

Survey: The Public's Response

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After conducting a timely financial survey with 700 respondents from the Muslim community, *Hamza Mian* analyses the responses.

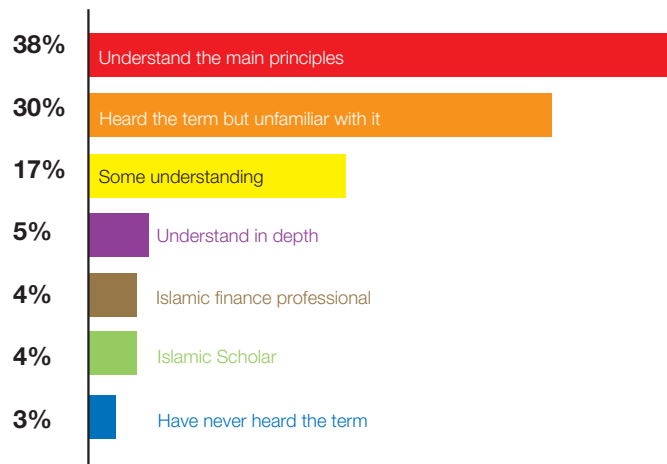
It is now approximately three years since HSBC launched what could be argued as the first mainstream financial product from a high street bank to be targeted at Muslims: their Amanah Islamic home finance offering. This was not the first step taken in the UK towards establishing Islamic finance but it was a significant one for the British market. Since that time we have seen a number of products tailored to Muslim needs offered by well known high street banks and building societies and witnessed the establishment of two banks dedicated to providing Sharia'ah compliant financial services and products.

During this time a great deal has also been written, spoken and disseminated about Islamic principles governing finance and economics, the underlying structures and classical contracts used to model these new products and growth of the industry in general. Information on the awareness of the general British (Muslim) public, their attitude, opinions and importantly their level of participation with these new products and services however is comparatively sparse. With this in mind, a recent independent survey was carried out to assess these factors and provides some useful insights into this area.

Awareness

General awareness of the concepts underlying financial transactions in Islam, one of the prerequisites for the establishment of an Islamic economy, appears to be healthy.

Level of knowledge of Islamic Finance



With 97% of British Muslims professing, at the very least of having heard the term 'Islamic finance' and two thirds claiming to have a basic working knowledge of the principles involved, the penetration levels of the existence of this economy are quite high. This is further confirmed by 92% of Muslim respondents knowing that Riba (often translated as usury) is not permitted in Islam. The overwhelming majority, almost three quarters, also agreed that interest constitutes

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Riba, more interestingly however a significant minority of 14% Muslims stated that they did not agree that interest always constitutes Riba and a further 14% did not know. Appreciably fewer people however, 55%, were aware that conventional insurance policies are deemed to be impermissible by most scholars of Islam.

Do you agree with the opinion that considers interest to be Riba?

Don't know	14%
No	2%
Only in some circumstances	12%
Yes	73%

At a practical level, awareness of the various products available on the market is similarly high, being led understandably by awareness levels for home finance products (these being the mainstay of the Islamic finance retail industry in the UK); 91% of the Muslims questioned were aware that Islamic home finance products are available, falling to 71% for current accounts and 62% for savings and investment products. Awareness of the emergence of new insurance products based on Takaful (a type of mutual insurance) is currently low, little more than one quarter, though given the recent introduction of products in this area at the beginning of this year this is not surprising.

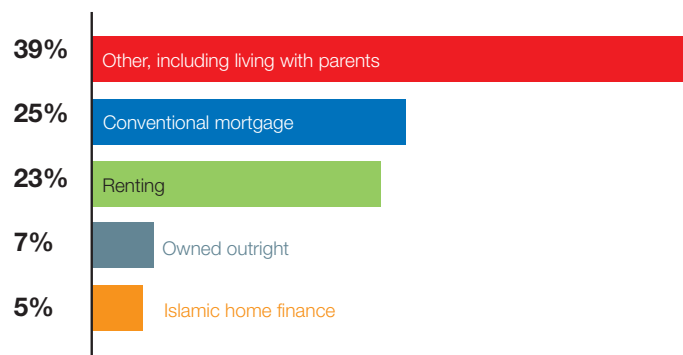
	Home finance	Current Accounts	Savings & Investment products	Takaful
Percentage of Muslims aware that products are available	91%	71%	62%	26%

