

Are Islamic Finance Products and Services Islamic: A Perceptual Analysis from Malaysia and United Arab Emirates

Dr. Fayaz Ahmad Lone
Assistant Professor

College of Business Administration

Salman Bin Abdulaziz University, Al-kharj Saudi Arabia.

Email: f.lon@sau.edu.sa, website: www.wdibf.com (M): 00966556428320

Abstract:

Purpose- This paper aims to find the perception of stakeholders towards Islamic finance in Malaysia and United Arab Emirates. This is a comparative study to find the stakeholders perception across profession, age, gender and country. **Design/methodology/approach-** primary data has been used to complete this research, which was collected from Malaysia and United Arab Emirates. Data was collected from the stakeholders of Islamic finance which include customers, employees of Islamic banks, Shariah advisors, regulatory officers and others. The research methodology consists of one way-ANOVA and Independent samples T-Test. **Findings-** the results reveal that there is a difference in perception towards Islamic finance products and services across profession. But across age, gender and country, there is no difference of opinion towards products and services of Islamic finance. **Research limitations/implications-** sample from only two countries have been collected because of budget and time constraint. So research is just a sample to find the overall perception of stakeholders towards Islamic finance across countries. **Practical implications-** This study was conducted with the motive to find the perception of stakeholders, whether the products and services of Islamic finance are really Islamic? So this research is justifying whether Islamic banking is Islamic or not. **Originality/value-** the paper presents the findings of stakeholders towards Islamic finance products and services across profession, age, country and gender. It highlights what the people think about Islamic finance across the countries.

Keywords- Perception, Stakeholders, Malaysia, United Arab Emirates, Islamic Finance

Paper type- research paper

1. Introduction

Islamic Finance is a young industry, yet it already offers a wide variety of products and services – and new sharia-compliant products are continually being marketed. A range of Islamic financial instruments have been developed in order to cater to the needs of Islamic Finance customers. These products are built on sharia principles, where every transaction is asset-backed and where every party to a financial transaction must share in the risks and rewards attached to it. While the range of financial products and services offered by IFIs is still relatively underdeveloped, Islamic Finance has been quickly seeing an increase in product sophistication. It has been argued that “long-term winners will be those banks that dedicate sufficient resources to structuring the most innovative sharia-compliant products and that tailor those products to specific markets and segments.” Most Islamic instruments are effectively contracts, and because of their unique structure, there is not a direct conventional finance counterpart for each instrument. Despite the proliferation of these products, they can be classified into six basic modes of operation.

1.1. Consumer and business loans: Due to the prohibition of interest in Islamic Finance, secured lending operations may be carried out in one of three ways: (a) a buy-sell-back arrangement (murabahah), where the bank purchases a commodity and resells it at a predetermined higher price to the customer; (b) a lease-to-purchase (ijarah) or diminishing partnership (musharakahmutanaqisah) arrangement, where the bank leases a commodity to the customer for a rental fee and at the end of the lease period the customer purchases the commodity at an agreed price minus the rental fees already paid, or both parties contribute funds to acquire a commodity with the bank’s share being gradually bought-out by the customer; or (c) a three-party contract

(tawarruq), where the bank buys a commodity from a third party, sells it to the customer at a higher price, which the customer then sells back to the third party (or otherwise) for a cash amount of the original price, similar to a cash loan.

Examples of Consumer and Business Loans

- **Mudarabah:** investment/trustee partnership
- **Musharakah:** joint venture
- **Murabahah:** cash plus sale
- **Bai’BithamanAjil:** deferred payment sale
- **Bai’al-Salam:** deferred delivery sale
- **Istisna’a:** commissioned Manufacturing
- **Bai’Istijrar:** Recurring supply sale
- **Bai’al-Dayb:** Debt financing
- **Bai’al-Inah:** Repurchase
- **Tawarruk:** Monetization of Commodity
- **Ijarah:** Leasing
- **Qard Hassan:** Benevolent Loan

