owing to the time constraints and the large Muslim population in the UK
- It was complicated to contact and make appointments with Islamic bank Shariah Board Members, as they were very busy with seminars, conferences and board meetings. However, the researcher communicated with them regularly to help them manage their appointments.
- BBMC leaders sometimes skipped answering many questions on their interview questionnaires; the reasons for this are unknown, but the researcher tried to obtain all of the relevant information regarding the Islamic banking system by asking different training questions.

- There were a variety of disagreements between the Islamic scholars and banking practitioners. In these cases, the researcher extracted the information directly related to this research.

### **3.17 Conclusion**

The current chapter aimed at evaluating and identifying the most appropriate research process to answer the research questions and meet the research objectives. In this case, the researcher found that a mixed research strategy, dominated by qualitative research design, worked best. The adoption of this strategy led the current research to employ a semi-structured interview and survey questionnaire as a method of collecting primary data and information. This chapter also identified the tools and techniques of the data analysis and presentation, along with mentioning the limitations and ways of overcoming those limitations. Chapter Four focuses on analysing the data and survey results derived from the questionnaire survey and the interview data through semi-structured interviews.

## **CHAPTER FOUR: ANALYSIS OF QUESTIONNAIRE DATA AND RESULTS**

### **4.1 Introduction**

The main aim of this chapter is to present the findings derived from the questionnaire survey and analyse them with respect to the relevant literature. In this research, 165 British Bangladeshi and Bangladeshi Muslims participated in the data collection process through the questionnaire survey, in which 132 questionnaires were found usable for the current research. This means that the sample size for the quantitative data collection is 132 with a response rate of 80%. The respondents highlighted the ongoing financial attitudes, perceptions and behaviour towards Islamic banking system products and services in the UK market. This is mainly based in Greater London, where the conventional banking system is dominant.

### **4.2 Profile of respondents**

According to Robson (2011), respondent profile analysis is very much recommended before actually analysing the data. The respondent profile analysis contains a detailed description of the respondent's characteristics.

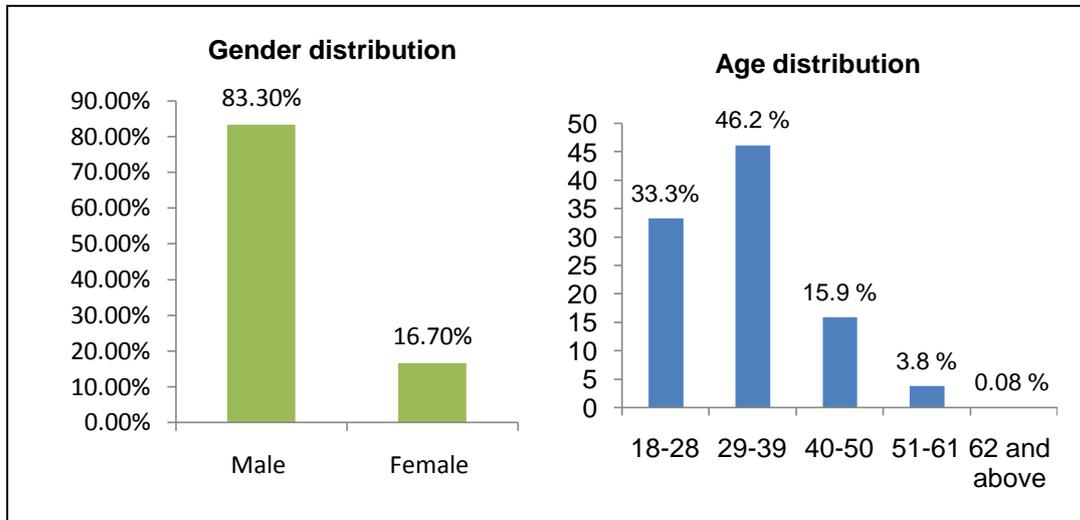
Table 4 and Figure 3 below show the age and gender distribution. Figure 3 indicates that more than 80% (83.3%) of the sample respondents are male, while 16.7% are female. It is noted that nearly 80% (79.5%) of the respondents fall into the age group of 18 to 39 years, in which males represent 63.7% and females 15.9%.

**Table 4: Age and gender frequency of sample population**

Age	Gender		Total
	Male	Female	
18-28	29 (22.0)	15 (11.4)	44 (33.3)
29-39	55 (41.7)	6 (4.5)	61 (46.2)
40-50	20 (15.2)	1 (0.8)	21 (15.9)
51-61	5 (3.8)	0 (0.0)	5 (3.8)
62 +	1 (0.8)	0 (0.0)	1 (0.8)
Total	110 (83.3)	22 (16.7)	132 (100.0)

*Note: figures within brackets indicate percent*

**Figure 3: Age and Gender distribution**



From the description of the age distribution in Figure 3, it is evident that nearly half (46.2%) of the respondents fall within the age group of 29 to 39 years followed by 33.3% percent within the age group of 18 to 28 years. In other words, nearly 80% (79.5%) of the respondents fall within the age group 18 to 39 years. The following table reveals the income distribution of the respondents.

**Table 5: Income Distribution**

<b>Income range</b>	<b>Frequency</b>	<b>Percentage</b>
Less Than 10	37	28.0
>10<20	55	41.7
>20<30	26	19.7
>30<40	8	6.1
>40	6	4.5
<b>Total</b>	<b>132</b>	<b>100.0</b>

A person's income is one of the key socio-economic indicators used by a financial organisation to structure their marketing portfolio. The income distribution from Table 5 suggests that more than 40% (41.7%) of the respondents fall within the income range of £10,000 to £20,000 per annum. It is evident that one-third of the customers have an annual income of less than £10,000 per annum. It is also apparent that customers who have a lower level of income are more likely to select an Islamic bank as the provider of financial products and services. This means that the British Bangladeshi Muslim (BBM) community is living in weak economic conditions, as the average income of respondents is £20,000 per annum, while the national average is £25,000. This suggests that there is clear scope for Islamic banks to extend financial assistance to help increase the income level of BBMC members through engaging them in different income earning activities (e.g. a profit-loss sharing system). This is supported by some of the reports and studies, where it is mentioned that the majority of people in the Muslim community are living below the UK's subsistence wage.

From the above income range statistics and the field survey suggests that "Is there any relationship between the level of lower income and Islamic banking goods and services utilisation" towards fulfilment of their needs? It is clear that the British Bangladeshi Muslim community is living in poor financial conditions based on the current field research. Therefore, Islamic banking and finance can help alleviate this situation. However, it will work if this population (BBMC) segment must provide financial inclusion towards

improving financially viable conditions. It is true that people in the lower range income bracket are less likely to be included and involved with a banking service, although, they need it for both housing and business.

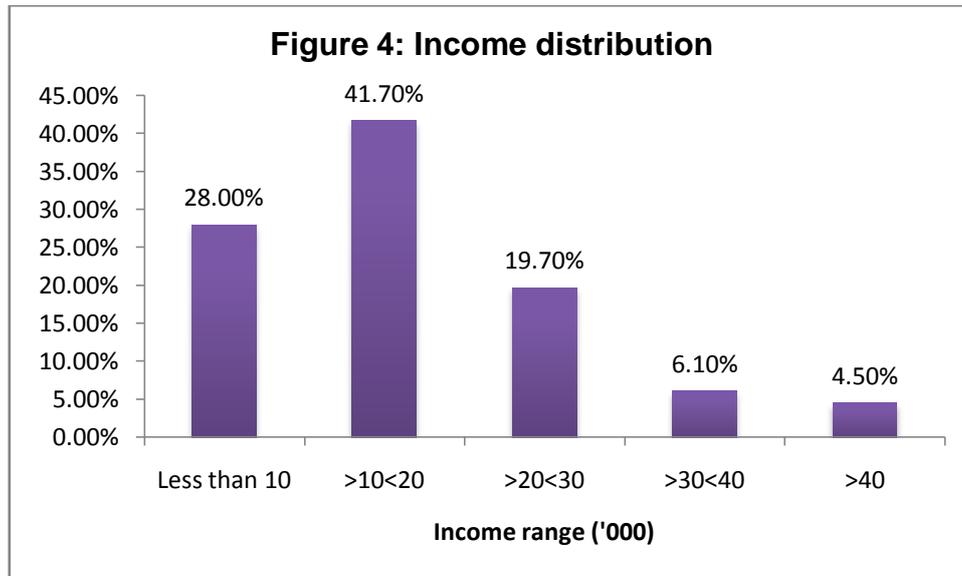


Table 6 below reveals the nationality (i.e. ethnicity) of the respondents.

**Table 6: Sample distribution by nationality**

Nationality	Frequency	Percentage
British-Bangladeshi	85	64.4
Bangladeshi	47	35.6
<b>Total</b>	<b>132</b>	<b>100.0</b>

It is assumed that nationality has a considerable influence on a person's lifestyle and subsequent decision-making process. Table 6, which is concerned with the distribution of citizenship, suggests that more than 60% (64.4%) of the sample respondents are British Bangladeshi (i.e. British nationals), while 35.6% of them are Bangladeshi.

Table 7 shows the sample distribution by profession and income and indicates that students (21.2%), customer service assistants (14.4%), and working in business (7.6%) make up the major occupations.

**Table 7: Sample distribution by profession and income**

Profession	Income (GBP '000)					Total
	Less than 10	>10<20	>20<30	>30<40	>40	
Student	15 (11.4)	7 (5.3)	0 (0.00)	0 (0.0)	0 (0.0)	22 (16.7)
Customer service assistant	11 (8.3)	6 (4.5)	2 (1.5)	0 (0.0)	0 (0.0)	19 (14.4)
Librarian	0 (0.0)	0 (0.0)	6 (4.5)	0 (0.0)	0 (0.0)	6 (4.5)
Security officer	1 (0.8)	2 (1.5)	0 (0.0)	0 (0.0)	0 (0.0)	3 (2.3)
Solicitor	0 (0.0)	2 (1.5)	1 (0.8)	0 (0.0)	0 (0.0)	3 (2.3)
Self-employed	0 (0.0)	2 (1.5)	1 (0.8)	1 (0.8)	0 (0.0)	4 (3.0)
Accountant	0 (0.0)	1 (0.8)	3 (2.3)	0 (0.0)	2 (1.5)	6 (4.5)
IT consultant	1 (0.8)	1 (0.8)	1 (0.8)	1 (0.8)	1 (0.8)	5 (3.8)
Business	1 (0.8)	8 (6.1)	1 (0.8)	0 (0.0)	0 (0.0)	10 (7.6)
Teacher	1 (0.8)	4 (3.0)	2 (1.5)	1 (0.8)	1 (0.8)	9 (6.8)
Chef	0 (0.0)	4 (3.0)	1 (0.8)	0 (0.0)	0 (0.0)	5 (3.8)
Management	0 (0.0)	4 (3.0)	4 (3.0)	4 (3.0)	1 (0.8)	13 (9.8)
HSC worker	2 (1.5)	1 (0.8)	1 (0.8)	0 (0.0)	0 (0.0)	4 (3.0)
NHS staff	0 (0.0)	2 (1.5)	0 (0.0)	0 (0.0)	1 (0.8)	3 (2.3)
Doctoral candidate	2 (1.5)	4 (3.0)	0 (0.0)	0 (0.0)	0 (0.0)	6 (4.5)
Civil servant	0 (0.0)	1 (0.8)	2 (1.5)	0 (0.0)	0 (0.0)	3 (2.3)
Administrator	3 (2.3)	6 (4.5)	1 (0.8)	1 (0.8)	0 (0.0)	11 (8.3)
<b>Total</b>	<b>37 (28.0)</b>	<b>55 (41.7)</b>	<b>26 (19.7)</b>	<b>8 (6.1)</b>	<b>6 (4.5)</b>	<b>132 (100.0)</b>
<i>Note: Figures within brackets indicate percentage</i>						

Table 7 also demonstrates that the sample respondents are employed in a variety of professions. The income distribution by occupation suggests that respondents who are employed as administrators, teachers, IT consultants and accountants have a yearly income of more than £30,000. These findings show that professional people have a higher level of income. For instance, a doctor needs to achieve a graduate or postgraduate level of education and some of the British Bangladeshi Muslim community people are graduates or postgraduates from various disciplines. They cannot manage the job at their level of education in respective fields. Table 8 below reveals the distribution of respondents by nationality and education.

**Table 8: Sample distribution by nationality and education**

Education	Nationality		Total
	British-Bangladeshi	Bangladeshi	
GCSE	15 (11.4)	3 (2.3)	18 (13.6)
A-level	24 (18.2)	5 (3.8)	29 (22.0)
Graduate	23 (17.4)	13 (9.8)	36 (27.3)
Postgraduate	23 (17.4)	26 (19.7)	49 (37.1)
<b>Total</b>	<b>85 (64.4)</b>	<b>47 (35.6)</b>	<b>132 (100.0)</b>
<i>Note: Figures within brackets indicate percentage</i>			

Table 8 shows that Bangladeshi respondents have a higher level of education in comparison to British Bangladeshi respondents. It might be due to the differences between people's and employers' attitudes in Bangladesh and the UK.

### 4.3 BBMC member's financial needs and banking practices

Following on from people's characteristics, this section focuses on identifying and evaluating customers' financial needs and banking habits, including attitudes and banking behaviour. These include the nature of customers' accounts (e.g. personal, business or both), the type of bank (Islamic or conventional), the types of account (current, savings or investment) and type of financing (personal, business or mortgage). Finally, the study will investigate customers' levels of satisfaction regarding the product and services provided by the Islamic bank.

Table 9 shows the sample distribution by type of bank and nature of the account. This table demonstrates that 74.2% of respondents are attached to only conventional banks, while only 4.5% of respondents bank with an Islamic bank. Moreover, 21.3% of respondents are engaged in both types of banking (i.e. conventional and Islamic).

**Table 9: Sample distribution by types of bank and nature of account**

Nature of account	Type of bank			Total
	Islamic	Conventional	Both	
Personal	5 (3.8)	85 (64.4)	20 (15.2)	110 (83.3)
Business	0 (0.0)	3 (2.3)	0 (0.0)	3 (2.3)
Both	1 (0.8)	10 (7.6)	8 (6.1)	19 (14.4)
<b>Total</b>	<b>6 (4.5)</b>	<b>98 (74.2)</b>	<b>28 (21.3)</b>	<b>132 (100.0)</b>
<i>Note: Bracketed figures indicate percent</i>				

Table 9 above also reveals that personal bank accounts dominate customers' relationships with their banks as 83.3% of respondents have a personal account. Only 2.3% of customers have a business account and 14.4% of respondents hold both personal and business accounts.

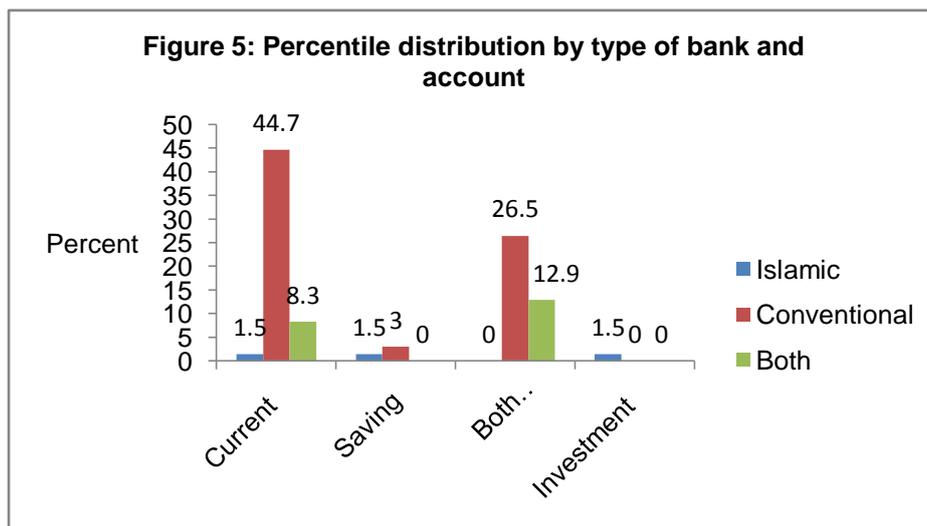
Table 10 below reveals the distribution of different types of bank account held by customers of Islamic banks and conventional banks.

**Table 10: Sample distribution by type of account and bank**

Types of bank	Types of account				Total
	Current	Saving	Both	Investment	
Islamic	2 (1.5)	2 (1.5)	0 (0.0)	2 (1.5)	6 (4.5)
Conventional	59 (44.7)	4 (3.0)	35 (26.5)	0 (0.0)	98 (74.2)
Both	11 (8.3)	0 (0.0)	17 (12.9)	0 (0.0)	28 (21.2)
<b>Total</b>	<b>72 (54.5)</b>	<b>6 (4.5)</b>	<b>52 (39.4)</b>	<b>2 (1.5)</b>	<b>132 (100.0)</b>

*Note: Figures within brackets indicate percentage*

With regard to the type of account, it is evident that the current account is the most dominant (54.5%) form of account at both Islamic and conventional banks. The same trend is evident for those with a relationship with both types of bank. Regarding investment accounts, it is noted that the Islamic bank has at least a 1.5% type of account and the conventional bank has 0%.



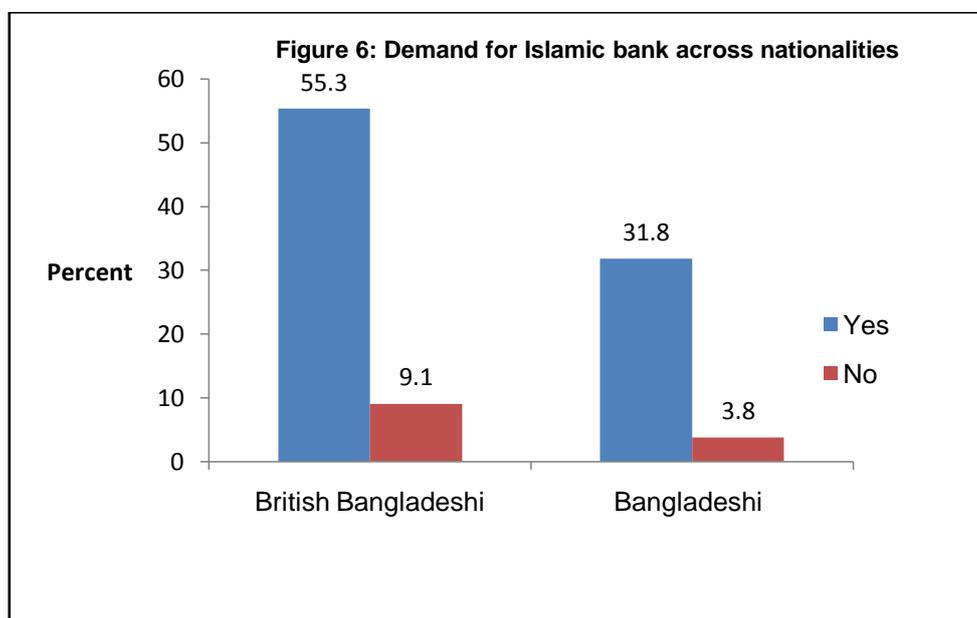
The following table gives details of respondents' attitudes towards the demand for Islamic banking in the UK.

**Table 11: Customers' attitudes towards the demand for Islamic banking by nationality**

		Nationality		Total
		British-Bangladeshi	Bangladeshi	
Demand for Islamic bank	YES	73 (55.3)	42 (31.8)	115 (87.1)
	NO	12 (9.1)	5 (3.8)	17 (12.9)
Total		85 (64.4)	47 (35.6)	132 (100.0)

*Note: Figures within brackets indicate percent*

In a statement of customers' attitudes towards the demand for Islamic banking, it is evident that 87.1% of customers believe that there is a demand for Islamic banking, but this attitude is voiced more frequently by British Bangladeshi respondents than by Bangladeshi respondents; this is also demonstrated in Figure 6 below.



The researcher then asked respondents about the use of Islamic banking by friends and family.

Table 12 gives evidence of the use of Islamic banking products and services by the respondents' families and friends.

**Table 12: Use of Islamic banks by respondents' families and friends**

		Nationality		Total
		British-Bangladeshi	Bangladeshi	
<b>The Use of Islamic banking products and services by respondents' families and friends</b>	YES	47 (35.6)	29 (22.0)	76 (57.6)
	NO	38 (28.8)	18 (13.6)	56 (42.4)
<b>Total</b>		<b>85 (64.4)</b>	<b>47 (35.6)</b>	<b>132 (100.0)</b>
<i>Note: Figures within brackets indicate percent</i>				

This table suggests that more than half of the total respondents' families and friends use the products and services of an Islamic bank. Table 12 also indicates that the use of Islamic banking products and services by respondents' families and friends is more considerable among British Bangladeshis than Bangladeshis. The researcher then asked the respondents about word-of-mouth feedback via nationality.

The term 'word-of-mouth' is one of the key concepts in marketing and in shaping customers' behaviour across different sectors and industries. The data in Table 13 below suggests that 85.6% percent of respondents tend to recommend Islamic banking products and services to their friends and relatives; British Bangladeshis are more advanced on recommendation of Islamic bank use than traditional Bangladeshi customers.

**Table 13: Word of mouth creation by nationality**

		Nationality		Total
		British-Bangladeshi	Bangladeshi	
<b>Recommending Islamic bank</b>	YES	73 (55.3)	40 (30.3)	113 (85.6)
	NO	12 (9.1)	7 (5.3)	19 (14.4)
<b>Total</b>		<b>85 (64.4)</b>	<b>47 (35.6)</b>	<b>132 (100.0)</b>
<i>Note: Figures within brackets indicate percent</i>				

A considerable amount of literature suggests that there are some specific reasons behind the customers' choice of finance with regard to traditional and Islamic banking. For example, it is evident from this study that the choice of finance for mortgage customers is dominated by the Islamic banking system. This is followed by personal and business purposes.

On the other hand, personal reasons have been found to be the dominant rationale behind the selection of the conventional banking system, as indicated in Table 14 below.

**Table 14: Reasons behind choice of finance**

		Reasons			Total
		Personal	Mortgage	Business	
<b>What finance like?</b>	Islamic	27 (20.5)	44 (33.3)	23 (17.4)	94 (71.2)
	Conventional	28 (21.2)	6 (4.5)	4 (3.0)	38 (28.8)
<b>Total</b>		<b>55 (41.7)</b>	<b>50 (37.9)</b>	<b>27 (20.5)</b>	<b>132 (100.0)</b>
<i>Note: Figures within brackets indicate percentage</i>					

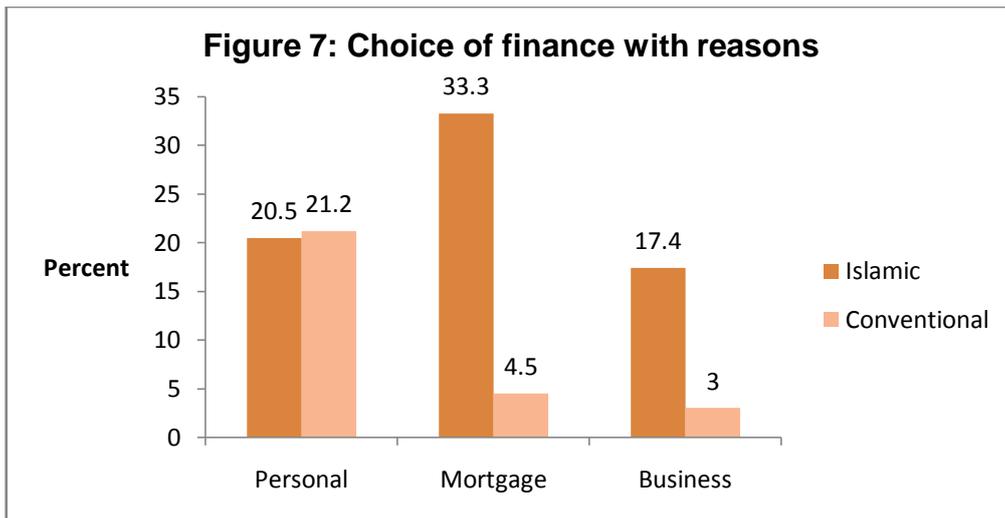


Figure 7 above represents the reasons for financing by types of banks regarding personal, mortgage and business. Figure 7 also shows that BBMC members (71.2%) use Islamic banks which offer products or services for personal, mortgage and commercial reasons, while 28.8% use conventional banking. Out of the three financing reasons, mortgage (33.3%) is the most significant concern for BBMC members because of their inadequate housing conditions, according to the Open Society Institute (OSI, 2010). The researcher then asked respondents about the general understanding of profit and loss sharing in the Islamic banking system.