Adoption

Whilst it would seem that the majority of the British Muslim population has a good understanding of the principles of Islamic finance and the products that are currently available to them, the proportion of Muslims that have actually elected to use these products remains low. There also appears to be little positive correlation between the levels of awareness of a product and its market penetration. Savings and investment products, the least known, have an adoption of 14%. Current accounts, what most people would consider the most fundamental product required by Muslims have an uptake of only

10%, with home finance schemes the most established product lagging with an espousal of only 5%. This lower level is to some extent explained by the relative necessity and demand of home finance products in general (Islamic and conventional) as compared to current and savings accounts.

Current home finance mechanism



Due to the relative infancy of the industry however it is necessary to analyse not only the levels of adoption but also the willingness to use such products in future. In these scenarios the results are somewhat more encouraging. 86% of Muslims questioned would consider using Islamic home finance to fund the purchase of their next home provided it was at least competitive with conventional modes of financing. 90% and 83% would consider use of savings and insurance products respectively.

Consider Islamic home finance?

Not at all	5%
Yes if cheaper than conventional mortgages	9%
Yes if competitive with conventional mortgages	48%
Yes regardless of cost	38%

Interestingly a large minority of 38% of those questioned stated they would use Islamic modes of financing regardless of the costs involved, this relatively large proportion would seem to be at odds with the opinions of most providers. This figure rises to 56% when considering savings and investment products.

Perceptions and opinions

The relative immaturity of the industry explains to some extent the discrepancy between the awareness levels & willingness to use Islamic financial products. In order to understand this in more detail it is necessary to analyse the perception that British Muslims have of the industry and the products it offers. ▶

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It would appear that there is a significant minority that is not satisfied with the products that the industry is currently offering. Almost half of all those questioned had reservations as to whether or not the home finance products currently on the market were genuinely compliant with the values enshrined in the Sharia’ah.

Does Islamic home finance truly comply with the Sharia’ah



Although a very small minority, only 5%, believed that the products did not comply at all with Islamic law, a much more significant number either believe that the product does not comply with the “spirit of the law” or are sceptical. Couple this with the fact that almost one fifth of the Muslims questioned do not believe that the Islamic finance industry is sincere in its attempt to provide products consistent with Islam and almost two fifths do not believe the needs of British Muslims are being met.

Do you believe the Islamic finance industry is sincere in its attempt to provide Muslims in the UK with products that are compatible with their beliefs?

Don't know	46%
No	18%
Yes	36%

Do you believe the Islamic finance industry in the UK is serving the needs of the British Muslim population?

Don't Know	43%
No	37%
Yes	20%

The problem could lie in the nature of the products that have been offered to date, many of which mimic and resemble conventional financial instruments or it could equally be one of perception and education. A comparative analysis of the opinions of the ulema (Islamic scholars) shows that the majority, 63%, believe Islamic home finance schemes comply with the Sharia’ah, though a significant minority, 15%, still remain sceptical or unconvinced.

The Islamic finance industry in the UK is in its infancy; these formative years are possibly some of the most critical to the long term success of the industry and its adoption and acceptance by British Muslims. Any problems with the perception of compliance with the Sharia’ah of Islamic financial products must be resolved as quickly as possible in order to ensure that the public do not lose confidence. Although only a minority of British Muslims have reservations about the products currently available on the market, it is often this minority that is outspoken, increasingly well educated and well informed.

At present, the Islamic finance industry is pioneering products and services that will be offered to Muslims in the British Isles, with this however comes a certain level of responsibility. The industry must endeavour not only to provide products that are consistent with the Islamic faith and approved by a board of scholars but must also ensure that they are seen to be so. Transparency is an important concept in Islamic finance, it must be applied not only to the financial transactions executed but also to the contracts and products that are developed and used in this sector. While it is likely that the Muslim community is in need of some education in order to understand these new products and appreciate the differences between them and their conventional twins the major providers must make a concerted effort to ensure future products are developed in a manner that are not only compliant with the Sharia’ah but firmly grounded within it. Anything less risks losing the confidence of the public and having the Islamic finance industry relegated to the status of yet another Halal branded money making machine. ●

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