1.2. Bank deposits and fixed income securities: An Islamic bank acts as the keeper and trustee of depositors’ funds, similarly to conventional banks; however, one of the biggest differences between Islamic and conventional banks is that sharia-compliant institutions do not pay interest on deposit accounts. Standard safe-keeping (wadi’ah) deposit accounts generate no interest, however, a gift (hibah) may be offered to the depositor by some banks. One attraction for clients is that Islamic banks usually also offer profit-sharing investment accounts (mudarabah), which serve as a major source of funding for Islamic banks (note 1). While Islamic banks state that funds may be withdrawn at any time from these investment accounts, there is the issue of potential losses incurred by any investments made with the „deposited” funds. Alternatively, market-based fixed-income options based on securitization are also available, where Islamic Finance customers can, for example, buy Islamic mortgage based securities, or invest directly in pools of securitized fixed-return Islamic financial products.

Examples of Bank Deposits and Fixed Income Securities

- **Wadi’ah:** Safe-keeping account
- **Mudarabah:** investment partnership account
- Fixed income securitized portfolios/options

1.3. Fee-based services: Like conventional commercial banks, Islamic banks also offer certain services for which they receive a fee. These include letters of guarantee (kafalah), bills of exchange (hawalah), such as cheques and bankers drafts, and agency services (wakalah).

Examples of fee based services

- **Wakalah:** agency
- **Kafalah:** Letter of Guarantee
- **Hawalah:** bills of exchange

1.4. Investment vehicle alternatives: Investment methods through private equity or mutual funds, are similar to those offered by conventional banks, however certain restrictions apply. The first is that all investments must be made in companies that do not produce products that are forbidden to Muslims, such as pork and alcohol. Islamic jurists have extended this to include other “undesirable” engagements, such as the production of weapons or cutting-edge genetic research. Secondly, because the issue of Riba (interest) is more complicated and that the exclusion of all companies that take or receive interest would be impractical, jurists have invoked the rule of necessity where Islamic investors may invest in selected financially-screened companies. These are companies: (a) whose account receivables do not constitute a major share of

their assets; (b) that are not in too much debt; and (c) that do not receive substantial amounts of interest (note 2).

Examples of investment vehicle alternatives

- Investment in selected financially-screened companies that do not produce the products forbidden in Islam.

1.5. Corporate and government bonds: There are two kinds of sharia-compliant bonds (sukuk) that are available for businesses and governments to issue: securitized sukuk and non-securitized sukuk (although there are a number of sukuk which are a hybrid of the two). Securitized sukuk, often based on lease-backed securities (sukuk al-ijarah), are similar to conventional bonds with the difference that they are asset-backed and represent proportionate beneficial ownership in the underlying asset. Sukuk holders are entitled to a share in the revenues generated and in the proceeds of the realization of the sukuk. Treasury bill-like bonds are also issued by some governments using forward sales of some commodities (salam).

Examples of Corporate and Government Bonds

- **Sukak:** Securitized / unsecuritized / hybrid Islamic bond
- **Salam:** Short-term (treasury bill-like) bonds using forward sales of some commodities

1.6. Insurance. Islamic jurists have ruled that conventional insurance involves *maysir* as it is akin to gambling due to the uncertainty involved. Furthermore, “safety” or “insurance” is not itself viewed as an object of sale in classical Islamic jurisprudence and therefore is inconsistent with the prohibition of *gharar*. Islamic insurance (*takaful*) was therefore developed and is based on mutual cooperation, responsibility, protection and assistance between groups of participants. It is similar to conventional cooperative insurance wherein members contribute a specific sum of money to a common pool and every policyholder pays his subscription to help those that need assistance. Losses are divided and liabilities spread according to the community pooling system. Some forays into reinsurance, or “re-takaful”, have been made recently to allow *takaful* companies to manage their risk.