The concept of 'profit and loss' is one of the fundamental cornerstones of the Islamic banking system. Every commercial project between the bank and the customer means a sharing of both profit and loss. Despite its comprehensive application throughout Islamic banking, more than 50% (55.3%) of customers in the sample population have no understanding of the profit and loss system used by Islamic banks, as indicated by Table 15. This suggests that there is a lack of marketing communication and strategy in the Islamic banking system.

**Table 15: Customers' general understanding of the profit and loss sharing system**

<b>Responses</b>	<b>Frequency</b>	<b>Percent</b>
YES	59	44.7
NO	73	55.3
<b>Total</b>	<b>132</b>	<b>100.0</b>

The findings of Table 15 indicate that the majority of the respondents have very little understanding of the profit and loss system of Islamic banking. At this point, a further look is given to the profit and loss system of Islamic banking by people's level of education. In this regard, it is evident those people who have a higher level of education are more aware of the profit and loss system implemented by the Islamic banking system than those who have a lower level of education. This suggests that the marketing communication system of Islamic banking has failed to address the needs of people with a lower level of education with regard to the products and services of Islamic banks. The customers' awareness of the profit and loss system of the Islamic banking system is presented in Table 16 below.

**Table 16: Understanding of the profit and loss system of Islamic banking with reference to the customers' level of education**

<b>Education</b>	<b>Understanding of profit and loss system</b>		<b>Total</b>
	<b>YES</b>	<b>NO</b>	
GCSE	6 (4.5)	12 (9.1)	18 (13.6)
A-level	6 (4.5)	23 (17.4)	29 (22.0)
Graduate	19 (14.4)	17 (12.9)	36 (27.3)
Postgraduate	28 (21.2)	21 (15.9)	49 (37.1)
<b>Total</b>	<b>59 (44.7)</b>	<b>73 (55.3)</b>	<b>132 (100.0)</b>
<i>Note: Bracketed figures indicate percentage</i>			

Regarding the understanding of profit and loss sharing and even differences between Shariah Compliance finance (SCF) and conventional finance, the majority of the respondents replied that they saw significant differences between both types of finance based on their perception. A few of the respondents replied that they did not see any significant differences. Surprisingly, most of the respondents didn't understand the difference between monetary and trade transactions. It is known that Shariah Compliance finance (SCF) follows trade transactions and it is the central, fundamental principle of SCF, where money providing business takes place. Therefore, it is critical for Islamic banks and BBMC leaders to raise the consciousness of people regarding interest prohibition, as well as dealing with Riba outcomes. There were some respondents who found the difference only by name. The researcher then asked respondents whether or not they have mortgages or finance based on Shariah Compliance law. Shariah Compliance law is one of the fundamental principles of the Islamic banking system and suggests that all finance activities conducted by Islamic banks should be consistent with Shariah law.

**Table 17: Mortgage or/and finance based on Shariah Compliance law**

<b>Responses</b>	<b>Frequency</b>	<b>Percent</b>
YES	36	27.3
NO	96	72.7
<b>Total</b>	<b>132</b>	<b>100.0</b>

Table 17 above reveals that among the sample population, only 27.3% have mortgages and finance based on Shariah Compliance law from both conventional and Islamic banks. In this regard, it is found that more than two-thirds of the respondents (72.7%) don't have mortgages or finance based on Shariah Compliance law, i.e. people have obtained finance via the traditional banking system. Table 17 also demonstrates that the majority of sample participants use products and services provided by the conventional banking system. Therefore, it is evident that the Islamic

banking system has a minimum market share in the current UK finance market.

It is known that Shariah Compliance Finance (SCF) follows trade transactions. Therefore, the researcher then investigated if they offer mortgages or finance based on Shariah Compliance law and who their providers are.

**Table 18: If yes, who is the provider?**

PROVIDER	Basis of relationship			
	NO RESPONSE	MUDARABA	MUSHARAKA	MURABAHA
NO RESPONSE	96	0	0	0
	72.7%	0.0%	0.0%	0.0%
ISLAMIC BANK	0	13	1	0
	0.0%	9.8%	0.8%	0.0%
CONVENTIONAL BANK	0	5	0	0
	0.0%	3.8%	0.0%	0.0%
PRIVATE FINANCE COMPANY	0	11	2	4
	0.0%	8.3%	1.5%	3.0%
<b>Total</b>	<b>96</b>	<b>29</b>	<b>3</b>	<b>4</b>
	<b>72.7%</b>	<b>22.0%</b>	<b>2.3%</b>	<b>3.0%</b>

Table 18 demonstrates that more than two-thirds (72.7%) of the sample participants did not give responses in this case. This means they do not have a mortgage or finance based on Shariah Compliance law. However, 10.0% of respondents have mortgages or finance with Islamic banks, whereas 3.8% and 12.8% use conventional banks and private finance companies respectively using the Islamic window based on Shariah Compliance law. Table 18 above also reveals that these mortgages and finance are mostly based on Mudaraba (22.0%), whereas Musharaka's and Murabaha's combined scores account to 5.3%. The researcher then investigated customers' satisfaction and dissatisfaction with the products and services of Islamic banking and finance, as shown in Table 19 below.

**Table 19: Satisfaction and dissatisfaction with Shariah Compliance law terms and conditions**

PROVIDER	(SATIS_IB?? Full title)			
	NO RESPONSE	YES	NO	TOTAL
NO RESPONSE	96	0	0	0
	72.7%	0.0%	0.0%	72.2%
ISLAMIC BANK	0	12	2	14
	0.0%	9.1%	1.5%	10.6%
CONVENTIONAL BANK	0	4	1	5
	0.0%	3.0%	0.8%	3.8%
PRIVATE FINANCE COMPANY	0	9	8	17
	0.0%	6.8%	6.1%	12.9%
<b>Total</b>	<b>96</b>	<b>25</b>	<b>11</b>	<b>132</b>
	<b>72.7%</b>	<b>22.0%</b>	<b>2.3%</b>	<b>100.0%</b>

Table 19 shows that BBMC members' satisfaction and dissatisfaction with products or services used indicates that nearly one quarter (24.3%) have given their views on the satisfaction or dissatisfaction with Islamic banking, traditional Islamic banking windows and private finance companies. Table 19 above indicates that 22.0% of BBMC members are satisfied with Sharia Compliance law and conditions, whereas 2.3% are not satisfied. A large number of customers claimed that the quality of products and services of Islamic banks fails to reflect the standards of traditional banks. It means that customers are not happy with the quality of Islamic banks' products and services. Moreover, a limited product range, additional marginal cost, poor standards of service, Shariah Compliance law doubts and a lack of awareness have resulted in a high level of customer dissatisfaction.

#### **4.4 The usage of Islamic banking**

A customer usually goes to the bank to meet their financial needs that cover a lot of things as indicated in Appendix 4 and Figure 8 below. The nature of people's relationships with Islamic banks is centred on mortgages, insurance and business loans.

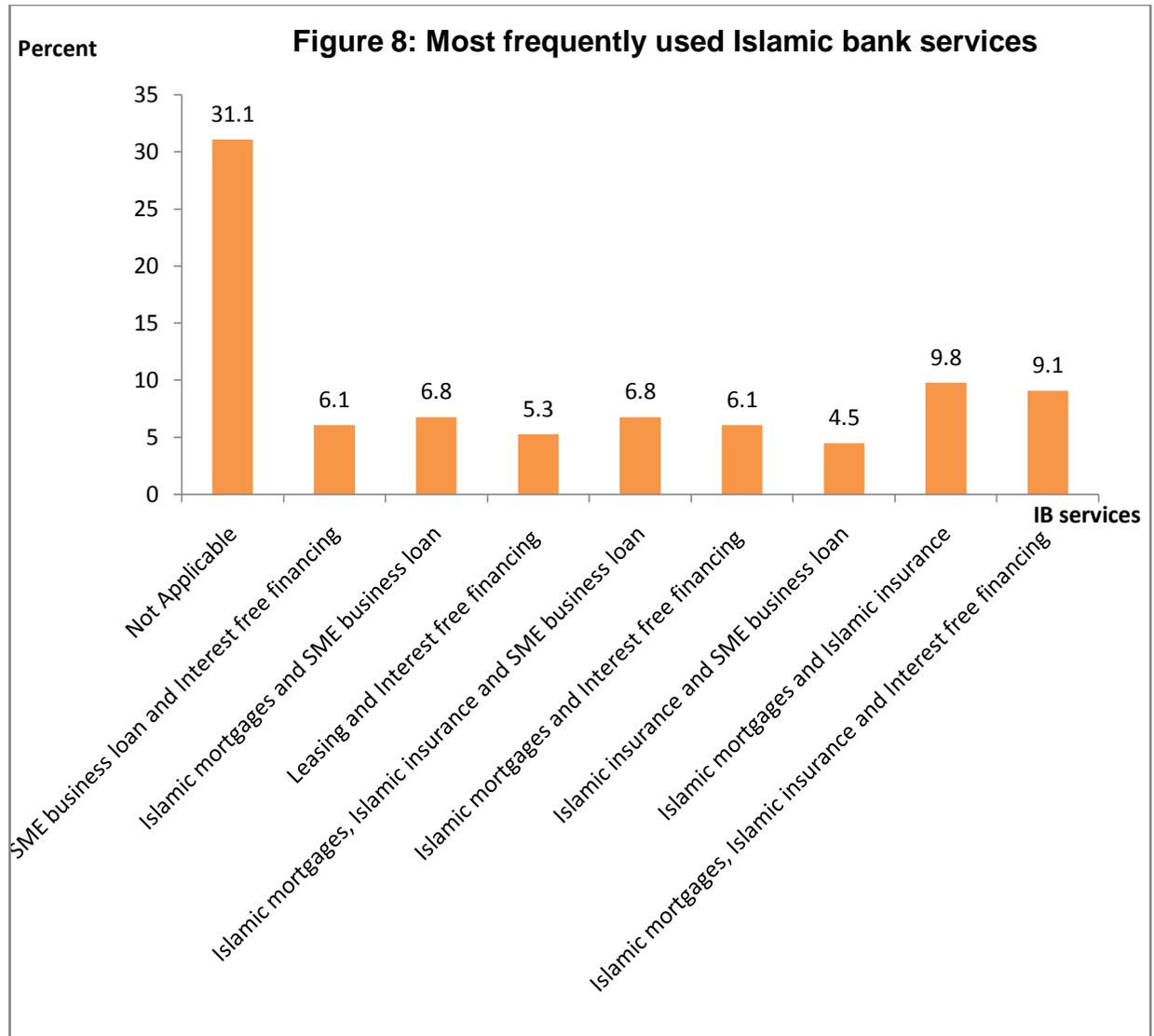


Figure 8 indicates that 31.1% of respondents do not use Islamic banking services, while 18.9% of respondents do use their services, including Islamic mortgages, insurances and interest-free financing. In this case, 13.6% used SME business loans including housing finance (i.e. mortgages). Again, 12.2% of participants said that they use this service for two main reasons: interest-free financing and Islamic mortgages. Finally, 9.8% of participants use Islamic banking services for leasing and SME business loans. The rest of the respondents (14.4%) make minimal use of Islamic banking services for the following reasons: religious reasons and global acceptance the growing Muslim community and practising Muslims.

Figure 8 and Appendix 4 suggest that the principal reason for establishing a relationship with an Islamic bank is maintaining interest-free, financial transactions. In other words, it is for the intention of avoiding Riba (interest). Another vital reason that influences the BBMC community to use the Islamic banking service is the recent global financial recession (2008) and its long-term consequences. During the 2008 recession, the traditional banking system completely collapsed. It is evident from the provision of large-scale bailouts, owners' debt transformation into public debt, and lower interest rates in all aspects of monetary policy and so on, in answer to questions such as, "Why do you favour Islamic banking? The answer includes many reasons which are mentioned in Appendices 4 and 5. Among them, religious obligation, freedom from interest and compliance with Shariah law are the top three contributing factors supporting the choice of Islamic banking.

#### **4.5 Variation of customer attitudes towards the ranking of bank selection factors**

At this point of the study, an attempt has been made to assess how customers rank the factors influencing their bank selection. The literature suggests there are different factors that customers consider as essential in bank selection. In order to discover the ranking of various factors, all of the elements are segmented into three broad categories, namely: the basic segment, the marketing segment and the services segment.

The primary segment includes: reputation, convenience, location and parking facilities, staff efficiency, online services, and simplicity of opening a bank account.

The marketing segment includes: brand image, Shariah Compliance law, friends' and families' recommendations, friendly staff and branch availability.

Finally, the service segment includes: quality products and services, deposit returns policy, credit availability, overdraft facilities, professional suggestions and counselling, fund security and safety. Table 20 below exhibits the ranking of different bank selection items in three significant factor groups, namely: fundamental factors, marketing factors and service factors.

**Table 20: Ranking of different bank selection items**

<b>Factors</b>	<b>Items</b>	<b>Ranking</b>
<b>Basic</b>	Reputation	1 <sup>st</sup>
	Convenience	5 <sup>th</sup>
	Parking facilities and location	4 <sup>th</sup>
	Staff efficiency	3 <sup>rd</sup>
	Online service	2 <sup>nd</sup>
	Simplicity in opening bank account	6 <sup>th</sup>
<b>Marketing</b>	Brand image	1 <sup>st</sup>
	Shariah compliance	6 <sup>th</sup>
	Recommendation from family and friends	4 <sup>th</sup>
	Comfort of the interior of the bank and media advertising	5 <sup>th</sup>
	Friendly staff	2 <sup>nd</sup>
	Branch availability	3 <sup>rd</sup>
<b>Service</b>	Product and service quality	1 <sup>st</sup>
	Deposit returns policy	4 <sup>th</sup>
	Credit availability	3 <sup>rd</sup>
	Overdraft facility	5 <sup>th</sup>
	Professional suggestions and counselling	6 <sup>th</sup>
	Fund security and safety	2 <sup>nd</sup>

Regarding the essential factors, it is evident that bank reputation ranks first in the bank selection process; while online services rank second, staff efficiency third, parking facilities and location fourth, while convenience and simplicity in opening a first bank account are rated as fifth and sixth, respectively.

Concerning the marketing factor, brand image ranks first, friendly staff second, branch availability third, while the position of recommendation of family members and relatives, interior comfort, media advertising and Shariah compliance are fourth, fifth and sixth, respectively.

Finally, with regard to the service factor, quality products and services rank in first position, while security of fund and safety is listed as second, credit availability third and the view of deposit returns policy, overdraft facility and professional suggestions, and counselling are fourth, fifth and sixth respectively.

The researcher then investigated the motivating factors involved in selecting and dealing with the Islamic banking system. The findings are presented in Table 21 below.

**Table 21: Motivation factors in selecting the Islamic banking system**

<b>Factors</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Impartial</b>	<b>Agree</b>	<b>Strongly agree</b>
Religious belief	4.5	0.0	3.8	18.2	73.5
Shariah compliance law	0.0	1.5	6.1	28.0	64.4
Ethical concerns	3.0	2.3	18.9	37.9	37.9
Deposit returns	2.3	3.8	26.5	44.7	22.7
Friends' and families' recommendations	4.5	7.6	30.3	39.4	18.2
Interest free	3.0	0.0	3.0	29.5	64.4
Availability of loans or mortgages	8.3	14.4	22.0	28	27.3
Efficient, fast service	4.5	9.8	18.9	34.8	31.8
Comfort of the interior of the bank and media advertising	5.3	15.2	14.2	25.0	14.4
Online service	2.3	3.8	18.2	38.6	37.1
Fulfilling community needs	9.8	18.2	15.9	34.8	21.2

As far as fundamental factors go, it is evident that the bank's reputation ranks first in the bank selection process, online service ranks second, staff efficiency third, parking facilities and location fourth, while convenience and simplicity when opening a first bank account are ranked fifth and sixth, respectively. Concerning the marketing factors, brand image ranks first, friendly staff second, branch availability third, while the ranking of recommendations of family members and relatives, comfort of the interior of the bank and media advertising, and Shariah Compliance are fourth, fifth and sixth, respectively. Finally, service factors, quality products and services rank first, while fund security and safety are ranked second and credit availability third.

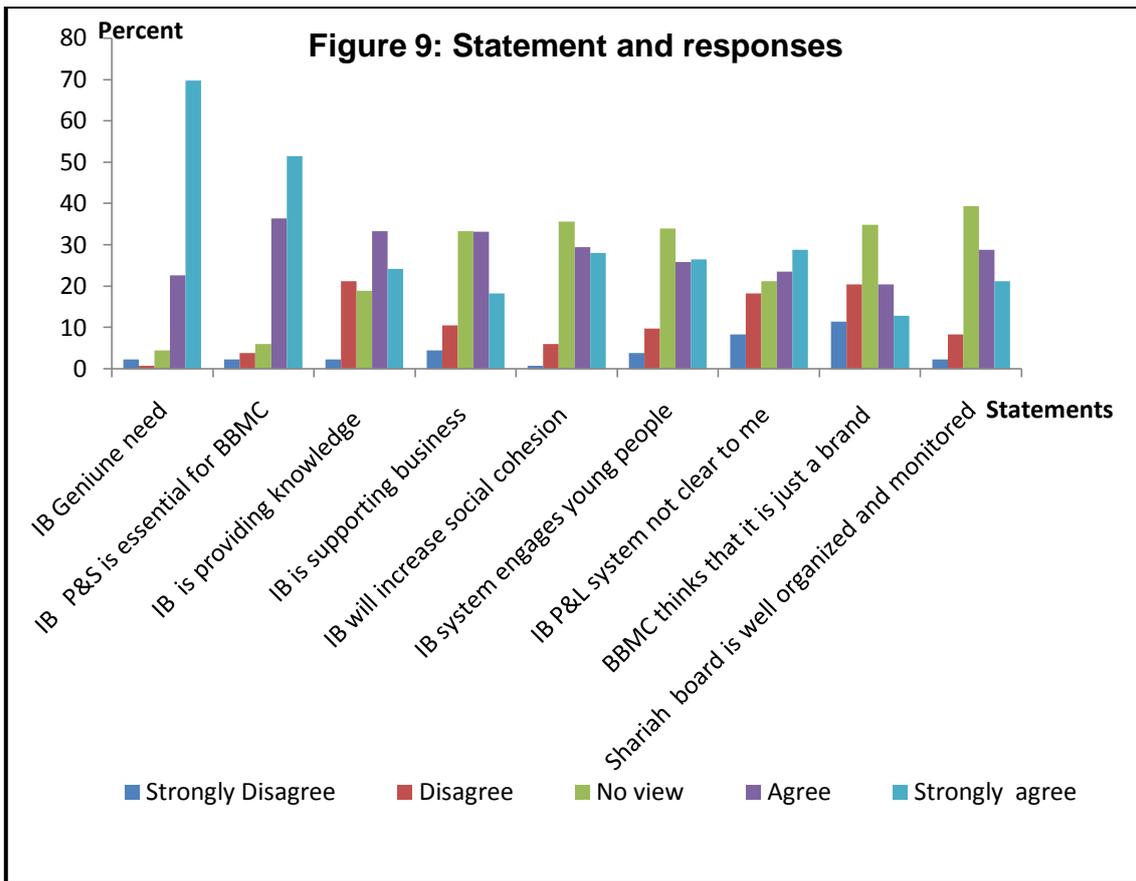
Table 21 above lists the factors that motivate people to select and deal with Islamic banking, suggesting that religious belief, compliance with Shariah law and interest-free banking are three vital contributing factors. Concerning religious belief, 73.5% of people strongly agree with the influence of religious belief, while 18.2% accept it. For Shariah Compliance law, 64.4% of people strongly agree and 28% percent agree. A similar trend is found for interest-free banking, where 64.4% of people strongly believe and 29.5% merely agree.

#### **4.6 Respondents' opinions about the Islamic banking system through some selected essential statements**

Every financial organisation plays a role in socio-economic development and the Islamic banking system is an integrated part of this process. To assess the role and importance of the Islamic banking system, several statements have been recorded and respondents have been requested to evaluate those statements. Table 22 and Figure 9 below reveal the results.

**Table 22: Statement and responses**

<b>Statements</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>No view</b>	<b>Agree</b>	<b>Strongly agree</b>
There is a genuine need for Islamic banking in the UK	2.3	0.8	4.5	22.7	69.7
Islamic banks and their products and services are essential for the British Bangladeshi Muslim community	2.3	3.8	6.1	36.4	51.5
Islamic banking products and services fully reflect my needs	2.3	21.2	18.9	33.3	24.2
Islamic banks are helping and supporting business	4.5	10.6	33.3	33.2	18.2
Islamic banks will increase social cohesion including national integrity	0.8	6.1	35.6	29.5	28.0
The Islamic banking system is engaging Muslim youth towards active economic participation	3.8	9.8	34.0	25.8	26.5
Islamic banks' profit and loss sharing system is not clear to me	8.3	18.2	21.2	23.5	28.8
British Bangladeshi Muslim community thinks that the Islamic bank is just a brand	11.4	20.5	34.8	20.5	12.9
Shariah Compliance Board members are well organised and have enough knowledge to monitor Islamic banking and finance	2.3	8.3	39.4	28.8	21.2



Final entry in above figure 9 should read: ‘Shariah board is well organised and monitors Islamic banking and finance’.

A total of 92.4% of respondents agree that “There is a genuine need for Islamic banking and finance in the UK”, of which 69.7% strongly agree. Concerning “Islamic banking and its products and services are essential for the British Bangladeshi Muslim community” more than 50% (51.5%) strongly agree, while 36.4% merely agree.

#### 4.7 Consumer awareness and Islamic bank

The performance and success of any financial organisation depends on its ability to create awareness about available products and services to the target population. At this point of the study, an attempt has been made to examine the consciousness of people with regard to Islamic bank products and services; the results of this examination are depicted in Table 23 below.

**Table 23: Awareness towards IB products and services**

<b>Products and services</b>	<b>Fully unaware</b>	<b>Little bit</b>	<b>Fully aware</b>
Current accounts	18.9	40.2	40.9
Savings accounts	23.5	46.2	30.3
Investment accounts	40.9	44.7	14.4
Mudharaba (Partnership)	37.1	44.7	18.2
Murabah (Cost plus)	47.7	37.1	15.2
Musharaka (Equity)	48.5	36.4	15.2
Ijara (Leasing)	47.7	39.4	12.9
Halal Mortgage	28.0	46.2	25.8
Takaful (Islamic insurance)	50.8	34.8	14.4
Personal loans	36.4	46.2	17.4
Profit and loss sharing system	40.2	34.1	25.8

The overall findings suggest that a significant proportion of people are entirely unaware of the different products and services offered by the Islamic banking system. For example, just over half (50.8%) of respondents had no idea about the product, 'Islamic insurance'. A similar situation concerning a lack of awareness is found in the area of investment accounts, partnership, cost-plus, equity, leasing, and the profit and loss sharing system of Islamic banking, as more than one-third of the total number of respondents had no idea about these products at all. These

findings suggest that there is a considerable gap in reaching customers, which could be remedied by creating customer awareness.

#### 4.8 Challenging factors of the Islamic Banking system

Despite constant global growth, the Islamic banking sector faces many challenges in different areas of its operations, including globalised competition, supervisory framework, shortage of scholars, product and marketing development, rules and regulations, enhancing investment and the debate among Muslim scholars.

**Table 24: Globalised competition as a challenge for Islamic banking**

Level of importance	Frequency	Percent	Valid Percent
Extremely important	40	30.3	30.3
Very important	20	15.2	15.2
Moderately important	27	20.5	20.5
Neutral	7	5.3	5.3
Slightly important	12	9.1	9.1
Minimally important	8	6.1	6.1
Not at all important	18	13.6	13.6
<b>Total</b>	<b>132</b>	<b>100.0</b>	<b>100.0</b>

In Table 24 above, it is evident that 30.3% of respondents consider globalised competition as a significant challenge for Islamic banking, while 15.2% found it a very important challenge and 20.5% found it moderately important. The table also shows that 13.6% percent of respondents see globalised competition as not at all critical. The Islamic banking system is very different from the traditional banking system in that it requires a robust, supervisory operational framework. Despite the necessity of a strong supervisory framework, this study finds it less valuable as a challenge for Islamic banking which is shown in Table 25 below.