Example of Insurance

- **Takaful:** Islamic cooperative / mutual insurance

2. Review Of Literature

In the world, at the begging of Islamic finance, some authors were advocating that Islamic banking is not Islamic and some argue that Islamic banking is Islamic. But taking the opinion of different experts, we can easily argue now that Islamic banking is Islamic. Some authors argue that in addition to the moral hazard issues involved in financial activities in asymmetric information environments, El Gamal argues that the Islamic product has to be functionally identical to the conventional financial product since otherwise it would not be approved by banking regulators in both Islamic and non-Islamic countries (El Gamal, 2006, pp. 20–21). However, this reason does not explain why Islamic Banks in Pakistan, Sudan and Iran, whose governments favor Islamic Banking over conventional, all rely on non-PLS financing forms.

Some IBF advocates have proffered other rationalizations for Islamic Bankers’ preferences for products, especially *murabaha*, that closely mimic standard banking transactions. This is due, they argue, to their being Islamically permissible as long as the bank has ownership for any length of time (Henry and Wilson, 2004, pp. 3–4; i.e., no justification is actually necessary), or the weak property rights and high expropriation-risk levels found in most Muslim countries (Yousef, 2004, p. 73), or they being a “hangover” from the conventional banking industry (where most Islamic Bankers originally started their careers) which sees banks as liquidity/credit providers rather than investment vehicles (Ahmed, 2002, p. 28), or due to the higher “due diligence” costs associated with taking a venture stake in an enterprise (Iqbal et al., 1998, p. 50), or the tax advantages of debt financing over equity stakes (Iqbal et al., 1998, p. 51), or simply being an initial necessary step in the “early stages of the development of Islamic Banks” as they seek to establish themselves as viable competitors to conventional ones (Ahmad, 1993, p. 59). As Ahmad’s (1993, p. 59) confident prediction about the declining role of *murabaha* in IBF was premature and overly optimistic. *Murabaha* and other non-PLS financing forms (mainly leasing) overwhelmingly dominate current IBF practices.

Sometimes the IBF institutions simply lie in their accounting and report conventional banking/finance transactions as being wholly Islamic. For example, the President of Faisal Islamic Bank of Egypt, the sixth largest Islamic Bank in the world (Iqbal and Molyneux, 2005, p. 81), revealed that the bank was buying conventional government bonds and reporting the income as “religiously legal operations” (Soliman, 2004, p. 281). Sometimes they do not lie in their financial statements but simply do not highlight their conventional activities. An examination of the Annual Report of Al Baraka Islamic Bank of Pakistan shows that 12.75% and 19.65% of its 2006 and 2005 Gross Financings were in the form of conventional (i.e., explicitly interest-based) export finance.

3. Data Collection

For this study, data has been collected from Malaysia and United Arab Emirates. The sample size chosen for the analysis of data is shown in two tables. Table1 shows the total number of questionnaires distributed, total number of questionnaires completed, average response rate in percentage and method of questionnaire distribution. Table 1 is related to the data collection from Malaysia. A total of ‘339’ questionnaires were distributed out of which ‘255’ were received. This yields a ‘75’ percent response rate. Maximum numbers of questionnaires were distributed among the customers of Islamic Banks and financial institutions, having ‘77’ percent response rate. All other stakeholders show a reasonable response rate.

The table 2, is about the data collection from United Arab Emirates (UAE). In this country ‘240’ questionnaires were distributed and ‘170’ returned as completed questionnaires, having response rate of 70 percent. Employees of Islamic banks consist of ‘57’ respondents and the number of customers are ‘50’ from UAE. This country also shows a good percentage of response, which is 70 percent overall. Same method of data collection was adopted here as was in the case of Malaysia.

4. Characteristics Of Respondents

Before proceeding further, it is necessary to describe the sample in terms of demographics, the profile of which are given in the following tables:

4.1 Gender Profile of Respondents

When a profile of respondents was generated based on gender, it was observed that the respondents were predominantly male in all the occupational groups. This was expected as males typically outnumber females in almost all professions in world. For the present study, there are ‘244’males and ‘181’females. Numbers of customers are maximum as far as gender is concerned. But there were only 13 males and 11 females representing the regulatory officers.