**Table 25: Supervisory framework as a challenge for Islamic banking**

<b>Level of importance</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>
Extremely important	11	8.3	8.3
Very important	13	9.8	9.8
Moderately important	22	16.7	16.7
Neutral	24	18.2	18.2
Slightly important	23	17.4	17.4
Minimally important	16	12.1	12.1
Not at all important	23	17.4	17.4
<b>Total</b>	<b>132</b>	<b>100.0</b>	<b>100.0</b>

Table 25 suggests that 8.3% of respondents find the supervisory framework extremely challenging for the Islamic banks, while 9.8% see this as a very important challenge and 16.7% find it moderately important. On the other hand, more than 40% of the respondents find the supervisory framework a minimally important challenge for Islamic banking. This finding implies that the supervisory structure of Islamic banking in London is satisfactory, at least in the view of the sample population. The Islamic banking system, as a banking and financial organisation, is facing different challenges, which indicate the necessity of Muslim scholars which has been identified as a challenge for the growth and development of the whole Islamic banking system. Despite this growing importance, this study finds it a minimally important challenge, and this is shown in Table 26 below.

**Table 26: Shortage of Muslim scholars as a challenge for Islamic banking**

<b>Level of importance</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>
Extremely important	9	6.8	6.8
Very important	16	12.1	12.1
Moderately important	19	14.4	14.4
Neutral	17	12.9	12.9
Slightly important	20	15.2	15.2
Minimally important	22	16.7	16.7
Not at all important	28	21.2	21.2
<b>Total</b>	<b>132</b>	<b>100.0</b>	<b>100.0</b>

Table 26 reveals that only 6.8% percent of respondents find the shortage of Muslim scholars an extremely important challenge for Islamic banking, whereas 12.1% find it a very important challenge and 14.4% percent find it moderately important. On the other hand, more than half (53.1%) of the respondents perceive the shortage of Muslim scholars as a minimally important challenge which, in turn, means that the Islamic banking system in the UK does not lack Muslim scholars. There is considerable evidence in the literature that product and market development is a challenge, not only for the Islamic banking system, but also for the traditional banking system. In this regard 40.9% percent of customers find product and market development a challenge, of which 10.6% find it an extremely important challenge, 18.2% find it a very important challenge and 12.1% percent find it a moderately significant challenge for Islamic banking; this is demonstrated in Table 27 below.

**Table 27: Product and market development as a challenge for Islamic banking**

<b>Level of importance</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>
Extremely important	14	10.6	10.6
Very important	24	18.2	18.2
Moderately important	16	12.1	12.1
Neutral	28	21.2	21.2
Slightly important	18	13.6	13.6
Minimally important	23	17.4	17.4
Not at all important	9	6.8	6.8
<b>Total</b>	<b>132</b>	<b>100.0</b>	<b>100.0</b>

Table 27 above reveals that one in five respondents maintained a neutral position, while 27.8% of respondents find product and market development a minimally important challenge for the Islamic banking system. The Islamic banking system operates in the same environment as the conventional banking system but with some distinct rules and regulations, which are inconsistent with the traditional banking system. This different philosophy places the Islamic banking system in a challenging position. For example, 41.7% of respondents find the rules and regulations, which the Islamic bank needs to follow, as essential, while 10.6% find them an extremely important challenge, 14.4% find them very important and 16.7% see them as moderately important; these results are presented in Table 28 below.

**Table 28: Rules and regulations as a challenge for Islamic banking**

<b>Level of importance</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>
Extremely important	14	10.6	10.6
Very important	19	14.4	14.4
Moderately important	22	16.7	16.7
Neutral	21	15.9	15.9
Slightly important	25	18.9	18.9
Minimally important	20	15.2	15.2
Not at all important	11	8.3	8.3
<b>Total</b>	<b>132</b>	<b>100.0</b>	<b>100.0</b>

On the other hand, 15.9% of customers maintained a neutral position, while 42.4% of respondents find rules and regulations a minimally important challenge for the Islamic banking system. The overall findings imply that the existing laws and regulations are moderately appropriate for the Islamic banking system in London. To meet market demand, there is no alternative to investment for strengthening a bank's balance sheet. In this regard, 15.9% of respondents find enhancing investment a significant challenge for the Islamic banking system, whereas 12.1% and 11.4% of respondents find it a very important challenge and a moderately substantial challenge, respectively; this is demonstrated in Table 29 below.

**Table 29: Enhancing investment as a challenge for Islamic banking**

<b>Level of importance</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>
Extremely important	21	15.9	15.9
Very important	16	12.1	12.1
Moderately important	15	11.4	11.4
Neutral	18	13.6	13.6
Slightly important	16	12.1	12.1
Minimally important	26	19.7	19.7
Not at all important	20	15.2	15.2
<b>Total</b>	<b>132</b>	<b>100.0</b>	<b>100.0</b>

The overall findings suggest that enhancing investment opportunity is a less important challenge for the Islamic banking system. A considerable amount of literature cites a consistent debate about the existing system of Islamic banking, which is also evident in the current study; this is shown in Table 30 below.

**Table 30: Debate among Muslim scholars as a challenge for Islamic banking**

<b>Level of importance</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>
Extremely important	24	18.2	18.2
Very important	23	17.4	17.4
Moderately important	11	8.3	8.3
Neutral	17	12.9	12.9
Slightly important	18	13.6	13.6
Minimally important	16	12.1	12.1
Not at all important	23	17.4	17.4
<b>Total</b>	<b>132</b>	<b>100.0</b>	<b>100.0</b>

Table 30 above suggests that 43.9% of respondents find the current debate among Muslim scholars an important challenge for the Islamic banking system; of this 43.9%, 18.2% find it an extremely important challenge, while 17.4% find it very important and 8.3% find it moderately important.

Based on the results of Table 30, it is known that owing to some of the Muslim jurists mentioned that the Islamic banking system is catering to the upper segment of people compared to catering for those who are poor. It is just a misconception from those people who have tried to demonstrate tunnel vision towards other people. Islamic banking and finance are trying to encourage people who lack economic solvency and are concentrating on socio-economic development by creating value. With the help of activities, such as Qard-Hasana (Beautiful loan), Mudarabah (Partnership), Musharaka (Equity), Murabaha (Cost plus), Sadaqa (Voluntary charities), Ijara (Leasing), Takaful (Islamic insurance) and Zakat (Mandatory charities), the Islamic banking system is trying to help poorer people. In addition, Islamic banks are elevating people to the next level through Takaful (Islamic insurance). It is also known that, in some regions, Islamic banks are carrying out micro-finance activities through Shariah Compliance law and are helping SMEs in this way.

## 4.9 Conclusion

In this chapter, the views and opinions of respondents regarding Islamic banking products and services have been presented and analysed. This chapter has also examined and evaluated the use of Islamic banking and has identified various reasons behind the selection of Islamic banking.

The questionnaire was distributed randomly among the target population and focus community, which is the British Bangladeshi Muslim Community (BBMC) after the congregation of Friday prayers in different areas (i.e. Mosques) surrounding London (east, west, north and south). In this research, most respondents are British Bangladeshi (born and brought up in the UK) and male.

It is worth mentioning here that a significant number of the participants in this research are young, well-educated, qualified and representative of the BBMC. The age and gender distribution reveals that more than 80% (83.3%) of respondents are male and nearly 80% (79.5%) fall within the age group of 18 to 39 years. Again, income distribution suggests that more than 40% (41.7%) of the respondents fall within the income range of between £10,000 to £20,000 per annum. Concerning respondents' education by nationality, it is evident that those who are Bangladeshi have obtained a higher level of education in comparison to British Bangladeshi respondents.

It has also been found that two-thirds of the respondents are attached to only a conventional bank, while one-third of the respondents are engaged in both types of banking. Concerning the type of accounts offered by the two banking systems, it is evident that current accounts are the most dominant (54.5%) form of account in both Islamic and conventional banks. The same trend is evident for those having relationships with both types of bank. It is also remarkable that traditional banks have more than 70% (74.2%) types of bank accounts, where the Islamic bank has less than 5% (4.5%). Moreover, with regard to customers' attitudes towards the demand for Islamic banking, it is evident that 87.1% of customers believe that there is a demand for Islamic banking, but this attitude is more frequently found

in British Bangladeshi respondents rather than Bangladeshi respondents. Again, more than two-thirds (71.2%) of the respondents have chosen Shariah Compliance Islamic banking as their financial choice. BBMC members (71.2%) use Islamic banking products or services for personal, mortgage and business reasons, rather than conventional banking. Despite its comprehensive application throughout the Islamic banking system, more than 50% (55.3%) of customers have no understanding of the profit and loss sharing system of Islamic banking. In this regard, it is evident that more than two-thirds of the respondents (72.7%) don't have a mortgage or finance based on Shariah Compliance law, i.e. people use the traditional system.

From the viewpoint of Islamic bank selection, this indicates that religious belief, Shariah Compliance law and interest-free banking are three vitally motivating factors. More than 92% (92.4%) of respondents agree that "Islamic banking and finance are genuinely needed in the UK". With regard to "Islamic banking and its products and services are essential for the British Bangladeshi Muslim community", more than 50% (51.5%) strongly agree. Moreover, more than 50% of respondents indicate that "Islamic banks are helping and supporting businesses" and this is a supplement to the second, i.e. previous, statement. Furthermore, more than 50% (52.3%) of respondents indicate that the "Islamic bank's profit and loss sharing system is not clear to me". Therefore, this evidence indicates that BBMC members are more aware of Islamic banks' profit and loss sharing financing principles by the practicality issues on Mudarabah (Partnership) and Musharaka (Equity) products.

Concerning awareness of the products and services of Islamic banking and finance, about half (50.8%) of respondents have no idea about the product 'Islamic insurance'. A similar situation regarding a lack of awareness is found in the area of investment accounts, partnerships, cost-plus, equity, leasing and the profit and loss sharing system of Islamic banking, as more than one-third of the total numbers of respondents have no idea about these products at all. Finally, with regard to the Islamic banking system challenging points of view within the BBMC, 43.9%

percent of respondents find that the current debate about the existing Islamic banking system within Islamic jurisdiction is an important and prominent challenge. From the Islamic banks' products and services' point of view, the Islamic banking system operates in the same environment as the conventional banking system, but with some distinct rules and regulations, which are highly inconsistent with the traditional banking system. This different philosophical perspective places the Islamic banking system into a challenging position.

Surprisingly, it is found that a total of nearly 60% (57.5%) of respondents agree that "Islamic banks can increase social cohesion including national integrity" in the UK. In addition, more than 50% of respondents indicate that the "Islamic banking system is engaging the Muslim young generation towards active economic participation", so it is clear that the majority of BBMC members have a positive response to the Islamic banking system.

Finally, in this research, the debate within the Muslim jurists regarding the Islamic banking system is found as a significant challenge to the future growth. Chapter Five focuses on presenting and analysing the interview data and results.

## CHAPTER FIVE: ANALYSIS OF INTERVIEW DATA AND RESULTS

### 5.1 Introduction

The main purpose of this chapter is to present and analyse the interview results. To achieve the current research's aims and objectives, the interview process involved conducting 17 interviews. The interview process consists of British Bangladeshi Muslim Community prominent members, such as Muslim Scholars, community leaders, banking practitioners and Islamic bank Shariah Board Members. Participants provided their ideas, perceptions and views about the Islamic banking system during the interview. They are from either Bangladeshi or British Bangladeshi backgrounds by birth and have the same religious beliefs. All of the interviews have been collected individually and recorded with the consent of the participants.

### 5.2 Banking practice and belief (Faith)

The research interview process involved collecting the views and opinions of Muslim scholars, banking practitioners, Islamic bank Shariah Board members and BBMC leaders. Interview responses were surprisingly unanimous regarding the involvement of faith, banking practice issues. Therefore, it is a principal point that all groups or group members have a consensus regarding banking practice being involved with belief (faith).

Muslim scholar and present Chairman of the Islamic Shariah Council, Mr **R<sub>1</sub>** expressed his opinion that “there is no aspect of a Muslim lifestyle without the Shariah”. He also added that banking practice and finance has importance for a Muslim's life. However, Muslims must surrender their life to the teaching of Islam and build themselves up according to the way of the Prophet Mohammad (SA) in every aspect of life. Another renowned Muslim Scholar namely Dr **X<sub>1</sub>**, Secretary of the Global Aid Trust, mentioned that “those belonging to faith (belief) communities no doubt, need financial products or services”. Specifically, he pointed out those consumers who do not want to involve and willingly compromise their main

beliefs when it comes to an interest-based financial system. In addition, he put forward a valid and interesting argument about his views based on a business perspective, which is that “one should not maximise potential revenue flows without catering in support of an ever-growing belief (faith) based community”.

Mr **R<sub>2</sub>**, banking practitioner and Head of the Shariah Advisory and Compliance Board, Gatehouse Bank has given a similar view. He indicated that in the UK Islamic banking system is the customer (Muslim) determined banking service and the Muslim population is increasing in western countries like USA, UK, Australia, France, and so on. The Muslim community, therefore, is considered as an ever-growing community. From the Gate House perspective, they provide Islamic banking services, which are an essential element and parcel based on the banking strategy of the Muslim community. However, the experienced banking practitioner, Mr **R<sub>2</sub>**, added that the demographic and energetic world is changing frequently, based on a variety of circumstances. The faith of Islam has gained significantly in Muslims’ lives. Found in a broader scenario and global picture reference, Mr **R<sub>2</sub>** noted that the Muslim community is not only increasing locally in the UK but also globally. Therefore, it is considering a community-based, financial activity (banking), which addresses the particular financial needs of the community; this community-based banking is acutely aware of its importance in the belief (faith) system.

Former Islamic banking practitioner, Mr **Z<sub>1</sub>**, (HSBC Amanah) agreed that, with regarding BBMC banking practices, “faith is very much involved with banking practice”. He remarked that involving faith towards the banking and Shariah route drives it. The Shariah route comes from Islamic ideology. However, Islamic thinking is not only a religious conviction but also wholly considered as the way of Muslim life, (widely human life? Either rewrite or take this out). Mainly, it implies that Muslims will manage their finances, including economic affairs by the one aspect of their life system. Moreover, Islam teaches how wealth will be created and how it will be distributed through active responsibility, with an ethical manner. Based on that Islamic teaching, Mr **Z<sub>1</sub>** viewed that a fair society will be

established where people of all faiths will be included, even it is open irrespective of race, belief and creed. From a business perspective, his opinion is: “Islamic banking is trying to identify the customer or market needs, wants and demands towards satisfaction”.

Another banking practitioner and current community leader, Councillor, Mr **S<sub>1</sub>**, expressed “faith concept is the crucial part of human life, but it is mostly related to practical human life”. He also gave details of his personal experience regarding faith during his employment in Bangladesh and how faith influenced him. He worked for nearly eight years for a conventional bank without a clear understanding of interest (Riba). When he knew about dealing with interest (Riba) and the effects and punishments from the Islamic religion’s point of view, Mr **S<sub>1</sub>** left this job immediately and joined Islami Bank Bangladesh. A renowned media leader in the BBMC, namely Mr **P<sub>1</sub>**, Chief Editor, Janomot Bengali Newsweekly, emphasised that “we don’t do anything without the involvement of faith in our daily life, so the involvement of faith in banking practice is not different from it”. However, the researcher discussed faith and banking practices that come from other faiths (Hinduism) with Mr **Q<sub>1</sub>** who is a doctoral researcher. He strongly emphasised that “of course, faith needs to involve human life in every aspect, even involvement of banking practice as well”, which has more similarity with Mr **Z<sub>1</sub>** because Islam taught how wealth will be created and how it will be distributed through active responsibility along with an ethical manner. However, Mr **Q<sub>1</sub>** has another view of the Islamic banking system, which is “most of the cases found that the Islamic bank has lots of Muslim customers, where other faith people are very few”. What he meant is that “banking is considered as the material area of rehearsal”. If he intended that banking practices should not be involved with faith, a different opinion is considered.

### 5.3 BBMC Islamic banking demands in the UK

Participants were asked to give their views and opinions regarding the demand for Islamic banking. The BBMC had a genuine demand for the Islamic banking system in the UK. However, this section has a relationship with the earlier analysis in section 5.2.

The chairman of the Islamic Shariah Council, Mr **R<sub>1</sub>** stated that the current conventional banking system is ultimately interest based, with no compliance with or relation to Islamic training and teachings. Mr **R<sub>1</sub>** made exact and influential remarks when giving his own opinion: “Not only BBMC but also Muslim people need interest (Riba) free banking because they wholeheartedly want to avoid interest (Riba). Because, it is forbidden and great sin according to Islamic Shariah”. From another perspective, Mr **X<sub>2</sub>**, Imam (prayer leader) of the East London Mosque agreed strongly in his opinion that there is a genuine demand and need for Islamic banking in the UK, in particular among members of the BBMC. He had a valid argument, which is, “BBMC people, including other European Muslims, were very much aware of various problems which are going on all over the world currently, but not entitling them politically along with economically concerning their own countries”.

Former Islamic banking practitioner, Mr **Z<sub>1</sub>**, HSBC Amanah, UK responded to this question emphasising his view that “yes, there was a demand and genuine need of Islamic banking system in the UK for BBMC”. However, he only supported this argument because of interest prohibition, as it is not allowed in Islam. He added that dealing with interest, either giving or receiving it, is considered as a great sin by Islamic Shariah. Only in the Shariah Compliant Islamic banking system is Riba (interest) not allowed. He explained the profit base return system in Islamic banking, which takes the place of interest. It is generated by the financial and investment activities’ basis of trade transactions and physical assets, respectively. Gateway Bank’s Head of Shariah Advisory and Compliance board, Mr **R<sub>2</sub>**, gave a similar opinion and mentioned that the Islamic banking system is essential for every Muslim, everywhere in the world, from a religious

perspective. Furthermore, Mr **R<sub>2</sub>** noted that, “Based on the religious perspective, our banking service is trying to identify and understand not only BBMC customers, but also Muslim customers’ needs, wants, demands and requirements. After that, we identified autonomous religious scholars who have sufficient ability with experience to advise, find solutions and offer guidance to Gateway Bank to meet the Muslim customers’ financial requirements and needs, affirming their religious faith on the whole”.

Mr **Y<sub>1</sub>**, a member of the Shariah Supervisory Board at the Al-Rayan Islamic Bank, agreed strongly with his viewpoint. BBMC members need the Islamic banking system because their tendency and intention showed that they want themselves from Riba (interest). He added that in today’s world, finance and banking practice is an indispensable part of human life. Everybody needs to conduct finance and banking. Mr **Y<sub>1</sub>** said that the conventional banking system is interest related, whereas Islam has declared Riba (interest) as Haram (prohibited), but unfortunately, many ignorant Muslims, not only in the UK, but also around the world, do not know about interest prohibition, as well as its consequences, because of a lack of Islamic education. He pointed to some verses from Al Quran and Hadith about Riba (interest), which “Almighty Allah and His true Messenger Mohammad (SW) would launch battle against these individuals who do not discard or abandon Riba (interest) and dealing of Riba (interest), seventy times commit a sin doing Zina (adultery) with mother”. The leader of the BBMC, Councillor Mr **P<sub>2</sub>**, made a careful remark, “Practically, the BBMC doesn’t have any automatic right towards Shariah Compliant law financial services but obstructions by the country towards private sector members providing Shariah Compliant law financial services should be removed”. Mr **P<sub>2</sub>** gave dual stamp duty as an example, referring to it as levelling the playing field.

Dr **X<sub>1</sub>**, Muslim Scholar and Secretary of Global Aid Trust revealed that he had been living in London since 1990. He observed that very few BBMC members were involved with faith-based banking because they were acutely aware of the consequences of Riba (interest) for those involved

with interest related banking. There might be two prime reasons, such as a lack of awareness of the consequences of Riba (interest) and not having enough Islamic education, including knowledge of Riba (interest). He also added that, “For those, i.e. BBMC people who purely intend to avoid Riba (interest) dealing, they want their financial problem solutions contained wholeheartedly by Shariah Compliant law and that are why the Islamic banking system is very much essential for the BBMC”. Again, his main logic behind the need for the Islamic banking system is inclusive financing and interest (Riba) prohibition. The BBMC leader, Councillor, Mrs **P<sub>3</sub>**, made a very relevant comment; however, she did not argue with the need for the Islamic banking system and its importance within the UK. She put forward the view that, “Islamic banking system access is not essentially right at this moment, but the concerned authority or government should not be guaranteed that all peoples have, where some of the people should be intercepted from following the Islamic banking system if they desire to”. Again, she pointed out that if the Islamic banking system can lead to coherent society enhancement, then it could be exceptionally beneficial for the community. Finally, Mrs **P<sub>3</sub>** particular view is a perfect example from the political perspective, which is the basis of democratic principles along with civil liberties.

Muslim scholars are fully supported by the presence of the Islamic banking system in the UK in different places surrounding London. For example, Mr **X<sub>3</sub>**, Muslim Scholar and Teacher at the Jamiatul Ummah Secondary School said, “I am personally supporting Islamic banks’ activities in Great Britain because it might be helpful for other conventional banks to think deeply regarding their ethical policies”. Almost the same views were expressed by Mr **R<sub>3</sub>**, TV presenter and member of the Islamic bank Shariah Board, London, UK: “I agreed very strongly, not only for the BBMC, but also Great Britain’s Muslim communities should have the right to use the Islamic banking system’s products and services”. In addition, he raised an interesting concern, which is that the Islamic banking system should be available to everybody because it will help to influence people from other faiths to learn about it, especially profit which is generated by

the financial and investment activities' basis of trade transactions and physical assets, respectively. As a result, users might want to pursue this example in order to invest their wealth or money into the excellent cause of benefiting charities.

#### **5.4 The Islamic banking system in fulfilling the financial needs of BBMC members in the UK**

BBMC financial needs fulfilment perspective through the Islamic banking system, there are different explanations have come in this section from the participants.

Mr **X<sub>4</sub>**, a Muslim scholar and teacher, gave an explanation of the banks various functions, for example, maintaining accounts, money transfers, and personal loans and mortgages. In this regard, Mr **X<sub>4</sub>** said that avoiding interest on current accounts and dealing with money transfers is straightforward. However, in the matter of business and personal loans, mortgages and even savings accounts, it is impossible to avoid interest in the conventional banking system. In that case, the Islamic banking system can help and support its customers (i.e. the BBMC) through providing an interest free banking system. He also added that, "unfortunately Islamic banks are failing to provide an effective solution and satisfactory facilities for business and personal loans including mortgages" and again he stated that it may be due to a limited existing range of products or services. Finally, he identified some controversies about the current products and services of the Islamic banking system from an Islamic Shariah point of view.

One of the Islamic TV channel presenters and Muslim scholars, Mr **R<sub>3</sub>**, gave a different opinion about the success of the Islamic banking system in the UK. He said that the products and services of Islamic banks are insufficient, in fact like "half-baked" food. From the finance point of view, he criticises the Islamic banking system for failing to provide the required products and services to meet the BBMC's financial needs. This

encourages BBMC members to look for alternatives in the conventional banking system with more stringent rules and regulations, even while compromising their religious faith.

Mr **R<sub>2</sub>** of Gatehouse Bank, responded to this question carefully with a positive, realistic remark. He said that there are very few, retail Islamic banks providing products or services to meet the financial needs of BBMC members in the UK. As a result, they are suffering from insufficient market coverage and share. Islamic banks mostly offer housing finance and some savings products, but it is true that customers need more financial products and services from them. Furthermore, Mr **R<sub>2</sub>** hoped that “as time goes forward and more Islamic banks enter into the UK financial market, they will meet and satisfy not only the BBMC, but also the financial needs of the whole Muslim community”. He discussed and analysed some of the market issues, including limitations and problems faced by Islamic banks at this moment. Finally, he demonstrated the potentiality of Islamic banking based on the market situation. Based on the Ijara (leasing) and Mudarabah (partnership) systems, the Islamic bank's products have less risk attached to them, as these products are asset-based and have a predetermined return rate. Therefore, he referred to alternatives in the banking system for avoiding interest (Riba) through profit, which are generated by financial and investment activities' trade transactions and physical assets, respectively.