The bar diagram below shows the male Vs female sample size of stakeholders who have been taken for the present research.

4.2 Religious Profile of Respondents

Table4 presents a profile of respondents based on their religious affiliations. As is evident, majority of respondents were followers of Islam (97 %). The followers of other religious are very less in number (3 %) total. As both the countries of data collection are Muslim majority countries, it the reason for being the majority as Muslims.

4.3 Age Profile of Respondents

When the profile of respondents was generated based on the demographic variable age, the majority of respondents were under 25 years of age (41 %), followed by 26-35 year category (40 %), then 36-45 year category (13 %). The last number of respondents belonged to above 46 year (6 %) age bracket. The pie chart shows the percentage of each age category of respondents.

4.4 Country profile of respondents

Table 6 depicts the country profile of respondents. As from Malaysia there are 255 respondents and from UAE there are 170 respondents. The data collection period was more in Malaysia than in UAE, this is the reason that most of the respondents are from Malaysia.

From Malaysia 96 customers have been selected for the present study and from UAE 57 employees of Islamic banks have been selected. The bar chart below shows the comparison of respondents representing the two countries.

5. Data Analysis

5.1 Mean and Std Deviation

To analyze the data for the research, Mean and Std Deviation was first calculated.

5.2 Reliability

The reliability of the data was calculated which shows positive sign for further analysis.

5.3 Rotated Compound Matrix

The rotated matrix also shows positive sign for further analysis.

6. Testing Of Hypothesis

Hypothesis of this study are as:

- (i) Null Hypothesis is that there is no significant variation in the perception of stakeholders on Islamic finance products and services across Profession. On the other hand, alternative hypothesis is that there is significant variation in the perception of stakeholders on Islamic finance products and services across Profession.
- (ii) Null Hypothesis is that there is no significant variation in the perception of stakeholders on Islamic finance products and services across age. On the other hand, alternative hypothesis is that there is significant variation in the perception of stakeholders on Islamic finance products and services across age.
- (iii) Null Hypothesis is that there is no significant variation in the perception of stakeholders on Islamic finance products and services across country. On the other hand, alternative hypothesis is that there is significant variation in the perception of stakeholders on Islamic finance products and services across country.
- (iv) Null Hypothesis is that there is no significant variation in the perception of stakeholders on Islamic finance products and services across gender. On the other hand, alternative hypothesis is that there is significant variation in the perception of stakeholders on Islamic finance products and services across gender.

(i) Islamic Finance Products/Services across Profession

The hypothesis seeks to test whether there is any significant variation in the perception of stakeholders on Islamic finance products and services across profession. To test this hypothesis, One-Way ANOVA has been used.

In the above table 10, descriptive statistics is shown. This table indicates the mean value and standard deviation obtained by different stakeholders on Islamic finance products/services.

This has been found from the above table that the employees of the Islamic banks have the highest mean value of 4.03 on five point scale and Std. Deviation of 0.59. This is a clear indication that the employees of Islamic banks have a positive perception about the Islamic finance products and services as compared to other stakeholders.

This may be because of the reason that they are working for the Islamic institutions and they are convinced with the products and services issued by their institutions.

This has also been seen from the above table that Regulatory officers and Shariah advisors also have high mean value i.e., 3.93 and 3.89 respectively. This means they also hold a positive perception towards products/services issued by Islamic finance institutions. This finding is further supported by high mean value of customers and other stakeholders as 3.82 and 3.74 respectively.

Table 11: shows the results of ANOVA test used to access the differences in the perception of stakeholders towards the products and services of Islamic finance. The 'F' value is 2.96 and Sig. value is 0.020, which is less than 0.05 (95 percent confidence interval), which indicates a significant differences in the perception of stakeholders on Islamic banking products and services exists.

Hence, the hypothesis **that there is no significance difference in the perception of stakeholders towards Islamic banking products and services across profession** stands rejected and alternative hypothesis is accepted.

(ii) Islamic finance Products/Services across Age.

The hypothesis seeks to test whether there is any significant variation in the perception of stakeholders on Islamic finance products and services across Age. To test this hypothesis, One-Way ANOVA has been used.

In the above table 12, descriptive statistics is shown. This table indicates the mean value and standard deviation obtained by different Age groups on Islamic finance products/services.

This has been found from the above table that the age group of '26-35' have the highest mean value of 3.98 on five point scale and Std. Deviation of 0.61. This is a clear indication that this age group has a positive perception about the Islamic finance products and services as compared to other age groups.

This has also been seen from the above table the age group of '46 or older' and '36-45' also have high mean values i.e., 3.94 and 3.88 respectively. This means they also hold a positive perception towards products/services issued by Islamic finance institutions. This finding is further supported by high mean value of the age group 'under 25' as 3.76.

Table 13: shows the results of ANOVA test used to access the differences in the perception of different age groups towards the products and services of Islamic finance. The 'F' value is 3.18 and Sig. value is 0.024, which is less than 0.05 (95 percent confidence interval), which indicates a significant differences in the perception of different age groups on Islamic banking products and services exists.

Hence, the hypothesis **that there is no significance difference in the perception of stakeholders towards Islamic banking products and services across age** stands rejected and alternative hypothesis is accepted.

(iii) Islamic finance Products/Services across Country.

The hypothesis seeks to test whether there is any significant variation in the perception of stakeholders on Islamic finance products and services across country. To test this hypothesis, Independent Samples T-Test has been used.

From the above table 14, descriptive statistics is shown. This table indicates the mean value and standard deviation obtained by Malaysia and United Arab Emirates on Islamic finance products/services.

This has been found from the above table that United Arab Emirates has the highest mean value of 3.91 on five point scale and Std. Deviation of 0.72. This is a clear indication that in United Arab Emirates there is a positive perception about the Islamic finance products and services as compared to Malaysia.

This has also been seen from the above table the in Malaysia there is also a high mean value of 3.85 and Std. Deviation of .62.

Table 15: shows the results of Independent Samples T-Test used to access the differences in the perception of different stakeholders towards the products and services of Islamic finance across country. The 't' value is 1.047 and Sig. value is 0.296, which is more than 0.05 (95 percent confidence interval), which indicates no differences in the perception of Malaysian and United Arab Emirates stakeholders on Islamic banking products and services exists.

Hence, the hypothesis **that there is no significance difference in the perception of stakeholders towards Islamic finance products and services across country** stands accepted and alternative hypothesis is rejected.

(iv) Islamic finance Products/Services across Gender.

The hypothesis seeks to test whether there is any significant variation in the perception of stakeholders on Islamic finance products and services across gender. To test this hypothesis, Independent Samples T-Test has been used.

In the above table 16, descriptive statistics is shown. This table indicates the mean value and standard deviation obtained by male and female population on Islamic finance products/services.

This has been found from the above table that the Male population has the highest mean value of 3.88 on five point scale and Std. Deviation of 0.70. This is a clear indication that the male population has a positive perception about the Islamic finance products and services as compared to female population.

This has also been seen from the above table that in female population there is also a high mean value of 3.87 and Std. Deviation of 0.61.

Table 17: shows the results of Independent Samples T-Test used to access the differences in the perception of stakeholders towards the products and services of Islamic finance across gender. The 't' value is 0.209 and Sig. value is 0.835, which is more than 0.05 (95 percent confidence interval), which indicates no differences in the perception of male and female population on Islamic banking products and services exists.

Hence, the hypothesis that **there is no significance difference in the perception of stakeholders towards Islamic banking products and services across gender** stands accepted and alternative hypothesis is rejected.