A former Islamic banking practitioner, Mr **Z<sub>1</sub>**, of HSBC Amanah, gave a broader picture with his discussion. He has shown aspiration on the issue of the Islamic banking system and whether it is fulfilling the financial needs of BBMC members in the UK. He acknowledged and addressed that Islamic banks are not satisfying the financial requirements of BBMC members. When HSBC introduced an Islamic window in 2005, in the UK, based on Islamic mortgages to home financing based on the Musharaka (equity) model rather than Ijara (leasing), it was primarily accepted. Another Islamic bank product, namely Takaful (insurance) was introduced at the same time but was withdrawn (2008). HSBC Amanah launched some other products in the UK, including the Pension and Investment

Fund (2009). The central principle of the Pension Fund was that employers could invest on behalf of employees, but employees could not gain straightforward access to this product. Based on Mr **Z<sub>1</sub>** opinion, it is evident that Islamic banks are fulfilling the financial needs of the BBMC to a reasonable extent. However, it is true that the Islamic banking system is probably well enough to meet the financial needs of BBMC members. In this regard, he identified an inadequate IT infrastructure, a limited range of products and a small market segment as the primary issues behind the poor performance of the Islamic banking system in the UK. He mentioned Malaysia as a practical example, where HSBC Amanah provides almost every product and service under the Shariah Compliance banner, and which might be possible for a large customer base and associated demand in the market. Based on ONS (2011), he added that out of 2.7 million Muslims in the UK, there are only 254,704 British Bangladeshi Muslims and, if this is broken down according to the market segment, it means a minimal number of British Bangladeshi Muslims; thus, it would not be wise to invest more into an IT infrastructure to build up a particular product or service for such a small number of British Bangladeshi Muslims. Again, their response is not even satisfactory enough towards using Islamic banking system. Therefore, it might be an unjustified investment for the Islamic banking system in the UK.

Former Islamic banking practitioner and current Councillor, Mr **S<sub>1</sub>**, partially disagreed about whether the Islamic banking system is fulfilling the financial needs of BBMC members. Mr **S<sub>1</sub>** stressed that the product delivery and service quality of Islamic banks is not meeting acceptable standards and is not attractive to its target market. Besides, products and services are not competitive enough to attract customers. As a result, the Islamic banking system has attracted 1 out of 10 Muslim customers. Based on the World Islamic Banking Competitiveness Report (2015), he referred to and categorised Muslim customers into the following three categories: faith based; practising Muslims, and fully committed. In these three categories, Muslim customers are always looking to the Islamic banking system to meet their financial needs. Finally, he mentioned that

the “Islamic banks of Britain fully failed to deliver quality products and services”. Nowadays people want immediate access to their own money with no extra cost. For example, depositing and withdrawing money are the two most fundamental financial transactions which a customer can conduct through using the self-service system in most of the banking organisations in the UK. It is regrettable and a clear indication of a poor IT infrastructure that the customers of Islamic banks need to queue for a longer time to make such fundamental financial transactions.

Dr  $X_1$  had the same opinion regarding the Islamic banks’ products and its service delivery channel. He was the first BBMC customer in the UK and has good experience of using Islamic banking products and services. He mentioned that the Islamic banking system is not adequately fulfilling the financial needs of BBMC members in the UK. According to him, the main reason is, “The range of products and services of the Islamic banking system are insufficient in meeting the financial needs of BBMC people”. There is a population of 2.7 million Muslims currently living in the UK, but there are only a few Islamic banks. Moreover, there are some conventional banks offering Shariah Compliant products or services through their Islamic windows. This is not sufficient to meet the financial needs of the entire Muslim community, not even the BBMC members in the UK. He expressed that BBMC members’ lack of Islamic education and the poor marketing strategy of Islamic banking are two major problems facing the success of Islamic banking in the UK. Again, those with a minimum knowledge of and little information about Islamic products and services are somewhat confused or in doubt regarding their authenticity. The surprising matter is, however, that BBMC members are purchasing Islamic banks’ products and services. Although they have doubts, they are establishing relationships with Islamic banking organisations. He added that “if you ask them about it, they will say that there is not much difference with conventional banks by terms and conditions and are sometimes even more complicated. Again, they are using the Islamic banking system because of their religious faith, and they are trying to distribute wealth in an equitable way as described in the Holy Quran”. Finally, he concluded

that the Islamic banking system is not entirely in a position to meet the financial needs of BBMC members in the UK.

### **5.5 The role of the Islamic banking system with regard to SMEs and employment creation**

With regard to this issue, the responses, views and opinions are different and come from different perspectives.

Within the Muslim scholars' group, one member disagreed with this issue, while other members partially disagreed. According to Mr **X<sub>5</sub>**, Khateeb (Friday prayer leader) of the Esha'atul Islam Mosque, "The success of Islamic bank on buying houses (i.e. mortgages) or meeting financial demands of SMEs is not satisfactory enough". Mr **X<sub>5</sub>** expressed the view that it will take some more time for the Islamic banking and finance industry to produce a favourable and perceptible impact on the BBMC's socio-economic conditions. However, other participants, including Mr **R<sub>3</sub>**, explained this issue a little differently. He said that it is a good sign that "both types of banking systems, that is Islamic and conventional, are offering Islamic Shariah Compliant products and services in the current banking and finance industry, so it requires some time because Islamic Shariah Compliant products or services need a stable position in the current market". To have a direct impact on SME business and employment creation, it is vital to raise the necessity for both parties. Mr **R<sub>3</sub>** also suggested that residential market tests throughout the year are also necessary to improve the performance of partnerships or the entrepreneurial projects of Islamic banks.

Mr **R<sub>2</sub>**, the Gatehouse Head of the Shariah Advisory Compliance board looked at this issue from a variety of angles, including the socio-economic perspective. In this regard, Mr **R<sub>2</sub>** tried to respond about generating profit returns, investments for corporate social responsibility, shareholders' active involvement and the creation of job opportunities; for instance, there are only a few people working for the Gatehouse Bank at the preliminary

stage. The Gatehouse Bank has created many positions, not only in the Arab world but also in the UK. There are many projects still ongoing to help businesses, private organisations and various charitable ventures in many countries. The main purpose of Gatehouse's initiative behind these projects was to increase people's economic prosperity and contribute to economic growth. When the researcher asked how many SME organisations obtained finance from Islamic banks, the answer was "Not many and obviously when a bank helps people towards establishing or expand their business, especially SME organisations, it will bring positive and constructive outcomes to the growth of the economy". However, this is not always possible for the Islamic retail banks, as they have some restrictions and Islamic investment banks, such as Gatehouse, the European Islamic Investment Bank and the Qatar Islamic bank can afford and provide SME business finance based on the Murabaha (cost plus) model. Banking practitioner, Mr **S**<sub>1</sub>, strongly agreed on this issue because Islamic banking's entire ethos was to offer community support with regard to banking strategy. So, he pointed out that "The Islamic banking system is playing a vital role towards changing and improving, not only the BBMC, but also the socio-economic conditions of other communities". He stated that "The Islamic banking system is engaging the community segment, which would have derived from banking and it is only for their religious beliefs or convictions". He mentioned the Amanah Housing Finance (AHF) as one of the practical examples to bolster his argument. Before AHF, there were a considerable number of Muslims who were worried about entering the housing market to buy houses, as first-time buyers, owing to the high interest rates of conventional banks. When this scheme was introduced in the UK, many Muslims showed interest and the most remarkable factor was that more responses came from women.

When the researcher asked Mr **Z**<sub>1</sub>, a former HSBC Amanah employee, about his personal view on this issue, he mentioned that HSBC Amanah developed a product by diminishing the Musharaka (equity) principle and joint ownership. Concerning the buy-to-let matter, he gave a direct response about this issue: "It has a third-party risk element via the claims

against the bank. However, bank pockets are very intensive compared to the borrower". Therefore, the amount of risk that the bank is taking on with the Musharaka (equity) principle can be assumed. That is why the Islamic banking system relies on visual business, for example, residential properties. The researcher directed a question about SME business finance to him and he explained that the Islamic retail bank limits an SME's business offers but some of those that were introduced were based on the Murabaha (cost plus) commodity. On the same issue, when a former Islamic banking practitioner, **S<sub>1</sub>**, was asked, he replied that Islamic banks are not like charities. They have a responsibility to return to their shareholders and from that point of view Islamic and conventional banks are similar. Islamic banks have an element, namely Qardh Hasana (benevolent loan) which, to the best of his knowledge, is not offered to the community by any of the Islamic banks. So, he tried to say that, "It is not an excellent concept to consider Islamic banks as charity organisations because it would not be helped to make much profit. Ultimately, they need to survive". He pointed out that the Islamic banks are supposed to supply, if possible, the financial products or services which meet the BBMC's needs. Conventional banks can meet people's financial needs through traditional means, whereas Islamic banks need to consider it precisely in the Islamic way. About the discussion of the limited range of products and the poor quality of the services, he said that it will take more time, as the Islamic bank's role is still expanding. That's why Islamic banks cannot play a useful role in SME business and employment creation.

Dr **X<sub>1</sub>** responded to this issue carefully by saying that the Islamic banking system is trying to bring positive changes for the BBMC members. Dr **X<sub>1</sub>** acknowledged that the Islamic banking system is making positive changes for the BBMC through engaging them in the housing market, which has been to be found more difficult to do in the traditional banking system. For example, it is true that there is very little help for SMEs, as most of the Islamic banks do not offer business finance owing to their shortage of funds associated with capacity and scarcity. He summarised, "The initiatives made by the Islamic banking system are considered less

effective than conventional banking in improving the socio-economic conditions of BBMC people”. However, he showed much confidence and said that this trend would soon be gradually changed. Therefore, it is essential for Islamic banks to identify the evolving financial needs of their target customers and make the necessary changes through competitive positioning to meet their demands and needs.

### **5.6 Support from the Regulatory Authorities (FSA and Bank of England) for the Islamic banking system**

With regard to the support given by the different regulatory authorities (i.e. the FSA and Bank of England), respondents have expressed different views and opinions. In this case, the researcher aims to investigate the support of various financial regulatory authorities of the UK in the development of the Islamic banking system. In other words, to evaluate the question: “Is the support provided by UK regulatory authorities sufficient for the development of Islamic banking in the UK?”

Mr **R<sub>1</sub>**, Chairman of the Islamic Shariah Council, suggests regulatory authorities work as an obstruction rather than a support to the development of the Islamic banking system in the UK. He has defended his view by saying earlier that the Al Baraka Bank in the UK had to abandon its activities because of impediments laid down by the regulatory authorities. However, a different opinion was expressed by Mr **R<sub>3</sub>** who said that the regulatory authorities of the UK are supportive and cooperative in the promotion and development of the Islamic banking system in the UK. Mr **R<sub>3</sub>** mentioned the name of the former Governor of the Bank of England (Mr. Eddie George) who provided considerable support to both encourage and establish the Islamic banking system in the UK. Governments’ and regulatory authorities’ successive supporting roles have resulted in today’s establishment of Islamic banks, especially in London. Current and former banking practitioners had given a similar opinion of the role of regulatory authorities, including government. In fact, the functions are positive,

supportive and cooperative towards introducing, promoting and establishing the Islamic banking system in the UK.

Mr **R<sub>2</sub>** from the Gatehouse Bank said that Islamic banking and finance is holding an important position, not only in the UK, but also in different European countries. In this regard, Mr **R<sub>2</sub>** mentioned that there are five, full, Shari'ah compliant Islamic banks in the UK. These banks are approved, regulated and supervised by the Bank of England, the Government and the FSA. The Al Rayan Bank (formerly the Islamic Bank of Britain) is one of the most remarkable retail banks in western countries like Europe. Again, this bank has been operating for more than eight years in the UK and received reasonable backup and support from the Bank of England's regulatory and monitoring authority. Mr **R<sub>2</sub>** added that more than 20 financial institutions offer Islamic Shariah compliant products or services in the UK and all of them fall under the supervision of Government and regulatory authorities. He concluded that, without the help and support from Government and the regulatory authorities, the Islamic banking and finance system could not hold this position in both the UK or EU finance and banking industries.

When the researcher asked Mr **R<sub>2</sub>** about the main reasons why the government and the regulatory authorities should support and encourage the Islamic banking system and finance in the UK, the researcher was given the following response: (i) the UK government, like London, will be a HUB for Islamic banking and finance, which has already been mentioned by two former Prime Ministers, namely Gordon Brown (2006) and David Cameron (2013); (ii) the geographical and political position influences the government to see London as taking a significant role in the emergence of a new Islamic banking and finance industry in Europe. This might be due to the following reasons: London is considered an essential and excellent financial centre worldwide; other established sectors in London, such as the legal and property development accounting professions are directly linked with financial services, and the former colonies of the UK have the same legal framework. All of the above reasons have made London a

natural choice as the financial capital of the world. Moreover, London is one of the biggest multicultural cities in the world (Cameron, 2011).

The former Islamic banking practitioner, Mr **Z<sub>1</sub>**, from HSBC Amanah strongly agreed with Mr **R<sub>2</sub>** concerning the support of the regulatory authorities for the development of the Islamic banking system. He repeated that HSBC is called the world's local bank. For conventional banks, the Islamic banking window is a favourite in the UK. They are working closely with the regulatory authorities (e.g. FSA and Bank of England), as mentioned by Eddie George, the former Governor of the Bank of England. Mr **Z<sub>1</sub>** was confident about the support of the regulatory authorities, including the government. However, if there were to be any changes on policy by the regulatory authorities, including government, it would not make a difference to the Islamic banking system at all. The reason for this is that support already exists and is still ongoing, he said.

The former Islamic banking practitioner, Mr **S<sub>1</sub>**, has given a steady opinion on that issue. He found the regulatory authorities and government not only supportive, but also encouraging to the Islamic banking system in the UK. He viewed government as at the forefront of any changes to the Islamic banking regulatory framework, such as tax structures along with stamp duty, as these are promoting Islamic banking and finance growth in the UK. With his steady level of confidence, he submitted that if there is any financial climate it had not been changed, including the 2008 worldwide financial crisis. Then it supports and facilities by the regulatory authorities would have perceived in the UK at the forefront towards further development and growth of the UK Islamic banking system. The regulatory authorities and government realised that commercially, the capital city of London is a worldwide HUB for Islamic banking and finance. This will provide more advantages for the UK, especially regarding the Islamic banking system's contribution to the national economy.

Dr **X<sub>1</sub>** from the Global Aid Trust agreed with this issue, but not fully. He said that the help and support the Islamic financial institutions receive from the regulatory authorities is not enough to induce further growth and development for the reason that there are hidden barriers. However, via the regulatory authorities' framework changes, either the FSA, the Bank of England or the government gave a clear indication that the UK Islamic banking and finance industry had been reinforced by the regulatory authorities. He added that the initiative and removal of double stamp duty was a milestone towards promoting Islamic investment in the housing sector. However, he said that there are some elements in the regulatory framework which are still not allowed by Shariah Law and Islamic financial institutions. This suggests that the operations of the Islamic banking system are still not more effective or appropriate, in particular for its binding with Shariah.

The community leader and former Deputy Mayor, Mr **P<sub>2</sub>**, gave his opinion on this issue by saying that "current situations are more sophisticated and there is no tough obligation from the government to operate Islamic banking system in the UK. But the UK government had attempted to eliminate impediments like dual stamp duty ensuring the goal which Shariah compliant financial products or services were treated no better than conventional financial products and services". Another community leader, Mrs **P<sub>3</sub>**, mentioned that "If the regulatory authorities are accommodating or favouring Islamic banking and financial services, then the banking plurality option is beneficial to the UK economy. It allows BBMC people to find the best and most suitable opportunity based on their circumstances". It is a fact that there are many different banking and finance options available in the UK to help and contribute towards economic growth based on peoples' various circumstances. In today's modern business world banking, along with financial services. This is one of the means of motivating people to save.

## **5.7 The financial crisis and role of Islamic banking and finance**

During the worldwide financial crisis 2008, the role of Islamic banking and finance was remarkable through the analysis of interview participants open discussion. From the Muslim scholars' and community leaders' points of view, Islamic banking is more resilient compared to the conventional banking system. Their opinions were more or less similar. More importantly, the banking practitioner's viewpoint was realistic and practical. They simply said that "No sectors had resistant systems during the 2008 worldwide financial crisis and it affected every industry, but some industries, like Islamic banking and finance, were less affected than others".

The opinion of Dr **X<sub>1</sub>** from the Global Aid Trust, was very constructive on this question. Dr **X<sub>1</sub>** initially said that "Yes, this is the basis of a theory, but this industry has suffered from the financial crisis of 2008. The reason why the Islamic banking system cannot avoid making relations and networking with the interest-based, conventional banking system is that all of the banking organisations are under an umbrella". Theoretically, the Islamic banking system has a potential future and greater resilience in a financial crisis or even credit crunch. The views of Islamic TV channel presenter and member of Islamic bank's Shariah board, Mr **R<sub>3</sub>**, were powerful on that issue and he said that "Yes, the Islamic banking system undoubtedly can reduce the financial crisis". The Islamic banking system is well known for its "Fractional Reserve Scheme", whereas most of the conventional banking systems make drastic changes towards maintaining stability in the banking system. The Islamic banking system always maintains the established principles.

The Head of the Shariah Supervisory Board, Mr **R<sub>2</sub>**, from the Gatehouse Bank, agreed with this issue. He said that "In the current financial credit crunch, the Islamic banking system has shown additional flexibility along with greater resilience. Again, the Islamic banking and finance industry was less influenced than other financial institutions during the current credit crunch period". For example, the Islamic retail bank, Al-Rayan's

(formerly IBB) business expansion is growing in the current credit crunch period, based on their active business strategy. It is well known that conventional banking is recklessly giving less focus to providing loan funds in the current crisis. In reality, these irresponsible funds have no physical assets. Moreover, the uses of derivatives, including financial instruments, are not adequately based. They do not have fundamental security on holdings with resources. This creates a speculative bubble which affects the general worldwide economic system. On the contrary, Islamic banking and financial institutions are always strictly prohibited from involving themselves in any gambling and tentative activities. Therefore, when the Islamic banking system's economic model was pursued through Mr **R<sub>2</sub>**'s opinion, there will be additional constancy, creditability and validity. However, it is true that the Islamic banking and finance industry had suffered at least something during that financial crisis in the business environment, profit margin and probably returning to a good relationship with the global economy.

The former Islamic banking practitioner, Mr **Z<sub>1</sub>**, from HSBC Amanah has noted that the Islamic banking and finance industry did not suffer much from the financial crisis but he expressed his argument differently. He made a proportional comparison between the Islamic and conventional banking systems. Based on higher resilience and stability, Mr **Z<sub>1</sub>** confidently said that "Islamic banking financial institutions' investment funds had performed reasonably enough to compare to others throughout the financial credit crunch period. This was possible only for the careful initiatives set up by the Islamic banking financial institutions. It was so because their funds and stocks did not involve banks, which were part of a major knock-on effect based on their portfolios".

These asset-backed funds and investments did not deal with interest-based, conventional banking system financial instruments. This was the prime reason behind the better performance of the Islamic banking system. So, the Islamic financial investment fund was stable in HSBC Amanah. When the researcher asked the question "Does this mean that Islamic banking and finance is a saviour nowadays?" he answered, "NO",

but it ultimately depends on the situation and environment. It is common that the environment plays a vital role in people's daily activities, for example, in the Kingdom of Saudi Arabia, where a faith-based environment helps Islamic banking financial institutions to play a significant role in the economy towards preventing any financial crisis. In western countries, especially in America or Europe, most of the people use the conventional banking system which deals with nearly \$ 90 trillion across the globe. However, the Islamic banking system deals with only \$895 billion. In practical terms, it is quite impossible to jump to \$ 90 trillion from almost \$1 trillion, and it will not happen overnight (World Islamic Banking Competitiveness Report, 2015). Mr **Z<sub>1</sub>** concluded that, undoubtedly, the Islamic banking and finance market is growing rapidly (15 to 20%) globally, which had shown enormous growth as well. Within the next six to eight years, this industry has estimated that the savings of nearly 1.5 billion Muslims worldwide will be with Islamic banking financial institutions. Finally, it needs to be borne in mind that it is a minor, alternative opportunity at the moment and, therefore, this industry requires more time to change and gain a more significant market share.

One of the former Islamic banking practitioners and current councillors, Mr **S<sub>1</sub>**, has a similar opinion on this issue. Theoretically, it is possible to maintain Islamic banking systems' fundamental principles, such as excessive uncertainty, as well as prohibition of interest, gambling, betting, irresponsible ventures investment and any other illegal activities. Therefore, this industry can protect itself against the risk of financial crisis. In addition, it has potential with regard to preventing crises; however, it is quite impossible to remove risk completely. Mr **S<sub>1</sub>** said that, "At this moment, the Islamic banking and finance industry accounts for only 1% of the world financial market, so it is extremely difficult for this little worldwide market share to take a major role in the current financial crisis, along with conventional banking instability". Based on statistics law and default probability, he opined that this crisis will happen repeatedly unless policymakers, along with bankers, behave responsibility. However, the basic principles are favourable for Islamic banks to protect themselves

against the financial crisis. It is known that conventional banking has dominated, matured and served people for over 500 years. In addition, it has more opportunities and potential for innovation. The Islamic banking system was introduced decades ago and there is no doubt that it is progressing. However, it is still immature. There is a very limited scope for potential innovation based on fundamental Islamic finance and these are real challenges, so it requires more time than was expected. Finally, Mr **S<sub>1</sub>** discussed the financial crisis' knock-on effect on the Islamic banking and finance industry. In this case he tried to say that religion knows nothing about the financial crisis and Islamic banking financial institutions were influenced least of all by the global credit crunch.

### **5.8 Shariah Board, Muslim Scholar and Shariah Compliance Law**

During the interview stage of this research, the researcher tried to collect information about the Islamic banking system in the UK from different groups of participants by asking various questions. In this section, participants, such as Muslim scholars and Islamic bank Shariah board members, play a vital role in providing their views. Mostly these were views on Shariah compliant products or services and Shariah law acceptance by the local judiciary. Besides, community leaders have engaged partially where banking practitioners were more involved with this question discussion.

In the UK, the acknowledgement of Shariah law was a crucial and contentious question in personal law in favour of specific life spheres, such as finance, employment, marriage and so on. The Chairman of the Shariah Council, Mr **R<sub>1</sub>**, gives a comprehensible viewpoint on that issue. Mr **R<sub>1</sub>** is involved in many intellectual discussions on this subject, in various renowned forums, as a Chairman of the Shariah Council in London. He encouraged not only the BBMC, but also the entire Muslim community to the practice of personal law, even though the UK is a non-Muslim state. It is known that some non-Muslim countries provide facilities for such as Kenya, Sri Lanka, India and Australia and so on. On the other

hand, non-Muslim communities also live in Muslim societies, such as Bangladesh, Egypt, Malaysia and elsewhere, enjoying this privilege. Most interestingly, when the British Empire ruled in India, some Middle Eastern countries, for example, South Africa and Nigeria, it used to admit this system, so there is no difficulty at any stage in admitting and authorising this structure in the UK. The famous Islamic TV presenter, Mr **R<sub>3</sub>**, also agreed with Dr William's opinion that the system of British law should acknowledge Shariah law specifically for Muslims, so that they are able to refer to Shariah principles when handling their internal religious affairs. It recognises Shariah law within the British legal system. It would be advantageous, progressive and lucrative for all political parties. In addition, it would help during those periods of time when legal schemes or arrangements overburden the country with problems. Behind the financial factor, the Islamic Shariah Council is especially significant in the current, volatile, economic circumstances. For example, the budget deficit has forced the government to exercise severe cuts in public spending.

Mr **Z<sub>1</sub>**, a former HSBC Amanah Islamic banking practitioner, expressed his view on that issue as follows: "Generally British Bangladeshi Muslim people are laissez-faire, well educated, adaptable, moderate and mostly professionals, understanding and using Islamic banking products and services". Most importantly, when compared to the current younger generation, older generations of the BBMC are less well-educated and fewer are professionals but they have a strong faith and are practising Muslims. These older generations also use Islamic banking system products and services, although they experience significant confusion in this regard. In this research, the researcher asked many questions to banking practitioners and Muslim scholars about Shariah Compliance law regarding the Islamic banking system's products and services. The researcher received different responses, among which there is no consensus.

Mr **R**<sub>1</sub>, who is the well-known founder and current Chairman of the Islamic Shariah Council in London, said, “He has a moderate level of satisfaction with Shariah Compliance law products or services as he said the Islamic banking products and services look like the conventional banking system. Of course, it has a difference, i.e. tangibility, P & L sharing system, etc.” A Muslim scholar and teacher at an Islamic Secondary School, Mr **X**<sub>4</sub>, raised concern about Shariah Compliance law products or services. Based on Muslim scholars’ different Fiqh (Islamic jurisprudence) issues within Shariah, there are different, inherent weak points and disagreements found at a universal or macro level. He asked, “How can somebody be satisfied with Islamic Shariah Compliance law products or services which depend upon the conventional banking system?”