7. Findings And Suggestions

- Products and services issued by Islamic banks and financial institutions in Malaysia and United Arab Emirates (UAE) are almost the same. Those products which are prevailing throughout the world include Mudarabah (sleeping partnership), Murabahah (cost plus financing), Musharakah (partnership financing), Ijarah (leasing), Sukuk (Islamic bond), Takaful (Islamic insurance) etc. The perception of stakeholders towards these products and services and their relevance towards the teachings of Quran and Sunnah were tried to find out. It has been found that there is a significant variation in the perception of stakeholders on Islamic finance products and services across profession. Although all the stakeholders agree that these products and services of Islamic finance are really Islamic, but employees of Islamic banks are more satisfied compared to other stakeholders.
- The highest mean score is of the Musharakah (partnership financing) product and the lowest is of Ijarah (leasing) product. All other products are in between the 'agree' and 'strongly agree' scale. This means stakeholders strongly agree that Musharakah product is really Islamic.
- Different age groups bear different opinion towards the products and services of Islamic finance. There is significant variation in the perception of stakeholders on Islamic finance products and services across age. Age groups 'under 25' to '46 or older' have almost the different opinion towards the products and services issued by Islamic banks and financial institutions. So there is difference of opinion as far as age is concerned.
- Regarding the perception towards the products and services of Islamic finance issued in both countries Malaysia and United Arab Emirates (UAE) the perception is almost the same. All the stakeholders of both the countries agree that all the products and services of Islamic banks and financial institutions are Islamic. This means there is no significant variation in the perception of stakeholders towards Islamic finance products and services across country.
- There has been found no significant variation in the perception of stakeholders' towards the products and services of Islamic finance across gender. This means there is same opinion prevailing among the male and female population of stakeholders. This has been found in all the products and services of Islamic finance and not in the objectives of Islamic finance only.

References :

Ahmad, A. (1993). Contemporary practices of Islamic financing techniques. Islamic Development Bank, Islamic Research and Training Institute Research Paper #20. <http://www.irtipms.org/PubDetE.asp?pub=25> (accessed 15.02.08). Also published in 1994 in *Islamic Economic Studies* 1, 15-52.

Ahmed, H.(2002). A Microeconomic Model of an Islamic bank. Islamic Development Bank, Islamic Research and Training Institute Research Paper #59. <http://www.irtipms.org/PubDetE.asp?pub=54> (accessed 13.02.2013)