One former Islamic banking practitioner and current councillor, Mr **S**<sub>1</sub>, expressed his opinion regarding Shariah Compliance law products and services. He said, “Nothing is perfect in any sector at this moment but at least some alternatives exist, not only for the BBMC, but also entire Muslim communities”. When the researcher asked him about the authenticity of this product or service, he replied: “It is better known to Muslim scholars than me, as they have a higher level of knowledge on that issue”. However, it is true that Islamic bank Shariah board member, Muslim scholar have faced many questions from Muslims in general when HSBC Amanah was introduced in the UK. For instance, could they prove that these products or services existed under Shariah compliant law, which Hadith supports? Where are clear explanations of Islamic banking and so on? However, the researcher found evidence of some vital information from Mr **S**<sub>1</sub>. People, who follow Hanafi Madhhab (Hanafi Thought School), ask fewer questions because a famous Islamic banking and finance scholar, Mufti Taqi Usmani follows Hanafi Madhhab and offers information on these products and services. In reality, people ask very few questions about the authenticity of Shariah Compliant products or services. However, these people are more aware of the terms, conditions, cost factors and contract lengths. This indicates that Shariah Compliant products or services are not only the preference of a specific Madhhab

(Thought School), but that the customer's ethnic background also plays a vital role regarding acceptance of Shariah Compliant products or services. Mr **S<sub>1</sub>** also pointed out that most of the South Asian Muslims, such as Indians, Pakistanis, Bangladeshis, Sri Lankans and Afghans usually follow Hanafi Madhhab (Hanafi Thought School). The Hanafi Thought School has a significant influence on the acceptance or use of Shariah Compliant products or services. For example, when HSBC Amanah appointed managers, especially those from Bengali and Pakistani backgrounds, they sold many Shariah Compliant products and services in their respective communities. Therefore, we can conclude that ethnic background and jurisprudential inclination are two determining factors in the acceptance or use of Shariah Compliant products and services, as well as popularity of Hanafi Madhhab within their respective communities.

Mr **Z<sub>1</sub>** was an Islamic banking practitioner but now teaches at an Islamic Secondary School. He explained his personal opinion regarding the selling of Shariah Compliant products and services. He mentioned that when a Muslim sells these products or services, they should, at least, know some basic principles of Islamic finance and should, at least, practise Islam. However, if these products and services are sold to non-Muslims, they will raise awareness of traditional Islamic values, which increases customer confidence. Mr **Z<sub>1</sub>** explained his argument by citing a practical example. In London, one of the HSBC Amanah, non-Muslim managers celebrated EID by saying "EID MUBARAK" to one couple. They were potential customers for HSBC Amanah housing and this gesture affected them very deeply; they hugged him and showed their feelings of appreciation.

To identify the view of Shariah Board Scholars, the researcher contacted them and asked them to participate in the current research. One of the renowned, Al Rayhan Islamic bank Shariah Supervisory Board Members, namely Mr **Y<sub>1</sub>**, was involved in this research. He has written many comprehensive articles and posts in newspapers, including journals, regarding the Islamic banking system. In addition, he has participated in discussions online, supporting his various arguments about Shariah Compliant products and services. He first said, "Shari'ah law should be

acknowledged in the legal system for the Muslim population's certain affairs in any country because it is for a specific community with fewer people which does not contradict the central legal system". Secondly, Shariah Compliant products and services are still controversial, but this is because of a lack of understanding, including a lack of a deeper Shariah knowledge. In Shariah, any legal trade is allowed and financial transactions should be tangible or have physical existence. From that point of view, customers (Rabb UIMaal) provide their capital and the bank (Mudarib) invests it in commercial enterprise to gain a profit with certain conditions, such as profit and loss sharing. Normally, an "Islamic bank is investigating the business before investing the capital. After the critical evaluation it is found that this investment is producing a reasonable profit and this profit ratio is divided among them". When the researcher asked Mr R<sub>1</sub>, Chairman of the Islamic Shariah Council about the function of the Shariah Board, his reply was not a well-pleased one. He tried to say that "Shariah Board Scholars' functions need to fulfil obligations by their active monitoring to provide proper Shariah compliance financial contracts and obligation solutions". He also added that "Islamic banks need to consider them as the employee rather than an independent advisor". Furthermore, Shariah Board Members or Supervisory committees should not be compromised by employers on any wish to take facilities from the customers. When the researcher asked about Mr R<sub>1</sub> interest in taking on the role of an Islamic bank, Shariah Supervisory committee member, he was not prepared at that moment but he advised that those scholars have a good knowledge of economics and finance, and an in-depth understanding, including expertise on Al-Quranic verses and Hadith for taking on the role of an Islamic bank Shariah board or Supervisory committee member.

Islamic TV channel presenter and Islamic bank Shariah board member, Mr R<sub>3</sub>, expresses a different opinion regarding Shariah Board or Supervisory committee performances and activities. He pointed out that, "Yes, Islamic banks Shariah Advisory Board have some shortages and it is easy to criticise them. However, it is true that these board members are spiritually

and morally strong enough to resist commercial pressure for keeping transient Shariah compliant products or services constantly". Furthermore, Mr **R<sub>3</sub>** explained that at present he is happy with his involvement with this board and wants to establish an active researcher on that issue without giving any Fatwa (learned interpretation). The Islamic bank's Shariah Board Member or Supervisory Committee agreed with the opinion of Mr **R<sub>1</sub>** regarding the UK scholar's involvement issue with this board or committee. He concluded that the Shariah Advisory Board or Supervisory Committee would be more helpful, including activities such as Al-Qalam Foundation. One of the Muslim scholars and Khateeb (who delivers Friday or Eid sermon), Mr **X<sub>5</sub>**, offers a view on Islamic bank Shariah Board Members or Supervisory Committee Scholars independence as advisors, as those have solid Quranic verse and Islamic finance knowledge, credibility, experience and accept without questioning. However, he suggested that Islamic bank Shariah Boards or Supervisory Committees should not be silent in the face of any controversial issues regarding Shariah compliant financial products and services.

The Gatehouse Bank, Head of Shariah Advisory and Compliance Board, Mr **R<sub>2</sub>**, gave one practical example of the Islamic bank profit and loss sharing system from his own experience. Qatar Islamic banking was searching for potential businesses in which to invest. They found one sizeable, empty parcel of land near Dubai City on which the landlord was unable to build houses. Therefore, the Qatar Islamic Bank made an agreement with the landlord to develop these properties based on Shariah Board or Supervisory Committee decisions. After the development, they sold the houses and made a remarkable profit, which was distributed as had been agreed. Therefore, he said that Islamic banks invest their customer capital mostly in potentially profitable businesses which have a physical existence and less risk of loss. In addition, it is essential for every Islamic bank to prepare all documentation and provide detailed information in front of the Shariah Compliance Board or Supervisory Committee for taking decisions. However, this will only be possible if every Islamic bank

has its own Shariah Compliance Board or Supervisory Committee to help and cooperate with Shariah Council Scholars, Mr **R<sub>2</sub>** said.

### **5.9 Islamic banking system challenges in the UK**

One of the key objectives of this research is to explore the challenges facing the Islamic banking system. Therefore, this research has focused on these challenges, which the Islamic banking system is currently facing via a debate between Muslim scholars, globalisation competition, and institutional, legal and supervisory frameworks.

Banking practitioner, Mr **S<sub>1</sub>**, stated that organisational success depends on a proper and clear institutional, legal and supervisory framework. In the dominant conventional banking system in the UK, the Islamic banking system is considered as an infant financial institution. He said, “The Islamic banking system’s institutional, legal and supervisory framework is not strong compared to the conventional banking system. As a result, this banking system is facing many problems in its operation in non-Muslim countries like the UK”. Furthermore, Muslim scholar, Mr **X<sub>5</sub>**, added that, “From the legal requirements’ point of view, they have faced a big problem in western countries, as the Islamic banking system is completely related to Shariah law”. Again, Mr **R<sub>2</sub>**, Head of the Shariah Advisory and Compliance Board at Gatehouse Bank expressed his opinion that, “There are not enough skilled and trained staff in Islamic banks. It is impossible, in some cases, to manage and handle business due to the shortage of skilled and trained staff”.

Islamic bank Shariah board member and Islamic channel TV presenter, Mr **R<sub>3</sub>**, agreed that, “The Islamic banking system development is completely based on an active and proper Shariah supervisory committee, along with their effective roles. As Muslims, we believe that Islam can provide complete human solutions so, if this Shariah supervisory committee works hard by Shariah law, Islamic banks can achieve goals and objectives”. Muslim scholar, Mr **X<sub>3</sub>**, described his view as, “A Shariah supervisory

committee role is not very effective and still BBMC customers have no clear idea regarding P & L sharing calculations". BBMC leader and former Deputy Mayor, Mr **P<sub>2</sub>**, is concerned about the Shariah supervision frameworks, including their roles. He stated that, "BBMC people have awareness about Shariah Compliant law products or services in the community, so it is important to arrange some more seminars, publicity and Mosque Imams should play a proactive role in enhancing the awareness of BBMC people".

The Head of the Shariah Advisory and Compliance Board at Gatehouse Bank, Mr **R<sub>2</sub>**, explained that globalised competition is a challenge for the Islamic banking system. He said that, "From the perspective of Islamic banking development, it is true that this bank is facing internal and external problems due to globalised competition, which affects spreading the business. So, if the Muslim community participates with the Islamic banking system through their investments, including financing in global business, it will help to reduce the globalisation competition challenge for this bank". Community leader and President of the London Bangla Press Club, Mr **P<sub>1</sub>**, gave his opinion by saying, "Islamic banking is much needed to work hard on a competitive basis towards surviving the global competition and internationalisation age. It is a great challenge for the Islamic banking system". Former banking practitioner, Mr **Z<sub>1</sub>**, said that, "It is so easy in any western country like the UK because the fund's mobilisation from any Muslim country to a western country is simple, due to internationalisation and globalisation. Again, it will help Islamic banking system growth and development".

The Muslim scholars and jurisprudence debate is another crucial challenge for Islamic banking system growth and development. Islamic bank Shariah board member and Muslim scholar, Mr **X<sub>2</sub>**, expressed his opinion as, "In the UK, Muslim scholars from Hanafi Madhhab (Thought School) and Shafiee Madhhab (Thought School) have various arguments about the Islamic banking system, especially on the P & L sharing calculation, Murabaha (cost plus) and Ijara (leasing). Community leader and Councillor, Mrs **P<sub>3</sub>**, said, "Yes, we heard that the Islamic banking

system has P & L sharing from various Muslim scholars. But other Muslim scholars also argue that they did not find any customer in practice who has taken loss willingly after their investment through the Islamic banking system". Therefore, it is a debatable issue, which is considered a challenge for the Islamic banking system.

### **5.10 Conclusion**

This chapter presented the results from the interview analysis, the findings of which concern the current research's aims and objectives. It should be noted that the interview process involved collecting information from a range of Muslim scholars, community leaders, bank practitioners and Shariah board members. From the participants' views and opinions, it is suggested that not only the BBMC, but also the entire Muslim community, need an Islamic banking system as indicated by Islamic Shariah principles. It is also true that the Islamic banking system is considered as faith-based banking, where religious belief plays a vital part in the sphere of people's practical lives. Not only the BBMC, but also entire Muslim communities' economic activities, including financial behaviour require a different type of financial system rather than traditional banking because of the presence of interest. Therefore, the UK Islamic banking system and finance industry mainly contain community banking motivated concepts through faith-based community needs. Hence, faith or belief plays an integral part in Muslims' lifestyles.

The government's financial authorities, i.e. the FSA and Bank of England, have realised that this new industry is growing globally. It meets a genuine need, not only for the BBMC, but also the entire UK Muslim community in taking advantage of such banking. The majority of the participants agreed that the regulatory authorities (the FSA and Bank of England), including the government, are supportive of the development of an Islamic banking system in the UK.

With regard to the demand for an Islamic banking system by BBMC members, the views and opinions of Muslim scholars, community leaders, banking practitioners and Islamic bank Shariah Board Members have been considered. On that issue, there exists a clear partition, with banking practitioners on one side and Muslim scholars, including community leaders, on the other. Banking practitioners tried to say that the Islamic banking system provides Shariah Compliant products and services, which are not bad for the UK environment. They also concluded that a limited range of products and services, limited resources and limited market share are working as significant drawbacks to the development of a healthy Islamic banking system. The BBMC leaders suggested that the Islamic banking and finance industry needs to give more focus to helping and supporting SME businesses.

In preventing or controlling global financial crises, it is evident that the Islamic banking and finance industry is relatively tiny. It is growing fast, with a double-digit rate but its market share is only 1% compared to the dominant conventional or traditional banking industry globally. Therefore, it can be said that the Islamic banking and finance industry is still not an alternative for or a replacement to the conventional banking industry in preventing or controlling global financial crises, although it is evident that the Islamic banking system is running under a robust protective system.

Regarding the use of Shariah Compliant products and services, the Shariah Board, the Supervisory committee and Muslim scholars, including BBMC leaders, have raised concerns; for example, Tawarruq (reverse Murabaha). In this regard, one of the banking practitioners said that the Islamic banking system is providing the personal finance basis of Tawarruq principles. He also agreed, however, that it is not the most elegant solution and, unfortunately, there is no other option available at this moment.

The Muslim scholars' debate, globalisation competition, Shariah Advisory Board framework and financial authorities (the FSA, government and Bank of England) are considered significant challenges to the growth and development of Islamic banking in western countries, such as the UK.

Finally, it can be said that the Islamic banking system and finance industry is gradually growing at a stable pace. Again, this industry is providing a substitute financial system, not only to the BBMC but also the entire UK Muslim community. From a socio-economic perspective, it can be said that the Islamic banking system is growing and attracting customers to take part in or take advantage of this new alternative method for bankers, as well as customers. Chapter Six presents discussions and a summary of the key findings.

## CHAPTER SIX: DISCUSSION

### 6.1 Introduction

This chapter's main intention is to reconcile and discuss findings from the questionnaire and in-depth interview survey (chapters four and five). Again, this chapter's discussion is divided into two parts: section 6.2-6.5, based on the questionnaire and section 6.6-6.13, based on the interview survey. The current research findings will fill a significant gap in the existing literature in providing vital practical information regarding the Islamic banking system's growth and challenges.

The questionnaires were distributed randomly among the selected sample population and among the target and focus community (British Bangladeshi Muslim Community) after the congregation of Friday prayers in different parts of the Masjid (Mosque) in areas surrounding London (east, west, north and south). In this research, the SPSS 22 software programme was employed for the data analysis because it is quick, comprehensive, simple and advanced.

The participants, who took part in the data collection process (interviews), are significantly related to faith banking from their respective fields within the BBMC (British Bangladeshi Muslim Community). It is true that Shariah Scholars and Islamic bank Shariah Board Members are directly related to the Islamic banking system. However, the community leaders (BBMC leaders) are also an important part of the present research subject matter for their financial activities and involvement in the policymaking of faith banking. Most importantly, the interview results have been discussed and analysed by using categorical perspective analysis. This particular technique of data analysis helps the researcher to discover different conformities or incongruities in current research topics. In addition, the current research will look carefully at various groups' views, perceptions and ideas on specific issues using this technique.

It should be noted that on some of the issues, where all groups or specific group members agree, this will be noted as significant unanimity. However, if any disagreement exists on any aspect of the current research, it will be considered as accepted or rejected through the related topic practitioners' personal opinions. It is complicated to achieve any consensus on a particular matter which is predominantly based on human intelligence.

## **6.2 Participants outline**

There is a low proportion (16.7%) of female participant involvement (table 4 and figure 3 in chapter 4). The reasons for the smaller proportion of female respondents in this research are many. Firstly, they do not usually go the Mosque and maybe lack awareness and understanding of the basic principles of the Islamic banking system. For the above reasons, the number of female participants is less. The British Bangladeshi Muslim community (BBMC) is male-oriented and females are more likely to follow religious obligations. This tendency might be influencing them in not involving themselves in activities outside of the home, including economic activities. For example, the BBMC female ratio is decidedly less in business as entrepreneurs. Secondly, it is said that most of the Muslim men attend the Masjid (Mosque) for the congregation of Friday prayers. However, there is no obligation for females to come and join in. Thirdly, it is known that the Muslim community is male-oriented for particular reasons. In addition, women also felt more hesitant about becoming involved in the field survey of this research because of less confident trend, religious bindings and shy behaviour. Finally, the Asian Muslim community (India, Pakistan, Bangladesh, Malaysia, Indonesia and so on) is male dominated; it is a sensitive gender discrimination based on religion, which requires resolution by social scientists.

Figure 3 (chapter 4) also reveals that young respondents (79.5% of the 18 to 39 age group) are more interested in Islamic banking and finance than older people. Moreover, young people's interest in Islamic retail and investment banking in the UK, and observed by some practitioners, might be because young people are more flexible, curious and favourable regarding change. It is evident in other sectors in which young people's activities are more notable and remarkable towards the new and innovative.

Table 5 and figure 4 (chapter 4) demonstrate that people with lower incomes have more involvement with the field survey. It is known that the estimated range of the UK average national income is £25,000 per annum. In the current study, the respondents' estimated average income range is £20,000, which is near to the national estimated average salary. Based on the current field research, it is clear that BBMC members live in poor financial conditions. Therefore, people tend to conform to the lower income level range in the BBMC; they can access financial help and support from Islamic banking and finance. However, it will work if this population (BBMC) segment must provide financial inclusion towards improving financially viable conditions. It is true that those in the lower income range are less likely to be included and involved with a banking service, although they need this involvement for housing and business. Besides, higher income people are busier with their commitment and are financially sound. This is why those with lower incomes are involved more with the current research.

From table 6 (chapter 4) it can be seen that two-thirds of the respondents are British-Bangladeshi (born and brought up in the UK). There are many reasons for this, for example: most British Bangladeshis, especially those born and brought up in the UK, have a specific mindset. Furthermore, respondents who are migrants from Bangladesh already know about the Islamic banking system. Therefore, British Bangladeshis, especially those born and brought up in the UK, have more curiosity about the different dimensions of Islamic banking services in the UK, although the conventional banking system is dominant.

In the respondents' profession and income perspective (table 7 in chapter four), reality dictates that people are enjoying a comparatively less well-qualified professional career, so their income range is also relatively low. Therefore, they are always searching for something sound and alternatives to meet their wants, needs and demands. In this case, the Islamic banking system could help those less qualified professionals in their current economic conditions, for example, customer service assistants, administrators, receptionists, SME businesses, and health and social care workers.

With regard to nationality and education (table 8, chapter four), it is known that Bangladeshi respondents have a higher level of education. The reason for this is that Bangladeshis are more interested in achieving a higher level of academic education before entering into professional life. Another reason is that employers value academic knowledge and work experience equally in Bangladesh. On the other hand, practical experience and skills are more valued in the UK, which may lead British Bangladeshis to be less interested in achieving higher academic qualifications. As a result, most Bangladeshi citizens focus upon gaining a higher level of education to compete in the job market and satisfy employers.

### **6.3 Banking practices and financial needs of the BBMC**

In table 9, chapter four, it is indicated that the majority of the customers have a relationship with the conventional banking system, which might be due to the existence of the traditional banking system for a longer period of time compared to Islamic banking. In other words, the Islamic banking system fails to achieve its marketing objectives. This is clear evidence that Islamic banking needs to work harder and expand their services to attract more customers and gain a more significant market segment, which could increase their potential market share. However, there is evidence that 21.3% of customers are engaged in both types of banking. Currently there are a number of people using Shariah (Islamic law) compliant Islamic banking products and services. This trend is increasing considerably,

which means that the Islamic banking system is becoming more popular in the UK.

Table 10 and figure 5 in chapter four indicate that the vast majority of the British Bangladeshi Muslim community (BBMC) have a current account with both types of bank. It also shows that very few BBMC members have savings accounts. This might be a result of either lacking extra funds after meeting all of their expenditure or an unwillingness to deposit money or use investment opportunities. The reason behind the more extensive use of the current account is due to its more general-purpose aspect and is, therefore, quite comprehensible. Another reason that BBMC members use this type of account is to send remittances to their country of origin, i.e. Bangladesh, and receive a salary from their workplace. According to migration history, Bangladeshis have been living in the UK for nearly fifty years and during most of that time there has been no concept of the Islamic banking system, particularly during the 1960s, 1970s and 1980s. Their only choice was to use a current account without any involvement of any element of Riba (interest). The more extensive use of current accounts among BBMC members can be explained by the fact that this type of account has no involvement with Riba (interest). The researcher found it surprising that current accounts were favoured over saving accounts and asked questions of participants in the field survey to discover more on the subject. This attitude and behaviour led to BBMC members using current accounts rather than saving accounts. When the Islamic banking system began to provide the service of a Halal savings account (Mudharaba principle) based on a profit and loss sharing system, then BBMC members started to use saving accounts, along with their existing current accounts. However, it is true that the use of savings accounts is not as significant as it might be. For this there are a substantial number of reasons. However, BBMC members are aware of and raise concerns about the authenticity of the Islamic banking system, which also causes confusion. In addition, Islamic banking products are not so accessible and banking terms including conditions is comparatively strict. It is sometimes not possible to meet from everybody.

Table 11 and figure 6 in chapter four indicates that the BBMC expresses extreme opinions about the demands of the Islamic banking system and they mentioned clearly that it is an indisputable need in the UK. When the researcher asked, “What is the main reason for the strong demand for the Islamic banking system in the UK?”, the majority replied that it was to avoid interest (Riba), which is prohibited in Islamic Shariah law and considered a great sin. However, an insignificant amount, about 12.9% of respondents expressed no demand for Islamic banking in the UK. This is not consistent with the global trend, even in the UK, and might be because of limited market coverage, unattractive products and services or the current debate centring on the interest-free, Islamic banking system. Based on the above information, it is remarkable that almost 13% (12.9%) of BBMC members have suggested that there is no demand for the Islamic banking system in the UK. Although it is a minor number of respondents, it is surprising because the demand for the Islamic banking system is enormous and exceptional around the world. If BBMC members are not using the Islamic banking system’s products and services, there are undoubtedly some reasons behind this lack of demand in the UK. For example, Islamic banks providing a product or service range, Shariah compliance law as an issue, product or service authenticity, accessibility and, not least, competitiveness, are all considered as primary reasons for a lack of demand in the UK. This has a significant impact on the Islamic banking system offering product or service utilisation or use of Islamic banking services. When the market grows, customer numbers will also increase; it is hoped that this situation will change and be far better at asserting towards potentiality of Islamic banking system. The researcher then asked respondents about the use of Islamic banking by friends and family.

Regarding the use of Islamic banking products and services from a respondent’s family and friend’s perspective (table 12, chapter four), it is evident that the recommendations of British Bangladeshi citizens are ‘more in number’ compared to those of Bangladeshi citizens. British Bangladeshis, especially those born and brought up in the UK, might

display more curiosity concerning the different dimensions of banking with an Islamic bank and, as a result, they recommend more friends and family members to use the Islamic banking system. On the other hand, Bangladeshi immigrants are already aware of Islamic banking and may demonstrate less interest in this system.

From tables 13 and 14 in chapter four, the dominance of Islamic finance over conventional banking in securing mortgages can be explained by a variety of reasons. Firstly, traditional banking systems do not fully comply with Shariah law, which might cause the customer to feel reluctant about the Islamic banking system. Secondly, there are some specific rules and conditions such as deposits, pay slips, salaries and bank statements needed to meet the requirements of securing a mortgage, a personal loan or a business loan from financial institutions; these are sometimes difficult for the customer to produce in time. As a result, they are not able to obtain mortgages, including loans, from conventional banks. However, their choices of finance, especially mortgages, belong to Shariah compliant Islamic banking. This is because of their religious and cultural traditions rather than for practical reasons. There are few BBMC members who meet the 'setting up' conditions of financial organisations. In some cases, they are not entirely satisfied with the contract verdict including Shariah scholars' rules, which might not be supported by BBMC customers. In fact, BBMC customers are looking for a product or service which might not be offered in the current market by Islamic banks because the Islamic banking industry is still tiny in the UK.

Based on figure 7 in chapter four, the Open Society Institute's (OSI, 2010) in-depth report is mainly focussed on the socio-economic conditions of the Muslim community in the UK; this was produced after an extended study. The figure 7 indicates that the BBMC's basic needs are based on housing finance through the Islamic bank's mortgage facility. However, this is true, not only for BBMC members, but also for the majority of people regarding housing finance in western countries, such as the UK, the USA, Australia and those in Europe. It is true that the banking environment and financial markets have a healthy relationship with the housing market. The financial

crisis of 2008 impacted upon every sector in western countries but especially affected the stock market fizz and housing boom. The USA housing market played a fundamental role within the field of credit expansion, including money creation through the traditional banking system. During the 2008 recession, this system collapsed entirely and created negative equity, which destroyed entire conventional banking system structures. There are some factors, such as bank bailouts, own debt transformation to public debt, lower interest rates throughout monetary policy and so on, which cannot have been helpful towards making this traditional banking system steady and sustainable. In the UK, Islamic banking products and services were first introduced by either Al-Ahle United Bank Kuwait or the Al-Rayan Bank (Former Islamic Bank of Britain) or HSBC Amanah (Islamic windows); these were mainly based on Islamic mortgages for housing finance. Nonetheless, they remain popular in the UK finance market, especially in Islamic finance arrangements. In addition, western society markets, including that of the UK, have a credit-oriented facility where the customer can purchase products or use credit services to pay later through instalments, so BBMC members are no different from this system. As a result, UK Islamic banks are providing Islamic mortgages for housing finance based on Mudharaba (Partnership) and Musharaka (Equity). Only 3% of BBMC members are using business finance, which is very low compared to conventional banks (17.4%). The reason is that the business finance model and structure depends on Murabaha (Cost plus) principles rather than Musharaka (Equity) or Mudharaba (Partnership) policies, which are not expected from BBMC customers. Moreover, the business finance's small percentage indicates that the product and service range is limited and not available from Islamic banks in the current UK market for SMEs. In addition, if the Islamic financial institutions, including banks, have a higher degree of opportunity for products and services for small businesses, it will create housing demand, employment and economic activity. As a result, it will help the BBMC in reaching a higher economic growth rate.

Regarding the respondents' profit and loss understanding perspective (table 15, chapter four), it is a fact that Riba (interest) is prohibited in Islam, but any equity-based returns from assets or investments are not considered as Riba (interest). Islamic finance covers several types of financial contracts which differ in equity, including profit and loss sharing. In most straightforward accounts, Shariah compliant law regulates Islamic banks and performs a trustee role through primarily protecting principles and sharing surplus (if any). For more intelligent depositors, banks serve as an organisation and provide administrative support. Islamic banks' financing modes, such as Mudharabah (Partnership) and Mushakara (Equity) might be noted as strictly profit and loss sharing, whereas Murabaha (Cost Plus) and Ljara (Leasing) are not. A particular Shariah Supervisory Board team supervise the process where stocks need to be widely traded. Therefore, this has some strict and efficient restrictions regarding profit and loss based on Shariah compliance law. Moreover, the conventional banks' balance sheets are usually made up from customer deposits, loans from various financial institutions and long-term debts, which are more explicit because they have developed an interbank system for profit and interest, whereas Islamic banks have not. The reason for this is that the issue of interest-bearing, conventional debt securities is completely prohibited, so the Islamic bank's balance sheet is different from that of the traditional banks with regard to profit. Therefore, the Islamic bank's deposit accounts, and profit and loss investment accounts, are managed from a non-interest basis, including no guaranteed returns; this supports the study by Hasan and Dridi (2010). Therefore, these types of explanations require a deeper understanding of the Islamic bank's profit and loss sharing system.

The field survey (table 17, chapter four) also suggests that most customers have understood that there are some differences between the traditional and Islamic banking systems but have no clear idea of what those differences are. There are some factors such as deposits, eligibility, marginal cost, terms and conditions of the products and services that make financing uncompetitive within the UK finance market. In fact, it is

evident that BBMC members are willingly paying an extra marginal cost for products and services based only on their faith, which leads them to choose more expensive options with strong religious associations. As a result, BBMC members are prepared to pay an additional marginal cost. In the field survey, many customers claimed against the Islamic banks by penalty when they used products or services based on their faith. Again, it is most remarkable that Islamic banks' product delivery, along with service quality, is not standardised compared to traditional banks. Therefore, Islamic banks need to find different ways of creating money or profit through the best operational strategies.

Table 18 in chapter 4 shows that 72.7% of the sample participants did not receive responses in the case of mortgages or finance based on Shariah Compliance law and who is their provider. The question here is why are so many BBMC members using financial products and services from traditional banks rather than Islamic banks? It might be for a variety of reasons: for example, UK Islamic banks launched after 2000 and the HSBC Amanah Islamic window introduced in 2003 provided home finance based on Shariah Compliance law. Again, the Mudaraba structure from HSBC Amanah and Islamic Bank of Britain is the same, but the terms and conditions are slightly different. In addition, customer down-payments or deposits were higher at the Al Rayan Bank (Former IBB) than at HSBC Amanah. The present scenario is entirely different at HSBC Amanah and private finance companies. Moreover, Islamic banks have few local branches and a significant proportion of them are located in a select area of London. Therefore, the Islamic banks' network coverage is small geographically. In addition, the same table indicates that mortgages or finance are mostly based on Mudaraba (22.0%). The reason for this is that the Islamic banks are attempting to maintain a similar business model followed by the conventional banking system. It consists of an active (works) and silent (capital provider) partner. Still, both partners share profits, whereas loss most of the time falls to the bearing of the active partner. As a result, almost 90.0% of Islamic finance is based on

Mudarabah (Usmani, 2002). This is why the majority of customers agree with Mudarabah rather than Musharaka or Murabaha.

#### **6.4 Customers' bank selection ranking factors by BBMC variation of attitudes**

Based on Table 20 in chapter 4, it is evident that customers are looking for well-organised banks with advanced technological features and facilities, as well as excellent customer service, reputation, service variety and parking facilities, which also play an essential role in influencing customers. However, it is also evident that most of the male customers are looking for brand image (i.e. reputation,) while for women it is the aspect of service provision.

Again, convenience, security, additional services and friendly bank employees influence customers' bank selection. The service charge and branch location mostly impact upon female customers, whereas attractiveness (lower rates on loans and a higher rate on savings) primarily influences male customers in their bank selection. Finally, customer bank selection determination factors were found to include reputation and brand image in marketing, as well as product and service quality. Similar trends are found in the studies of Rao and Sharma (2010).

The findings in table 21 in chapter 4 suggests that the three fundamental principles of the Islamic banking system are the key motivating factors behind the selection of and dealing with Islamic banking, while fast and efficient service and online facilities also play a pivotal role. In other words, it can be said that non-economic factors are more important than economic factors in driving the selection of the Islamic banking system.

Table 11 and figure 6 indicate that the majority of BBMC members prefer using the Islamic banking system in the UK. In addition, cost-benefit is another motivating factor for choosing an Islamic bank. Most Islamic bank clients are familiar with products and services based on Shariah Compliant law (Islamic law). It is true that not only religious belief but also a

customer's attitude and behaviour is considered an influential factor, which plays a vital role in the growth of Islamic banking. Customer satisfaction and ethical responsibility might also be influencing elements in selecting the bank. Economic trade-off (i.e. service cost, return rate and earning scope), however, as well as social responsibility (i.e. cultural and social activity, respect of community rights, scientific ways of supporting (and practice of environment all play a vital role in bank selection (Blankson et al., 2007). The current research demonstrates that people do not have much knowledge about Islamic banking system products, namely Mudarabah, Musharaka, Murabaha, and so on. However, BBMC members are buying or using these products based only on religious belief, which is considered as a cultural tradition (Abduh and Omar, 2012).

#### **6.5 Participants' opinions concerning the Islamic banking system's basis of selected important statements**

Based on table 21 and figure 9 in chapter four, it is evident that the second statement is, in fact, used to collect information from BBMC members about how essential Islamic banks, and their products and services, are for the community. It is true that good housing conditions and, thereby, an ideal standard of living play a significant role in sustainable, socio-economic development. People cannot become involved with socio-economic development if their living standards and housing conditions are not improved. It is indispensable, therefore, to have more opportunities to secure home finance or personal finance with competitive prices that can improve their living standards and housing conditions. In the literature review (chapter two), it was mentioned that the BBMC is living in poor economic and social conditions. It is true that the economic recession in 2008 affected every western country. As a result, many people lost their jobs, which increased the unemployment rate; the UK was not excluded from this crisis.

In this situation, traditional banks were affected considerably and stopped offering loans and mortgages in such uncertain financial conditions with increased unemployment. Under these circumstances, Islamic banks' Shariah Compliant law products and services showed additional flexibility and proved that they were more stable under Shariah Compliant law financial principles. Consequently, the Islamic banking system played a considerable role, not only in Muslim society, but also in every nation, even those that are non-Muslim. The main reason was the desirability of reasonable and ethically based financial services and products to meet business or mortgage necessities, although interest is prohibited on religious grounds.

Moreover, more than 50% of respondents indicate that 'Islamic banks are helping and supporting businesses', although it is the supplement of the second statement (i.e. previous statement). In addition, this is related to a research sub-objective as well. On receipt of this statement, the current researcher wanted to know how Islamic banks help and support BBMC members in developing their businesses. The previous statement explained that BBMC members want to improve their socio-economic development because of many factors related to their personal lives. These factors are as follows: they do not have enough jobs, housing conditions are not good, their educational achievement is unsatisfactory, they do not have enough economic power and there is no attraction in their lives. As a result, some BBMC members, especially the younger generation, become the target of criminals, who influence them with extremist ideas, including terrorism. These activities are not acceptable in Shariah law. After the recent economic crisis, traditional banks have become far more stringent in lending money and are advising people to obtain mortgages by taking out loans, but this is not acceptable to the BBMC, based on interest and faith.

In that situation, Islamic banks can assist and support SME businesses based on Mudarabah (partnership) and Musharaka (equity) principles. It is well known that micro-finance could play a significant role in SME business development, trade environment and improving people's living

conditions. In reality, most BBMC members are involved in working as taxi cab drivers, in fast food shops, in corner shops, in small restaurants, in grocery shops and manufacturing garments. If Islamic banks provide small amounts of funding for these businesses, it would bring a real, vast and fundamental change to the economy through job creation, returns and employment prospects.

Again, nearly 60% (57.5%) of respondents agree that “Islamic banks will increase social cohesion including national integrity” in the UK. At first it might seem an irrelevant issue; however, it has importance in today’s world. The responses, in agreeing with this statement, have deep implications because some journalists and columnists have mentioned several times in various newspapers that Islamic banking will create divisions within the community and will be detrimental for national integrity. However, this claim has been refuted by more highly educated people and skilled professionals in relevant fields. For example, Dr Williams (2008) and Lord Phillips, the Lord Chief Justice (2008) refuted this debate very strongly and stated clearly that among Muslim communities, faith plays a significant and positive role. As a result, it would lead to community cohesion. In any country, government policy makers have appreciated that financial expertise and banking systems could be used in an energetic way to bring economic prosperity alongside social cohesion into society and would help to reduce the level of poverty in developed countries. In addition, it would lead to a positive change for economic integration, cohesion and multicultural practices. Based on the respondents’ opinions, it can be said that if the authorities concerned, such as the government, the Bank of England and the FSA take care of the BBMC minority and provide banking services through authorisation, which are well-matched with BBMC members’ beliefs, including their value system, the community would be reliable and feel secure within society. As a result, BBMC members will advance economically and sense respect for themselves and their status in society (Dayton, 2001).

More than 50% of the respondents indicate that the “Islamic banking system is engaging the young Muslim generation towards enhancing active economic participation”, whereas 26.5% strongly agree; it is evident, therefore, that the majority of BBMC members have a positive response to this statement. If Islamic bank business finance is available through Shariah Compliant law and is consistent with the BBMC’s faith, it will help to reduce unemployment, especially among pious young Muslims who do not want to compromise their faith, as they are very conscious of their religious identity (Modood, 2005). Based on pragmatic studies, it is true that business activities, economic participation and social cohesion play a vital role with engaging the younger generation in productive social activities. If the youth do not have enough opportunities to occupy a favourable position, it will not motivate them to engage with economic activities, which might influence them to engage in crime, including extreme behaviour, to fulfil their needs, demands and desires.

The statement, “Islamic banks’ profit and loss sharing system is not clear to me,” also has practicality issues with Islamic banks’ products or services. Islamic banks rely heavily upon certain products, such as Ijara (Leasing) and Murabaha (Cost Plus) because they are designed on the principle of predetermining returns. The profit and loss sharing and financing principles, Mudarabah (Partnership) and Musharaka (Equity), are not used frequently. BBMC members want more products in the market from the Islamic banks based on P & L sharing. Some of the banking and finance practitioners have given their opinion in the next chapter (the analysis of interview results) on Islamic banks’ profit and loss sharing principles. Again, more than 50% (52.3%) of respondents indicate that the “Islamic banks’ profit and loss sharing system is not clear to me”, whereas 28.8% strongly agree. Therefore, this evidence indicates that BBMC members are more aware of Islamic banks’ profit and loss sharing financial principles than the practicality issues on Mudarabah (Partnership) and Musharaka (Equity) products. Now, the question arises of “how these practicality issues will be resolved”. The reasons why Islamic banks are producing a reasonably positive change to socio-economic development

and not only for BBMC members but also for entire Muslim communities and it will not be accomplished until these practical issues are addressed.

It should be noted that table 15 in chapter 4 demonstrates that more than 50% (55.3%) of customers have no understanding of the profit and loss system of the Islamic banking system. As stated earlier in this thesis, Islamic banks' deposit accounts and profit and loss investment accounts are non-interest based, as well as not guaranteeing a return; this supports the findings of Hasan and Dridi's study (2010). Therefore, the Islamic banks need to increase their efforts of marketing communication in order to educate customers about their market offerings.

## **6.6 Factors challenging the Islamic banking system**

It is evident that globalised competition, the supervisory framework, a shortage of scholars, product and marketing development, rules and regulations, enhancing investment and the debate among Muslim scholars regarding the Islamic banking system are challenging factors which have been discussed in chapter 2 (the literature review) and chapter 4 (the survey analysis),

Based on the results of table 30 (chapter 4), it is evident that due to some of the Muslim jurists mentioned above, the Islamic banking system caters to the upper segment of Muslim society rather than the poor. It is just a misconception from those people who try to demonstrate a channel vision toward other people. Islamic banking and finance are trying to encourage people to use Islamic bank products and services who lack economic wealth and are concentrating on socio-economic development by creating value. With the help of the following activities: Qard-Hasana (Beautiful loan), Mudarabah (Partnership), Musharaka (Equity), Murabaha (Cost plus), Sadaqa (Voluntary charities), Ijara (Leasing), Takaful (Islamic insurance) and Zakat (Mandatory charities), the Islamic banking system is trying to help poorer people. In addition, Islamic banks are elevating people to the next (financial level through Takaful (Islamic insurance)). It is

also known that in some regions, the Islamic bank is carrying out micro-finance activities through Shariah Compliance law in order to help SME businesses.

One important argument exists in Islamic banking and finance which is growing the industry by the other Muslim jurists which consists of the business model. Islamic banking has been moving forward, over time, based on the Mudarabah (Partnership) model and Murabaha (Cost plus), as well as Murabaha (Cost plus) and the Tawarruq (Reverse Murabaha) model. At present, Islamic banks are using the Tawarruq model for the assets and liabilities side of products and services, which replicate and consider loans based on an interest concept. Therefore, Muslim jurists argue that this concept is similar to traditional banks. In addition, this model's products and services are too expensive regarding the sale and purchase of commodities. One of the famous, classical Muslim jurists, namely Imam Ahmad Ibn Hanbal, mentioned that Tawarruq is not permitted (Haram) in Islamic banking. Moreover, Imam Ibn Taymiyyah suggests that it is considered as exceptional and is allowed based on necessity (Darura). Two famous Muslim jurists, Imam Mohammad Hasan Al-Shaibani and Imam Malik, reported on behalf of Imam Ahmad Ibn Hanbal, that it is not straightforwardly Haram (Prohibited), but it is discouraged (Makruh).

Contemporary Muslim scholars or jurists are divided on the Tawarruq (Reverse Murabaha) issue. The Central Bank of Malaysia Shariah Advisory Committee (2005) resolved the Tawarruq concept and stated that it is considering it as Commodity Murabaha instead of Reverse Murabaha, based on product deposits or financing, which is permissible under Shariah law. The OIC Islamic Fiqh Academy (2009) disputed the Tawarruq issue and stated that there is no logical point in allowing and executing it because concurrent transactions occur between the client and the Islamic bank whether or not it has made an explicit, implicit or standard practice exchange. This was considered as a deception owing to the ability to access additional, quick cash from a contract. Therefore, the OIC Islamic

Fiqh Academy declared that this type of transaction contains an element of interest (Riba) and it is not permissible in Islamic Shariah.

Therefore, in this research, the debate among Muslim jurists regarding the Islamic banking system is considered a significant challenge to future growth.

### **6.7 BBMC faith and banking practices**

BBMC members' faith and the banking practice issue is the main point of discussion in this section. It is evident that the Islamic banking system is a faith-based banking system functioning under Islamic Shariah Compliance law. In addition, it is understood that religious practice and belief plays a significant role in the selection of and dealing with banks and their practices.

Based on the following participants' views: R<sub>1</sub>, X<sub>1</sub>, R<sub>2</sub>, Z<sub>1</sub>, S<sub>1</sub>, P<sub>1</sub> and Q<sub>1</sub>, their perceptions, opinions and suggestions (in chapter 5, section 5.2), it is clear that banking practice, faith and religious freedom can be completely different things for human beings. If anyone wants to avoid interest-free banking practice, i.e. faith-based banking, they can do so. On the other hand, those who prefer to take part in faith-based banking are free to do so; it is their choice. Hence, this subject is very clear and unambiguous towards an agreement regarding the issue.

Moreover, it is understandable that various groups involved with this research hold different opinions on the issues discussed in this thesis, which include banking practice and faith. Therefore, it is remarkable that multiple views exist regarding affecting confidence in banking practices from each group member. This agreement has greater significance for the faith of those individuals of the BBMC, which should be considered and recognised as 'BBMC faith-based'. It is also clear from the discussions above that BBMC members are not eager to disregard the principles of their faith within the main spheres of their lives. The BBMC wants to carry out its monetary and financial transactions in accordance with the faith of

its members. Specifically, when it comes to any circumstances involving ethical issues and the involvement of interest (Riba) prohibition on any financial operations, it is possible that the faith-based BBMC will not willingly participate in core stream, economic activities. As a result, it will conduct or guide its members towards financial inclusion for them. Furthermore, BBMC banking practices and traditional or Islamic the economic system could be a destructive element for the economic growth of any economy. The BBMC has a significant population segment in the UK and it is known that, not only BBMC, but also the Muslim community is considered as an ever-growing community.

### **6.8 BBMC Islamic banking demands**

Regarding the Islamic banking system's products and services, it was important to provide related questions which were designed to acquire acceptable reasons for Islamic banking system and authenticity. On that issue, participants were asked to give their views and opinions but the BBMC have a genuine demand for the Islamic banking system in the UK. This has a relationship with the previous discussion (section 6.6). However, this question is not considered as repetition. The reason why BBMC banking practice and faith involvement is a general expression. Again, this expression could be consigned to banking practice only but it might be relevant to more than just Islamic banking. However, when this is expressed with regard to Islamic banking, it should be specially supervised under Shariah Compliant law so that it meets the demands of the BBMC. The respondents came from different groups and, surprisingly, each group member had opinions which are identical and remarkable. Most importantly, no single opposing response came from any group member. From the questionnaire and the interview survey, it is clear that all replied that there is a demand for Islamic banking system products and services and that they are genuinely needed by the BBMC in the UK, under the supervision of Shariah Compliant law. Furthermore, some of the group members said that the Islamic banking system has to be open, transparent

and accessible for the Muslim community, and even for those who are from a different faith or no faith at all.

The concept of the Islamic banking system is based on equality and justice for all members of society. In addition, it is accessible to everybody, regardless of faith, creed, race, colour, religion and gender. From a wider business perspective, it is said that if the Islamic banking system is implemented successfully, responsibly and ethically, it will influence people from other faiths to select and join the Islamic banking system for conducting their financial activities and meeting their financial needs. It is evident from the analysis (chapter 5, section 5.3) and the above discussion that there are a number of factors, such as the interest (Riba) prohibition tendency, democratic freedom, financial inclusion, civic liberties, implications of dealing with interest (Riba), coherent society enhancement, indication of Al-Quran and Hadith on Riba (interest) dealing and current, global, political circumstances that attract BBMC members to select and establish financial relationships with the Islamic banking system.

## **6.9 BBMC financial needs and Islamic banking system fulfilment ability**

Based on participants' responses, this section discusses one of the critical, global issues that the Islamic banking system is confronting, which is whether the Islamic banking system is addressing the financial needs of BBMC members. In this regard, the views and opinions of Muslim scholars, banking practitioners, Islamic bank Shariah Compliance Board members and BBMC leaders have been considered. Preliminary, it is evident that BBMC leaders and Shariah Scholars are not satisfied with the success of Islamic banks in the UK because Islamic banks cannot cater for BBMC members' financial needs and wants. On the other hand, banking practitioners and Shariah Compliance Board Members were in a position to say that Islamic banks are efficiently fulfilling the financial needs of BBMC members in the UK. However, the majority of respondents from

each group said that the Islamic banking system in the UK is suffering from a limited range of products and services. Respondents tried to analyse and explain why the BBMC is not happy with the existing product and service range of Islamic banks in the UK.

It is essential for Islamic banks, not only to meet the needs of BBMC members, but also those of the entire Muslim community. It means that Islamic banks need to enhance their organisational and marketing competencies by developing a wide range of products and developing an efficient delivery channel. However, the currently available products and services of Islamic banks in the market are a good starting point, but the critical issue is that the products' terms and conditions should be based on the situation of the customer. Furthermore, the existing products and services of the Islamic banking system should be modified in a specific way to ensure that customers have timely and efficient access to them. In so doing, they would help and support customers in avoiding extra cost and time. It is also true that the product range of Islamic banks is limited and that most of the products are focussed upon housing finance, i.e. residential properties, whereas the BBMC wants more product and service variety with a competent, competitive price. Finally, it is clear that the role of the Islamic banks is lagging behind regarding educating people, approaching customers and elevating awareness with reference to their products and services, especially the consequences of Riba (interest) from the perspective of Islamic Shariah law.

Strictly speaking, the market of the Islamic banks is also relatively small. It requires more investment to attract a larger audience (Mr **R<sub>2</sub>** from the Gatehouse Bank). Mr **X<sub>2</sub>**, an Islamic bank Shariah Board Member, and Dr **X<sub>1</sub>** from the Global Aid Trust have discovered similar findings. They considered the Islamic banking system as "A new-born baby who has recently started to sit but is still not able to crawl". After evaluating all opinions, discussions, issues and views, it can be said that increasing product availability, delivering quality services, being competitive and improving IT infrastructure can play a significant role in covering all

customer bases and increasing the loyalty level of the customer, which are the keys to the success of Islamic banking in the UK.

#### **6.10 SME and employment creation through Islamic banking roles**

With regard to this issue, the responses are not identical and different views and opinions come from a variety of angles. Some of the participants gave a positive contribution, whereas others said that the Islamic banking system needs to perform more efficiently.

However, the field survey found that most BBMC members have a minimal understanding of the Islamic banking system (chapters 4 and 5); it is true that this system has the potential to improve the socio-economic conditions of the BBMC through employment creation in SMEs. However, the marginal cost of products and services of Islamic banks are relatively high for BBMC members but many moderate people, including professionals, are taking advantage of this opportunity provided by the Islamic banks. At the preliminary stage, only orthodox, traditional Muslims, who did not seriously consider the extra marginal cost, were the main customers. Nowadays, not just the BBMC but the wider Muslim community is conscious of the minimal additional price, and it is true that customer trends and bases are increasing. As a result, there is a vast and dramatic change found in the Islamic banking system. For example, at the primary stage, BBMC members asked about the Shariah Compliance of banks, but now BBMC members are asking about the product development of the Islamic banking system, trend patterns and cost factors. Furthermore, it is evident from the field survey that the majority of Islamic banks and conventional Islamic windows (Gatehouse, Al-Rayan, HSBC Amanah, Habib bank, European Islamic Investment bank and the Arab Banking Corporation) mostly focus on housing finance, i.e. Islamic mortgages rather than commercial business. Therefore, the Islamic banks require more focus and concentration in this untapped market segment.

From the data analysis in chapter 5, section 5.5, about SMEs and employment creation, two main questions have been raised: i) “Is the Islamic banking system’s role dynamic and effectual for improving the socio-economic conditions of the BBMC?”, and ii) “Are the BBMC members feeling more comfortable and confident with the use of the Islamic banking system in SME development or employment creation?” It can be said that the performance of Islamic banks in these issues is situational. Moreover, a shortage of funds, limited capacity, less experienced human resources, a limited range of products and services, misconception and scarcity of resources are impeding the potential of Islamic banks.

#### **6.11 Regulatory authorities’ supportive role towards Islamic banks**

Before going on to assess this issue, it should be noted that respondents from different groups have shown different opinions in chapter 5, section 5.6. For example, Islamic banks’ Shariah Board Members have different views from the banking practitioners and the Muslim scholars. However, community leaders’ opinions coincide with the views of the Shariah scholars. In this case, it is worth mentioning that the participants have given their views based on their professional experiences, personal perceptions and personal observations.

From chapter 5, section 5.6, it is evident that all of the participants agreed that the regulatory authorities (the FSA and the Bank of England) including the government are supportive in encouraging and establishing the Islamic banking system in the UK, except for one Muslim scholar. This is not uncommon, as every individual is unique and can have different views. Most importantly, the role of the regulatory framework is very likely to change in different circumstances regarding promoting Islamic banking products and services. For example, the removal of dual stamp duty from Islamic housing financing, which helped the Islamic bank system to accelerate their financial operations in housing.

It should be noted that the compliance of Shariah regulation is not a direct jurisdiction of the local supervisory bodies in the UK. It is happening, not only in non-Muslim countries, but also in Muslim countries, such as Malaysia where the supervisory authorities are ensuring that Islamic financial institutions comply with both types of regulations, legal and Shariah. Therefore, if we find that this type of policy is not available in the UK, it will be judicious not to see many stand-alone Islamic banks. It is so because only a few full statuses of Islamic retail banks were regulated, along with being authorised through central banking in the western world. In addition, there is an enormous cultural difference between the eastern and western world. Whatever help and support are available at present from the regulatory authorities for Islamic financial institutions in the UK it is reasonable at this point, as most of the participants are agreed on this issue. Furthermore, it is clear that there have been no more policy or regulatory framework changes up until this point in time in the Islamic banking system and finance industry in the UK. This indicates that policymakers have a genuine intention towards the development, growth and establishment of the Islamic banking system in this country.

It is remarkable that the worldwide, current financial crisis dating from the recession of 2008 is still ongoing and has affected the UK government. As a result, the government faced a budget deficit, as well as an increase in the unemployment rate. For the current government, these types of problems might take precedence over parliamentary development of Islamic banking and finance operations and procedures. This could be impacted upon by the further growth and development of the Islamic banking system. Finally, if the regulatory authorities (the FSA and the Bank of England) and government persist with a policy to promote, grow and develop Islamic banking and finance in the UK, then the UK government would reap more advantages and benefits from Islamic banking and finance's inherent stability, including potential growth, in the long run.

## **6.12 Islamic banking and finance roles with regard to the financial crisis**

The financial crisis of 2008 is well known around the world and its effects are still persisting in some of the sectors. The crisis affects, not only banking, but also many other industries. This well-known, knock-on effect has led people to think profoundly and differently regarding the Islamic banking system and finance, as this industry was least affected by this crisis. In that time, many conventional financial institutions declared bankruptcy, especially in western countries, which diminished people's trust in financial organisations. However, Islamic banking and financial institutions were gaining profit at that time. As a result, people started to show a growing faith and confidence in the Islamic banking system and, of course, this was based on ideology (Roland, 2011; Iqbal et al., 2010; Hasan and Dridi, 2010, and Parashar and Venkatesh, 2010). One of the key reasons behind this is that the Islamic banking system is running on asset-based investment. In such a system, every transaction must be backed by tangible physical assets. The banking practitioners and the legal and financial professionals, even though they are from traditional backgrounds, started to suggest that the Islamic banking system was the better option. The efficiency of the Islamic banking system is viewed as more resilient compared to the interest-based, conventional banking system. For example, CEO Sir Andrew Cahn (UK Trade and Investment), mentioned in his discussion on the future of the Islamic banking and finance system that "Despite the facts, the Islamic banking system originates from abroad, but it has found and discovered a natural home inside the UK, where there was no sector resistance towards the worldwide, financial crisis; only the Islamic banking and finance system had shown their greater resilience" (Cahn, 2009). This was supported by Hasan and Dridi (2010) in their IMF published working paper. They mentioned that the Islamic banking system had fared better, in general, compared to the conventional banking system, during the worldwide financial crisis of 2008.

In chapter 5, section 5.7, the interview analysis indicates that Islamic banking system theory, principle and fundamental tenets have great potential to create additional stability. The system also shows higher resilience in global financial crises, including cyclical fluctuations. At present, the Islamic banking and finance industry has a comparatively small impact upon the global system market because of its proportionally limited presence. Furthermore, the Islamic banking system's principles are very new in the dominant, conventional capital market, but it has essential elements which play a stabilising role in the traditional, global financial system. Furthermore, some challenges remain in this new industry, which again makes the Islamic banking system's role different. As mentioned before, some of the critical challenges, such as relatively small capital assets, a small market segment and share, a lack of product development innovation and minimal expertise are taking time to go ahead.

Islamic Shariah law completely prohibits the above discussion about speculation, uncertainty, betting and unauthorised business venture investment, such as alcohol, pornography and polygraphic practices. In financial transaction and business trading, the Islamic banking and financial system places more emphasis on equality, social justice, honesty and fairness as the core principles. Nevertheless, these principles play a significant role when the Islamic banking and financial system is implementing strategy, plan and policy in financial transactions or business trading. When the researcher asked the participants about the present financial crisis, they all agreed that the speculative business type was the main reason. Some of the participants stated that the ways conventional or investment banks work with and invest in toxic assets, either selling or buying collateralised debt obligations, play an essential role in creating speculative bubbles; they had assumed that the global financial market would collapse earlier and were surprised that it came as late as it did. Nobel Professor Joseph Stiglitz (2008) criticised the conventional and investment banking system mismanagement of operations, including irregularities, as it caused havoc for the global economy. He also stated that, "It is not a fruit of dishonesty pattern on the financial institutions part

and inadequacy on the policymaker part.” According to Professor Stiglitz, from the Islamic banking system and financial institutions’ perspective, they have to follow certain transparent fundamental principles, which do not allow them to operate in an irresponsible way. Where tentative bubbles should be taking place, this tentative way will take control of instability including uncertainty in any situation.

### **6.13 Shariah Board, Muslim Scholar and Shariah Compliance Law**

It has been described earlier (In the literature review, chapter 2) how the Islamic banking and financial system is based on Shariah Compliance law, where it is stated that the Islamic banking system has divine rather than human intellectual products. This divine law is the foundation of the Islamic banking system, whereas it is theoretically called Shariah law. However, this holy law derived from two Godly resources, namely the Al-Quran and Sunnah (Prophet Mohammad pristine path). The scholars’ consensus and jurisprudents’ analogy played an essential role in finding the Shariah rule, where certain matters have not been explained through the two divine resources: the Al-Quran and Sunnah. Groups of Muslim scholars supervise the Islamic banking system’s Shariah Compliance law products and services, and they have in-depth knowledge of Shariah.

Based on the views and comments (chapter 2) of Dr Williams (2008) and Lord Phillips (2008, Lord Chief Justice), one thing is clear. Shariah law acknowledgement issues in legal structures or systems exposes gaps in understanding and belief within society. Vast numbers of people have a misconception about the acknowledgement of Shariah law if the local judiciary implies that Shariah law is a corresponding legal system within Britain and it brings a divergent and incompatible issue with British rule in the majority of cases. As a result, it will generate problems. However, those who have clear and in-depth knowledge of this issue have realised that it is not a parallel legal structure or a separate system from British law. However, some parts of the local judiciary system accommodate Shariah law for Muslims and it is especially those who want voluntarily to govern

through Shariah law towards their religious beliefs and related matters. In addition, Shariah law does not supersede or eclipse any of the country's local legal system. This would have remained the supreme law for everyone in all circumstances. It has been evident that some aspects of Shariah law are already established and accommodated in Britain by the acceptance of English law. These areas include: Islamic banking system authorisation, Islamic mortgage free dual stamp duty, FSA and Bank of England supervision for maintenance of regulations and Islamic marriage acceptance of civil partnerships. However, the present conditions still need to enlighten Muslims and non-Muslims identically regarding this issue. Even the extended community wants or needs to understand the acceptance of this issue, including its implications, the presence of this structure and the system's 'pros and cons' for an entire society. This system's role leads to the community following factors such as isolation, cohesion, national integration and societal segregation. From the religious point of view, there are two other important factors, namely the marital and economic spheres, which have an enormous impact upon Muslim communities. Therefore, Shariah law arrangements can be accommodating only for a Muslim person who wants Shariah rulings regarding guiding principles on such affairs voluntarily. As a result, these Muslims will gain comfort from taking part in this system.

On the discussion of Shariah, the authenticity of Islamic banking products and services is another essential characteristic of Shariah Compliance law. By that stage, the researcher had learned about the awareness of many members of the British Bangladeshi Muslim community. They still have doubts about some Islamic banking products and services, even banking practitioners, including Muslim scholars, experience a little confusion based on their views and opinions. The researcher also learned that these British Bangladeshi Muslims are still not satisfied with the Islamic banks' offering of products and service, and have some questions which are still unanswered.

In the participants' interview analysis in chapter 5, section 5.8, it is clear that some factors, such as ethnic background, a customer's personal interest, a scholar's personality and thought school, jurisprudence inclination, language, traditional religious culture, community relationship and Islamic way or channel play an essential role in the development of the Islamic banking system, including progress of, not only the BBMC, but also the entire Muslim community in the UK. It has also been found that the Islamic banking system is based on faith and community banking, whereas customers' religious beliefs and community backgrounds, including other aspects, such as values, traditions and culture, have a significant impact or influence on the acceptance or use of Shariah-Compliant products or services within the respective communities.

The Islamic bank Shariah Board or Supervisory committee's primary role is to ensure financial products or services under Shariah Compliance law. In addition, this board needs to clear up any doubts or confusion about any controversial issues. On that point, banking practitioners and Muslim scholars have different views which contradict each other, based on whether they are a Shariah Board or Supervisory committee member or not. In some cases, Murabaha (cost plus) and Ijara (leasing) modes have a debatable issue in the literature and practicality of P & L sharing. Moreover, the Islamic bank considers LIBOR (London Interbank Offer Rate) as their benchmark for measuring money value and rent determination on Halal or Islamic mortgages. This also created confusion and doubt among BBMC members. Therefore, Islamic bank Shariah Board Members and Muslim scholars' mechanisms are following rules for endorsing financial products and services, but this is based on Islamic Shariah which needs to be illuminated.

However, there are many critics of the independent status of the Islamic banks' Shariah Board or Supervisory Committee, as well as the conflict with banking practitioners. It has been stated that the Islamic bank Shariah Board or Supervisory Committee is tiresome, critical, vigilant and sensitive regarding time consumption. More in-depth reading is required, along with proper approval for the bank in every single contract and the bank's other

financial transactions, performances and activities. It is also true that Muslim scholars and practitioners of Islamic bank jurisprudence have various views on different issues. For instance, the Bai Al Eenah (sale with instant purchase) is allowed in the Shafiee Madhhab (Shafiee Thought School) in which it is common, whereas in other thought schools it is not permitted. Therefore, Islamic bank Shariah Boards or Supervisory Committees are trying to find an acceptable, useful and realistic way for Islamic banks' shareholders products and services which does not conflict with or contradict the fundamental principles of Islamic Shariah law.

From the above discussion, it is also remarkable that the Islamic banking and finance industry is relatively new and a very small industry, where only a few scholars have good educational qualifications and knowledge of economic theory, finance and banking systems. In addition, few scholars have an in-depth understanding of Al-Quranic verses and Hadith. However, some of the well-known scholars namely Dr Hamid Hassan, Mufti Taqi Usmani and Dr Umar Chapra and so on, have more profound knowledge, experience and are very well-educated, which is an encouraging sign. Furthermore, these scholars have started to share their knowledge, skills and experience with young Muslim scholars. Moreover, there is a huge demand for this industry and these few scholars are not able to serve it efficiently, a practice which requires considerable time for a higher number of Muslim scholars. Finally, the Islamic Shariah scholar's job is one of the most challenging services; however it is rewarding from both the religious and financial points of view.

#### **6.14 Challenges facing the Islamic banking system**

One of the key objectives of this research is to explore the challenges facing the Islamic banking system. It is facing many problems, not only in the UK, but also globally, in any non-Muslim country. This might be due to the traditional financial rules, structures and regulations of these countries, which were originally created for conventional banking systems. The Islamic banking system is a new banking system, in all areas, including

product and market development, fund management, information systems and investment policies.

In chapter 5, section 5.9, the interview analysis has demonstrated that there are not enough skilled and trained staff in Islamic banks. It is impossible in some cases to manage and handle business because of the shortage of skilled and trained staff. As a result, the conventional banking system is taking more competitive advantages in the financial industry. In some cases, the Islamic banking system still needs to follow in the pathway of traditional banking systems, especially in western countries, such as the UK. In addition, several Muslim scholars have a deeper understanding, economic knowledge and practical experience of Islamic banking products and services and are trying to manage the shortages. They are, therefore, not able to fulfil or meet BBMC customers' requirements. However, the shortage of Muslim scholars not only affects fulfilling customers' needs or requirements but is also affecting product and service development. The Muslim scholars and jurisprudence debate perspective creates awareness within BBMC members, including doubt. For example, Bai Al Ee'nah (sale with instant purchase) is allowed in Shafiee Madhhab (Shafiee Thought School), whereas in other thought schools it is not permitted. Based on the view of Muslim scholars (Islamic jurisprudence) within Shariah, there are different, inherent weaknesses and disagreements found at the macro level.

On the basis of the discussion on Islamic banking challenges, it is evident that there are six crucial aspects considered as important: the BBMC members' lack of awareness; the standardisation along with harmonisation; the lack of skilled and trained staff; the debate among Muslim scholars; the Shariah supervisory board and the legal framework.

### **6.15 Key findings**

The research findings are summarised in table 31 below.

**Table 31: Summary of Findings**

<b>Group</b>	<b>Main Influencing growth factors</b>	<b>Growth factors impact</b>	<b>Awareness</b>
<b>Muslim Scholars</b>	Religious belief, consequence of interest	Potential future and greater resilience to the financial crisis. Bringing potential change to the community via the residential market	Business model argument, less affluent service
<b>IB Shariah Board Members</b>	Strong faith, Interest avoiding behaviour, coherent society enhancement	It can undoubtedly reduce the effects of financial crises because of additional flexibility.	Relatively fewer investors, regulatory authorities, experienced scholar shortages, people's general lack of Islamic knowledge.
<b>Islamic Banking Practitioners</b>	Faith concept, higher level of commitment, interest prohibition, civic liberties	It can reduce financial risk and uncertainty. It changes and improves community socio-economic conditions.	Accounting policies, limited range of products and services.
<b>Community Leaders</b>	Faith involvement, Shariah compliant products and service opportunities, financial inclusion, democratic freedom.	More resilience compared to the conventional banking system. It can create more employment.	SME businesses help ratio is very few, less marketing, Muslims scholars' debate, less innovation of new products and services.

<b>General Comments</b>	Traditional religious culture, friends and family recommendations, interest prohibition tendency.	Current global political circumstances and multi-dimensional impact to support UK economy and multicultural society.	Muslim scholars' debate, misunderstanding of P&L sharing, less access, lack of new products and services, extra marginal cost.
<b>Commonalities</b>	Religious belief, friends and family recommendations, interest prohibition tendency.	More resilience to financial crises. Improving community socio-economic conditions.	Limited product and service range, Muslim scholars' debate, service quality.

## **6.14 Conclusion**

The BBMC represents the second largest Muslim population in the UK after the Pakistani community. The second and third generations of BBMC members are British nationals, either by birth or naturalising. They have been successful in their vocational achievements, as well as academically and professionally. However, there is a natural preference amongst them to keep their financial concerns in line with their religious principles (faith) and Islamic lifestyles.

This research has found that religious belief, Shariah Compliance law and interest-free banking are three vital, motivating factors for the growth of Islamic banks in the UK. More than 50% (55.3%) of customers, however, have no understanding of the profit and loss sharing system of Islamic banking. This evidence indicates that BBMC members are more aware of the Islamic banks' profit and loss sharing financial principles than the practicality issues on Mudarabah (Partnership) and Musharaka (Equity) products. The socio-economic conditions of the BBMC are not favourable. From a socio-economic perspective, it can be said that the Islamic banking system is growing and attracting customers to take part in, or advantage of, this new, alternative method for bankers, as well as customers.

There are huge prospects for Islamic banking and finance in the UK, offering that the demand and insistence are very healthy assessed, investigated and suitable marketing strategies are sensibly adopted. The recent, positive regulations and changes of tax laws by the Government, FCA and FSA regarding Islamic banks, especially mortgages, (have appealed more banks either Islamic or conventional to offer Shariah Compliant Law products and services (Islamic mortgages). For example, the double stamp duty removal provides a high-level playing ground with traditional banking products and services. Government and FCA or FSA supportive point of view, Islamic mortgages or finance industry is in general. As for the broader framework, it is known that the UK government has established schemes with the intention of keeping the UK's capital city, London, as a world HUB Islamic banking and finance centre.

Therefore, it is hoped that it will provide and promote opportunities for Islamic retail banking and finance activities in the UK. The inconsistent view within the Muslim jurists regarding the Islamic banking system is seen as a significant challenge to future growth by this research. Finally, chapter 7 presents the conclusion and recommendations by summarising the key findings and discussions.

## **CHAPTER SEVEN: CONCLUSION AND RECOMMENDATIONS**

### **7.1 Introduction**

This chapter presents a summary of the research by comprehensively illustrating the findings. This chapter also reflects upon the research justification concerning the aims, objectives and research questions, along with an explanation of why the present study is useful by stating the implication of the research findings. It also indicates the research limitations and potential biases, which need to be avoided in any future research in this field, by identifying some further relevant research questions and issues.

### **7.2 Conclusions**

At this point of the study, the research findings have been analysed (based on table 31 in the previous chapter) along with their implications.

**I)** The Islamic banking system is expanding gradually with a stable growth rate compared to the global, conventional banking system. This growth rate will be sustained by the drive. In addition, it will attract not only Muslims everywhere, but also non-Muslims who are interested in ethical banking, including green banking, by attracting more savings because they do not wish to become involved with interest-based traditional banking across the globe. There are many reasons for this but one particular reason is the occurrence of frequent financial disasters or crises; the UK is not different or exceptional in this regard.

**II)** The UK government, FSA, HMRC and Bank of England's roles are remarkably positive, supportive and encouraging towards promoting the Islamic banking system. It is evident that the Islamic banking system will soon gain more popularity. The current government has made some structural changes to assist this system because it intends to make London the "HUB" of the world Islamic banking and finance industry. From the western world's point of view, the Al Rayan bank (formerly IBB) is a unique and stand-alone, Islamic retail bank in the UK, regulated and monitored by the Bank of England.

**III)** In the UK, the British Bangladeshi Muslim community is a faith-based community. Its members are more conscious of their own culture and religious identity. Moreover, they are very aware of their religious obligations, mostly in matrimonial areas, including financial behaviour. In addition, 4.8% percent of the total UK population is Muslim, of which 14.9% are Bangladeshi and 92% live in London. Furthermore, the Bangladeshi Muslim birth rate increased by 1% in 2011 (4%) from 2001 (3%). Therefore, not only the BBMC but also the entire UK Muslim population represents a significant segment of the total UK population. It indicates that this community will soon be a vital ethnic community. The current research results demonstrate that 87.1% of BBMC members held the opinion that the demand for the Islamic banking system is growing in the UK, while 92.4% of the participants had a view on the genuine need for an Islamic banking system. Moreover, 87.9% of the participants suggested that the Islamic bank, as well as its products and services, are essential for BBMC members.

**IV)** The consequences of being involved in interest are major influential factors for the selection of the Islamic banking system; this is because BBMC members (individuals who practise Islam and are pious) do not want to be involved with any financial transactions that are based on interest or are not under the supervision of Shariah Compliant law, as they know that it is the “WAR” against Almighty Allah and His true messenger, Prophet Mohammed. From the survey result, it is evident that the BBMC is using the Islamic banking system for the following reasons: religious belief (73.5%), Shariah Compliance law (65.4%) and the interest-free opportunity (64.4%).

**V)** Islamic Banking is faith-based banking, which has emerged from Islamic jurisprudence preferences. It has motivated not only the BBMC, but also the entire Muslim community in the UK, particularly in Greater London, because it has the aim of meeting human financial needs with the help of bank accounts, including commercial products and services, such as business, housing finance and personal accounts. It is an alternative system but is not considered as a replacement for conventional banking at

the moment. The market share of Islamic banks is tiny compared to traditional banks, at least in western countries such as the USA, UK, Canada, Australia, New Zealand and countries in Europe.

**VI)** From the larger segment of BBMC members' interest point of view, the UK government and financial regulatory authorities' policies are not very supportive towards the growth and development of Islamic banking and finance because the BBMC's socio-economic conditions concerning housing, poverty, employment, education and migration patterns are not favourable. For example, there are 60,000 customers at the Al Rayan bank, where nearly 500 customers are on home finance. Less than 1% has an Islamic mortgage which is a tiny percentage compared to any conventional bank in the UK.

**VII)** It is true that the Islamic banking system is growing globally. Current research findings indicate that more than two thirds (72.7%) of the sample population of this research have not responded regarding the terms and conditions of Islamic home finance. Nearly one quarter (24.3%) gave their views on their satisfaction or dissatisfaction with Islamic banking. From these, one-third of the respondents have shown their appreciation of Islamic banking home finance in Greater London.

**VIII)** Based on the profit and loss sharing system, it is evident that BBMC customers are dissatisfied by or have doubts about the products and services of the Islamic banking system because they lack an understanding of the P&L sharing system. The customer wants to see more partnership-based products and services. Unfortunately, this is difficult to achieve in the current market owing to the inter-banking relationship. In addition, it is evident that people with a higher level of education are more aware of the profit and loss system implemented by the Islamic banking system. This suggests that the marketing communications of the Islamic banking system are failing to educate customers.

**IX)** The Islamic banking system's product and service range is limited in scope and requires extra marginal cost, i.e. they are relatively uncompetitive and comparatively expensive. As a result, these products and services are struggling to attract, not only BBMC customers, but also Muslim customers from other segments. Islamic banking practitioners and Shariah supervisory board members said that product and service demands and expectations are unbalanced because of the small market share. Moreover, a Shariah compliance financial organisation needs more guarantees to avoid any unexpected disasters. Therefore, customers are not satisfied because banks cannot meet their financial needs.

**X)** For the customer, it is very difficult to access financial products or services under Shariah Complaint law, which exists in the market at this moment and is the reason why the terms and conditions of Islamic commercial products and services are stringent, especially on funding. Sometimes, it is quite impossible for the customer, especially for lower and middle-income earners. Furthermore, a high deposit is required on home finance, business and savings accounts. As a result, the Islamic banking system's limited range of products and services cannot reach those who are less affluent and at a disadvantage. From the SME business point of view, Islamic banks strictly maintain creditworthiness, which impedes the achievement of an optimal and potential market.

**XI)** Based on word of mouth recommendation by nationality, it is evident that 85.6% of British Bangladeshi respondents are happy to recommend Islamic banks to their friends, family and relatives. Moreover, British Bangladeshis are more advanced to practices and recommendations than Bangladeshi immigrants living in the UK.

**XII)** Islamic banking is gradually moving forward, based on the Mudarabah (Partnership) model to Murabaha (Cost plus) and Murabaha (Cost plus) to Tawarruq (Reverse Murabaha) models. At present, Islamic banks are using the Tawarruq model on the assets and liabilities side of products and services. It replicates and considers the loans based on the interest concept. Therefore, Muslim jurists argue that this model concept is similar

to traditional banks. In addition, products and services that use this model are too expensive for customers. Research suggests that 43.9% of respondents find that the current debate about the existing Islamic banking system among Muslim scholars is a significant challenge. Therefore, the debate among Muslim jurists regarding the Islamic banking system is considered a substantial challenge to its future growth.

**XIII)** The Islamic banking system has an excellent opportunity to achieve a high economic growth rate and essential economic stability. It can help to create a harmonious multicultural society, while providing a useful financial alternative for the broader community in the UK. From the interview and questionnaire survey results, the majority of the respondents said that Islamic banking system provision could be considered as an alternative. It would create a feeling within the BBMC of them as stakeholders for current society. Furthermore, this community's religious faith would be respected by others. Moreover, it would create a unique financial demand or need to the state. In addition, the current research results suggest that the Islamic banking and finance system in the UK plays a crucial social role in economic growth. It would not be undervalued because a total of nearly 60% (57.5%) of respondents agree that, 'Islamic banks can enhance social cohesion including national integrity'. Finally, more than 50% (51.3%) of respondents indicate that the Islamic banking system is engaging Muslim youth in active economic participation in the UK

### **7.3 Research implications**

With regard to the attitude and behaviour of BBMC members towards the Islamic banking system's growth and challenges, the current research has answered the research questions. Now this research offers some significant implications for the Islamic banking system.

**A)** The current research found that BBMC members display different attitudes and behaviours towards the Islamic banking system. Therefore, Islamic banks need to understand these customers' attitudes and practices by a formal order which should identify the non-profitable, including low-value customers. However, low customer values could be recognised by the following: (i) psychographic factors, which include levels of satisfaction and trust regarding banks' products or services and operations; (ii) social factors, such as friends', families' and relatives' influence; (iii) demographic factors, such as age, gender, location and education; (iv) cultural factors, such as religion, moral values, language, nationality, ethnicity and traditions. These types of considerations can provide Islamic banks with important critical insights into BBMC customers' attitudes and behaviour, which could help to unlock confused customers.

**B)** From the customer satisfaction point of view, Islamic banks need to gather various pieces of information from different sources (coordinating, monitoring and integrating of customer preference and satisfaction in their products and services, for a better understanding; this will improve the quality of their products and services. In addition, this initiative will also help Islamic banks to build a healthy relationship with their clients.

**C)** Through a marketing campaign, Islamic banks might follow the concept of multi-layered advertising by emphasising religious aspects and any other relevant specific factors. This could help them to simplify and distinguish between the Islamic banking system and conventional banks.

**D)** Current research findings and analysis of results suggest that Islamic financial organisations, including banks, focus attention on increasing their customer base, which is only possible through an effective marketing strategy. Again, they need to provide a detailed explanation regarding the Islamic banking system, as the current research found that two-thirds of BBMC members do not understand the profit and loss sharing system. With the help of product and service development, Islamic banks could provide a valuable contribution, not only for Muslims, but also for the non-Muslim community. The bank also requires internal (staff) and external

(basics, marketing, products and services) objective achievements. Therefore, Islamic financial organisations must demonstrate a comprehensive approach based on an economic 'breadth and width' mission.

**E)** From the customer feedback point of view, Islamic banks are facing one of their most significant challenges in recruiting frontline staff. This requires adequate training and development to provide the best possible service. The current research finds that frontline staffs are not yet sufficiently skilled to provide an efficient service and, as a result, they are wasting customers' valuable time. Moreover, Islamic banks should take the opportunity of employing Islamic finance graduates, which will add value through enhancing brand reputation. It is, therefore, necessary to recruit those people who know about Islamic banking and moral traits. The purpose of the Islamic banking system is not only to focus on external appearances, but also to spread Islam throughout all of humanity. It is noted that "Almighty Allah never looks at people's faces and bodies, but He looks at their hearts and good deeds" (Muslim Sharif, Book 22 and Hadith number 6221). Therefore, Islamic bank employees' sincerity, honesty, verbal commitment, promise and cooperation in dealing with customers will increase brand reputation, along with better performance.

**F)** There is a demand for an Islamic banking system in the UK. The vast majority of BBMC customers opt for Islamic home finance for traditional religious, cultural and financial expertise reasons, so it is evident that the BBMC not only uses the Islamic banking system for religious reasons regarding their financial practices, but also for other reasons. However, Shariah Compliant financial products (for example Islamic mortgages) are not the most significant premiums offered by Islamic financial institutions and this raised questions from many BBMC customers. Therefore, this is a negative perception about Islamic mortgages and suppliers of Islamic banks or other Islamic financial organisations. In addition, some pious BBMC customers use Islamic mortgages, though they are expensive compared to the mortgage offers available in the conventional banking system. So Islamic banks and financial organisations need to concentrate

urgently on developing a competitive price structure for their products and services, including Islamic mortgages, otherwise they will lose a significant segment of BBMC customers.

**G)** The Mudarabaha (Partnership) financing mode is most prominent in Islamic mortgages from respondents. Unfortunately, it is also true that the majority of respondents do not understand the profit and loss sharing system. It is mandatory for the Islamic banks' Shariah board to produce new products through other Islamic financial modes like Ijarah (Leasing) subject to security and refinement and, therefore, this will be made satisfactory and attractive for the customers.

**H)** The current study found that recommendations from friends and family perform a vital role in the selection of Islamic banks. Islamic banks need to ensure that these minority communities are aware of Islamic bank extended products and services. They also need to publish relevant Islamic banking system information in the languages of their customers in order to promote Islamic banking system products and services. This will encourage potential customers to accept or use Shariah-compliant financial products and services.

**I)** BBMC respondents provided their views on higher demand and the necessity for Islamic banking and finance in the UK. However, this demand has three types: (i) The home finance demand of the conventional banking and Islamic banking systems is more or less useful. Islamic mortgages and conventional mortgages are perfect alternatives for both systems but the primary concerns are ideology and price; (ii) Confined demand considers religion and other influential factors in the selection and choice of home finance. However, it is usual to switch to Islamic home finance when it is sufficiently competitive; (iii) Spiritual demands drive a BBMC customer's motivation towards choosing Islamic mortgages and these people are unlikely to involve themselves with conventional mortgages. Therefore, Islamic financial organisations need to target the right clusters of customers. This is an efficient way to access knowledge of customer demand.

**J)** It should be noted that the Islamic banking system is engaging BBMC youth in active economic participation in the UK. If those in authority of the Islamic banking system arrange seminars, conferences, recruitment and short courses for the younger generation, to involve them in Islamic banking, it will contribute to the UK's central economy.

**K)** The BBMC Muslim scholars' debate and shortage of Muslim scholars in the Islamic banking system, to advice on product and service standardisation, is still a significant challenge. In addition, a scarcity of Muslim scholars can work as an obstacle to new product and service development; it is essential to arrange enough training and development programmes for new and young scholars. Moreover, an experienced, knowledgeable senior scholar can play a vital role in minimising this gap. A Shariah responsive vision is vitally needed for moving in the correct direction. Shariah board Muslim scholars' roles might be enhanced in the future through their contribution to different banking business procedures. For instance, Shariah board Muslim scholars could play a constructive and encouraging role in the recruitment process, as well as the development of marketing material.

**L)** The current research has found that the debate among Muslim jurists regarding the Islamic banking system is considering a significant challenge to the future growth and development of Islamic banking. Therefore, Muslim scholars need to use Islamic ingredients through Taqwa (Almighty Allah Fear), Birr (Righteousness), Khushu and Khudhu (Humbleness and Devotion) and Ikhlas (Sincerity) to encourage growth and development and attract leading brands of the Islamic banking system for its future growth and development. Instead of issuing confusing statements regarding the Islamic banking system, Shariah board Muslim scholars can offer their opinions in a concise and simple way to Muslims. Otherwise, these types of confusing statements will erode customer conviction and confidence.

#### **7.4 Current research limitations and future research directions**

Similar to other research studies, the present research has several limitations. The available resources for data collection were inadequate and scarce. Predominantly, data was collected by using survey questionnaires from various Masjid (Mosques) in the Greater London area (east, west, north and south) including Islamic retail, i.e. high street banks. The biases of the respondent groups would have manipulated the survey results.

By making every possible effort, the researcher managed to interview Islamic bank Shariah board members who were also BBC Muslim scholars. The difficult and debatable issues, such as using Murabaha (cost plus), Tawarruq (reverse Murabaha), profit and loss sharing calculations and business finance terms and conditions were considered and discussed in order to understand and discover their viewpoints. However, it is true that several renowned respondents were approached but did not respond.

The majority of BBMC members did not participate in this research. It has been identified that previous literature does not discuss the Islamic banking social aspects of the British Bangladeshi Muslim community in the UK. Some research areas show potential for conducting any future research.

The correlation between the Islamic banks' financial and community-based performance can be studied in more precise areas with more comprehensive resources, although this research does contain a limited discussion of the UK Islamic banking system's financial and cost-effective aspects. Again, the banking system's social role has been neglected and, thus, should be explored in a more precise way, for example, by looking at the following:

1. Attitudes and behaviour of non-Muslims regarding the Islamic banking system;
2. A comparison of regression analysis of the social and economic performance of the Islamic banks in the United Kingdom;
3. The correlation between Islamic banks' financial and community-based performances. This can be studied in precise areas with broader resources in future research;
4. Social problems, including issues such as extremism and social unrest, which might be affected by the Islamic banking system providing services to unemployed Muslim youth in the United Kingdom;
5. United Kingdom Islamic microfinance, financial inclusiveness and diversity.

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## Appendixes

### Appendix 1: Questionnaire

Dear Participant

I would like to invite you to participate in my research project by short questionnaires. This survey is a part of the doctoral research programme (Doctor of Business Administration) for University of Wales, Trinity Saint David to study “**Growth and challenges of Islamic banking system: A perspective of British Bangladeshi Muslim community in London, UK**”. This project will collect your responses and aims to explore the factors that influence the growth and challenges of Islamic banking system in the UK. Through your participation in the survey questionnaire, I hope to ascertain my research purpose to get the best opinion from you. I believe your opinion will be extremely helpful to me to carry out this research.

Please note that the survey should take about 12-15 minutes to complete. All questionnaires will be kept strictly confidential to the researchers involved and at NO time will individual questionnaires be released to the general public or passed to any third party without your consent. It gives you a chance to express your views on this programme a confidential and anonymous forum and still be able to make a difference. Your participation in this study is entirely voluntary so you can withdraw from the questionnaire at any stage.

#### Part I

Age group: 18-28 , 29-39 , 40-50 , 51-61 , 62+

Gender: Male  Female

Annual Income: ≤ £10,000 , £10,001 - £20,000 , £20,001- £30,000 ,  
£30,001 - £40,000 , £40,001+

Profession: .....

Nationality: British Bangladeshi  Bangladeshi

Education: GCSE , A level , Graduate , Postgraduate

## **Part II**

1. What types of bank account you have?

a) Personal  Business  Both

b) Islamic  Conventional  Both

c) Current  Saving  Both  Investments

2. Do you think that Islamic banking has demand in the UK?

Yes  No

3. From the following which services do you use while using Islamic Banking.  
(Please tick as applicable)

a) Islamic mortgages  b) Islamic insurance

c) SME business loan  d) Islamic bond (Sukuk)

e) Leasing (Ijarah)  f) Interest-free financing (Qard Hasan)

4. Why do you like Islamic banking? (Please tick as applicable)

a) Islamic Shariah law  b) Religious obligatory

c) Free from the interest  d) Growing Muslim community

e) Global acceptance  f) UK higher education institution attention

5. Does anybody within your family members, relatives or friends use Islamic banking?

Yes  No

6. Can you recommend anybody for Islamic bank account?

Yes  No

7. At present, what types of finance you like?

a) Islamic (Shariah compliant)  Conventional

b) Personal  Mortgage  Business

8. Do you understand Islamic banking profit loss sharing system?

Yes  No

9. Do you have a mortgage or personal finance based on Shariah compliance law?  
If yes, please answer question 10, 11 & 12.

Yes  No

10. Who is your provider?

a) Islamic bank  b) Private finance company   
c) Conventional bank

11. Is it the basis of?

a) Mudharaba (Partnership)  b) Musharaka (Equity)

c) Murabaha (Cost Plus)

12. Are you satisfied with Islamic banking terms and conditions on Islamic mortgage and investment for business?

Yes  No

**Part III**

13. What factors do you consider in selecting any bank? Please rank 1 to 6 where 1 most relevant and 6 least relevant.

**Basics**

- a) Reputations
- b) Convenient time
- c) Parking facilities and location
- d) Staff efficiency
- e) Online service
- f) The simplicity of bank account open

**Marketing**

- a) Brand images
- b) Shariah compliance law
- c) Friends and family recommendation
- d) Interior comfort and media advertising
- e) Friendly staff
- f) Branch availability

**Services**

- a) Product and service quality
- b) Deposit returns policy
- c) Credit availability
- d) Overdraft facility
- e) Professional suggestion and financial counsel
- f) Funds security and safety

14. Any other factors?

.....

15. What types of factors motivate you to select and dealing with Islamic banking system? (Please tick as appropriate)

Items	Strongly agree	Agree	Impartial	Disagree	Strongly disagree
Religious beliefs					
Shariah compliance law					
Ethical concern					
Deposit return					
Friends and family recommendations					
Interest-free					
Availability of loan or mortgage					
Fast with efficient service					
Interior comfort and media advertising					
Online service					
Fulfilling community needs					

16. Any other aspect?

.....

17. To what point, do you agree/disagree with below statements?

<b>Statement</b>	<b>Strongly agree</b>	<b>Agree</b>	<b>No view</b>	<b>Disagree</b>	<b>Strongly disagree</b>
There is a genuine need for Islamic banking in the UK					
Islamic bank and their products and services are essential for British Bangladeshi Muslim community					
Islamic banking products and services display a full knowledge of my needs					
Islamic banks are helping and supporting business					
Islamic banks will increase social cohesion including national integrity					
Islamic banking system is engaging Muslim youth towards the active economic participation					
Islamic bank profit and loss sharing system is not clear to me					
British Bangladeshi Muslim community thinks that it is just a brand					
Shariah, compliance board members, are well organised and have enough to monitor Islamic banking and finance					

18. To what extent, you are aware of Islamic banking products?

Products	Fully aware	Little bit aware	Fully unaware
Current accounts			
Saving accounts			
Investment accounts			
Mudharaba (Partnership)			
Murabaha (Cost plus)			
Musharaka (Equity)			
Ijara (Leasing)			
Halal Mortgage			
Takaful (Islamic insurance)			
Personal loans			
Profit and loss sharing system			

19. What are the challenges of Islamic banking system? Could you rank 1 to 7 please where 1 most significant and 7 least significant?

- a) Globalization competition
- b) Supervisory framework
- c) Shortage of scholars (Islamic)
- d) Product and market development
- e) Roles and regulations of FSA and UK government
- f) Enhancing investment
- g) The debate within the Islamic scholars on the system of Islamic bank

**Thank you for your cooperation**

## Appendix 2: Semi-structured interview questions

### General Questions

- I) How much do you know about Islamic banking?
- II) To what extent do you think that there is a demand for Islamic banking in the UK Muslim community?
- III) Do you believe that the Islamic banking system is meeting the British Bangladeshi Muslim community's financial needs?
- IV) How have you noticed that Islamic banking roles are helping SME businesses?
- V) How have you noticed that Islamic banking roles are creating employment?
- VI) Do you think Islamic banking gets enough support from the FSA?
- Yes, next question
  - No, why? Explain, please
- VII) Do you believe Islamic banking receives enough support from the Bank of England?
- Yes, next question
  - No, why? Explain, please?
- VIII) Do you believe that "Islamic banks can help to reduce the financial crisis" with their asset-based financing?
- Yes, how? Explain please
  - No, why? Explain, please
- IX) What would you consider to be the primary challenges facing the Islamic banking system in the UK?
- X) Could you please explain why Muslim people borrow money from Islamic banks or finance companies?

### **Questions for Islamic Scholars**

I) Could you please explain about the Islamic financial system based on Shariah (Islamic law)?

II) Are you happy with Islamic banks offering Shariah compatible products and services?

Yes, how? Explain please       No, why? Explain, please

III) Do you think that there are any ideological differences between Islamic and conventional banking based on their product range?

IV) What is your opinion on the function of the Shariah advisory committee in Islamic banking?

V) Do you have any plan to become involved with Islamic banks' activities, such as supervision of Shariah Compliance as an Islamic scholar?

### **Questions for Islamic banks Shariah Board Members**

I) Could you please explain what the Islamic bank's profit and loss sharing system is?

II) Could you please explain the difference between Islamic and conventional mortgages?

III) To what extent do you think Islamic mortgages are expensive, though requiring a large deposit?

IV) Do you think Islamic banks are following all the requirements of Islamic Shariah Compliance law?

Yes, how? Explain please       No, Why? Explain, please

V) Do you believe Islamic banks have useful supervisory frameworks?

### **Questions for Community Leaders**

I) How can Islamic banks achieve growth within the British Bangladeshi Muslim community in the UK?

II) Do you think that Islamic banks may lead to social unrest within the British Bangladeshi Muslim community?

III) In your opinion, do you think Islamic banking will help reduce radicalisation?

- Yes, how? Explain please       No, why? Explain, please

IV) Do you think the current high tuition fees policy will affect British Bangladeshi Muslim students?

- Yes, how? Explain please       No, why? Explain, please

**Thank you for your cooperation**

### Appendix: 3 Interview participants' information sheet and consent form



PRIFYSGOL CYMRU  
Y Drindod Dewi Sant  
UNIVERSITY OF WALES  
Trinity Saint David

Rhif Adnabod Cyfranogwr:  
Participant Identification Number:

FFURFLEN GANIATÂD CYFRANOGIAD

SAMPLE PARTICIPANT INFORMATION SHEET

**Teitl Y Prosiect: /Project Title: Growth and challenges of Islamic banking system: A perspective of British Bangladeshi Muslim community in London, UK**

Dear Participant

My name is Md Rubel Ahmed and I am studying in the School of Business, University of Wales, Trinity Saint David, UK. Currently, I am doing my doctoral research on above title.

I would like to invite you to participate in my research project by short interview. This project will collect your responses and aims to explore the factors that influence the growth and challenges of Islamic banking system in the UK. Through your participation in the interviews, I hope to ascertain my research purpose to get the best opinion from you. I believe your opinion will be extremely helpful to me to carry out this research.

All questionnaires will be kept **strictly confidential** to the researchers involved and at **no** time will individual questionnaires be released to the general public or passed to any third party without your consent. This gives you a chance to express your views on your programme a confidential and anonymous forum and still be able to make a difference. Your participation in this study is completely **voluntary** so you can **withdraw** from the questionnaire at any stage.

Please note that the interview should take about 20-30 minutes to complete, but there is no time constraint. There are also no right or wrong answers. Attached to this letter along with the questionnaire there is a consent form where you will better understand researcher's intention. As this is a new project, your opinion, suggestion and feedback is also important to me. I understand that your time is at a premium but your opinions are very valuable to me.

After careful and precise analysis of the data obtained from this interview, I will be happy to provide you with a copy of the findings at your request. The results of this interview will hopefully enhance my understanding of current level of knowledge and future findings. The results of the research will be fed back to Director of Studies, Supervisor, University and British Library.

I thank you in advance for your time and participation. If any questions do arise, feel free to contact me at your convenience.

#### NAME & ADDRESS OF RESEARCHER

Md Rubel Ahmed (1303964), University of Wales, Trinity Saint David  
Winchester House, 11 Cranmer Road, London, SW9 6EJ, Tel: +442075667600  
Email: 1303964@student.uwtsd.ac.uk



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**FFURFLEN GANIATÂD CYFRANOGIAD**

**PARTICIPATION CONSENT FORM**

**Teitl Y Prosiect: /Project Title: Growth and challenges of Islamic banking system: A perspective of British Bangladeshi Muslim community in London, UK**

Enw'r Ymchwilydd / Name of Researcher: Md Rubel Ahmed

**Blwch Cychwynnol / Please initial box**

1	Cadarnhaf fy mod wedi darllen a deall y daflen wybodaeth dyddiedig XXXX ar gyfer yr astudiaeth uchod. Rwyf wedi cael y cyfle i ystyried y wybodaeth, gofyn cwestiynau, ac rwyf wedi cael ateb boddhaol i'r rhain.	I confirm that I have read and understand the information sheet dated 00/00/2016 for the above study. I have had the opportunity to consider the information, ask questions and have had these answered satisfactorily.	√
2	Deallaf fy mod yn cymryd rhan o'm gwirfodd a bod croeso i mi dynnu'n ôl ar unrhyw adeg, heb roi rheswm.	I understand that my participation is voluntary and that I am free to withdraw at any time, without giving any reason.	√
3	Deallaf y gellir defnyddio unrhyw wybodaeth a roddir gennyf mewn adroddiadau, erthyglau neu gyflwyniadau gan y tîm ymchwil.	I understand that any information given by me may be used in future reports, articles or presentations by the research team.	√
4	Deallaf na fydd fy enw'n ymddangos mewn unrhyw adroddiadau, erthyglau neu gyflwyniadau.	I understand that my name will not appear in any reports, articles or presentations.	√
5	Cytunaf i gymryd rhan yn yr astudiaeth uchod.	I agree to take part in the above study.	√
Enw'r Cyfranogwr Name of Participant	X, Y, Z, P, Q, R & S		Llofnodwyd Signature
Ymchwilydd Researcher	Md Rubel Ahmed		Llofnodwyd Signature

<p>Cewch wrthod cymryd rhan yn yr astudiaeth hon. Cewch ddod â'ch cyfranogiad yn yr astudiaeth hon i ben unrhyw bryd. Os penderfynwch barhau'n ddiennw, bydd sicrhau hynny'n flaenoriaeth a chymerir pob cam ymarferol i guddio pwy ydych. Os yw'n well gennych fod yn anhysbys, ni fydd unrhyw wybodaeth yn eich enwi ar dapiau sain na thrawsgrifiadau o'r cyfweiliad hwn nac o unrhyw un arall. Ni fydd neb yn clywed unrhyw dapiau sain nac yn gweld unrhyw drawsgrifiadau heb eich cydsyniad o flaen llaw. Bydd deunyddiau a grëir yn sgil y cyfweiliad hwn neu unrhyw gyfweiliad arall yn aros yn gyfrinachol.</p>	<p>You may decline to participate in this study. You may end your participation in this study at any time. If you decide to remain anonymous, maintaining your anonymity will be a priority and every practical precaution will be taken to disguise your identity. If you prefer anonymity, there will not be any identifying information on audiotapes or transcripts of this or any interview. No-one will hear any audiotapes or see any transcripts without your prior consent. All materials generated from this or any interview will remain confidential.</p>
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<p>Ar ôl llenwi'r ffurflen, dychwelwch hi yn yr amlen a ddarperir (lle bo'n berthnasol). Rhoddir un copi i'r cyfranogwr a chedwir y gwreiddiol yn ffeil y tîm ymchwilio yn:</p>	<p>When completed please return in the envelope provided (if applicable). One copy will be given to the participant and the original to be kept on the file of the research team at:</p>
<p><b>ENW A CHYFEIRIAD YR YMCHWILYDD</b></p>	<p><b>NAME &amp; ADDRESS OF RESEARCHER</b></p> <p>Md Rubel Ahmed (1303964)  University of Wales Trinity Saint David  Winchester House, 11 Cranmer Road  London – SW9 6EJ  Tel: +442075667600  Email: 1303964@student.uwtsd.ac.uk</p>

### **Interview Participants**

Muslim Scholars = **X**

Community Leaders= **P**

Islamic Bank Shariah Board Members = **Y**

Islamic Banking Practitioners = **Z**

Peoples of other Faith = **Q**

Muslim Scholars & Islamic Bank Shariah Board Members = **R**

Community Leaders & Banking Practitioners = **S**

#### Appendix 4: Why like Islamic banking system

Most reasons towards IB choice	Frequency	Percent
Not Applicable	06	4.5
Religious obligatory and Free from the interest	13	9.8
Free from the interest and Global acceptance	09	6.8
Islamic Shariah law, Religious obligatory and Free from the interest	12	9.1
Global acceptance and UK higher education institution attention	01	0.8
Religious obligatory, Free from the interest and Global acceptance	07	5.3
Islamic Shariah law and Religious obligatory	06	4.5
Islamic Shariah law, Religious obligatory and Global acceptance	01	0.8
Free from the interest, Global acceptance and UK higher education institution attention	03	2.3
Free from the interest, Growing Muslim community and Global acceptance	09	6.8
Free from the interest and Growing Muslim community	07	5.3
Religious obligatory, Growing Muslim community and Global acceptance	02	1.5
Islamic Sharaiah law, Free from the interest, Growing Muslim community and Global acceptance	02	1.5
Islaimic Shariah law and Free from the interest	12	9.1
Religious obligatory, Free from the interest, Growing Muslim community and Global acceptance	02	1.5
Islamic Shariah law, Religious obligatory, Free from the interest and Global acceptance	03	2.3
Islamic Shariah law, Growing Muslim community and Global acceptance	04	3.0
Religious obligatory, Free from the interest and UK higher education institution attention	01	0.8

Free from the interest, Growing Muslim community and UK higher education institution attention	01	0.8
Islamic Shariah law and Global acceptance	04	3.0
Islamic Shariah law, Free from the interest and Global acceptance	02	1.5
Islamic Shariah law, Religious obligatory, Free from the interest and Growing Muslim community	06	4.5
Religious obligatory, Free from the interest and Growing Muslim community	07	5.3
Islamic Shariah law, Free from the interest and Growing Muslim community	05	3.8
Islamic Shariah law, Religious obligatory and UK higher education institution attention	01	0.8
Islamic Sharaiah law, Free from the interest and Global acceptance	03	2.3
All Reasons	03	2.3
<b>Total</b>	<b>132</b>	<b>100.0</b>

## Appendix 5: Most reasons towards Islamic banks choice