- Bortholomew, D. J. (2006). Measurement. *Thousand Oaks, CA*: Sage Publications.
- Chen, G. (2001). Validation of a new General Self-Efficiency scale. *Organization of Research Methods*, 4(1).
- Cohen, J. (1988). *Statistical Power Analysis for the Behavioral Sciences* (2nd ed.). Hillsdale, NJ: Lawrence Erlbaum.
- El Gamal, M.A.(2006),Islamic Finance: Law, Economics and Practice. *Cambridge University Press*, New York
- Freeman, R.E. (1984), Strategic Management: A Stakeholder Approach. *Pitman*, London.
- Henry, C.M., Wilson, R. (2004). Introduction. In: Henry, C.M., Wilson, R. (Eds.), *The Politics of Islamic Finance*. *Edinburgh University Press*, Edinburgh, pp.1–14
- Iqbal, M., Molyneux, P., 2005. Thirty Years of Islamic Banking: History, Performance and Prospects. *Palgrave Macmillan*, Basingstoke, UK.
- Islamic Bank of Britain, (2007). Home finance: Key features guide. London, UK. http://www.islamic-bank.com/imagesupload/home_finance_keyfeatures_guide_final.pdf (accessed 11.04.08)
- Iqbal, M., Ahmad, A., Khan, T. (1998). Challenges Facing Islamic Banking. Islamic Development Bank, Islamic Research and Training Institute Occasional Paper #1. <http://www.irtipms.org/PubDetE.asp?pub=80> (accessed 15.02.08)
- Lindquist, J. D., Vida, I., Plank, R. E., &Fairhurst, A. (2001). The Modified CETSSCALE: Valid test in the Czech Republic, Hungary and Poland. *International Business Review*, pp.505-516.
- Malhotra, N. K. &Dash, S. (2010). Marketing Research: An Applied Orientation. *Prentice Hall, Delhi*, p.590.
- Mortimer,E. (1982). *Faith and Power: The Politics of Islam*. New York: Random House, p. 219.
- Nomani, F. &Rahnema, A.(1994).*Islamic Economic Systems*. New Jersey: Zed books limited, pp. 3-4.
- Patinkin, D. (1972).*Studies in Monetary Economics*. Harper and Row, New York, 1972, p.118
- Richards, A. (1993). Economic Imperatives and Political Systems. *Middle East Journal*, spring, p. 225.
- Samuelson, P. (1976).*Economics* (10th Edition). McGraw Hill, New York, p.50
- Soliman, S., (2004). The Islamic banking model in Egypt. In: Henry, C.M., Wilson, R. (Eds.), *The Politics of Islamic Finance*. *Edinburgh University Press*, Edinburgh, pp. 265–285
- Sufian, F. (2006). Size and Returns to Scale of the Islamic Banking Industry in Malaysia: Foreign Versus Domestic Banks. *IJUM Journal of Economics and Management* 14 (2), PP.147-175.
- Taylor, J. M. (2003). Islamic Banking- The Feasibility of Establishing an Islamic Bank in the United States. *American Business Law Journal*, 40(2), pp.385-413.
- Thani, N. N., Abdullah, M. R.& Hassan, M. H. (2003). *Law and Practice of Islamic Banking and Finance*. Sweet & Maxwell Asia, Malaysia.
- Usmani, M. T. (2002). *An introduction to Islamic Finance*. MaktabMaarifur Qur'an, Karachi.
- _____, (2009). *Islamic Finance: Principles and Practice*. Cheltenham, UK: Edward Elgar.
- Udovitch, A. (1970).*Partnership and Profit in Medieval Islam*. Princeton, NJ: Princeton University Press, p. 86.
- Warde, I. (2010). *Islamic Finance in the Global Economy*. Edinburgh: Edinburgh University Press.
- Wilson, R. (1997). Islamic Finance and Ethical Investment. *International Journal of Social Economics*, 24(11), pp.1325-1342.
- Yousef, T.M., (2004). The murabaha syndrome in Islamic finance: laws, institutions and politics. In: Henry, C.M., Wilson, R. (Eds.), *The Politics of Islamic Finance*. *Edinburg University Press*, Edinburgh, pp. 63–80.
- Yunus, H. (2011). *Islamic Finance: Law and Practice*. Oxford University Press.
- Zaheer, K. (1996). A Critical Look at the Alternatives to the Popular Models of Interest Free (IF) Banking. *Renaissance*. Vol 6, Issue 6.
- Zaher, T. S. and Hassan, M. K. (2001). A Comparative Literature Survey of Islamic Finance and Banking Financial Markets. *Institutions & Instruments* 10(4): pp.155-199.

Notes:

Note 1: Islamic finance outlook 2008, Standard and poor's, 2008

Note 2: Overview of Islamic Finance, U.S. Department of the Treasury Office of International Affairs, August 2006

Tables:

Table 1: sample size of various stakeholders from Malaysia

Stake Holders	Distributed Questionnaires	Usable, Returned and completed questionnaires	Response Rate (%)	Methodology adopted in Distributing Questionnaires
Customers	125	96	77	Field work
Employees of IB	80	62	77	Field Work
Shariah Advisors	19	13	68	Field work and interview
Regulatory Officers	35	24	68	Field Work
Others	80	60	75	Field Work
Total	339	255	75	

Table 2: sample size of various stakeholders from United Arab Emirates

Stake Holders	Distributed Questionnaires	Usable, Returned and completed questionnaires	Response Rate (%)	Methodology adopted in Distributing Questionnaires
Customers	70	50	71	Field work
Employees of IB	80	57	71	Field Work
Shariah Advisors	30	20	66	Field work and interview
Regulatory Officers	00	0	00	Field Work
Others	60	43	71	Field Work
Total	240	170	70	

Diagram 3: male and female population

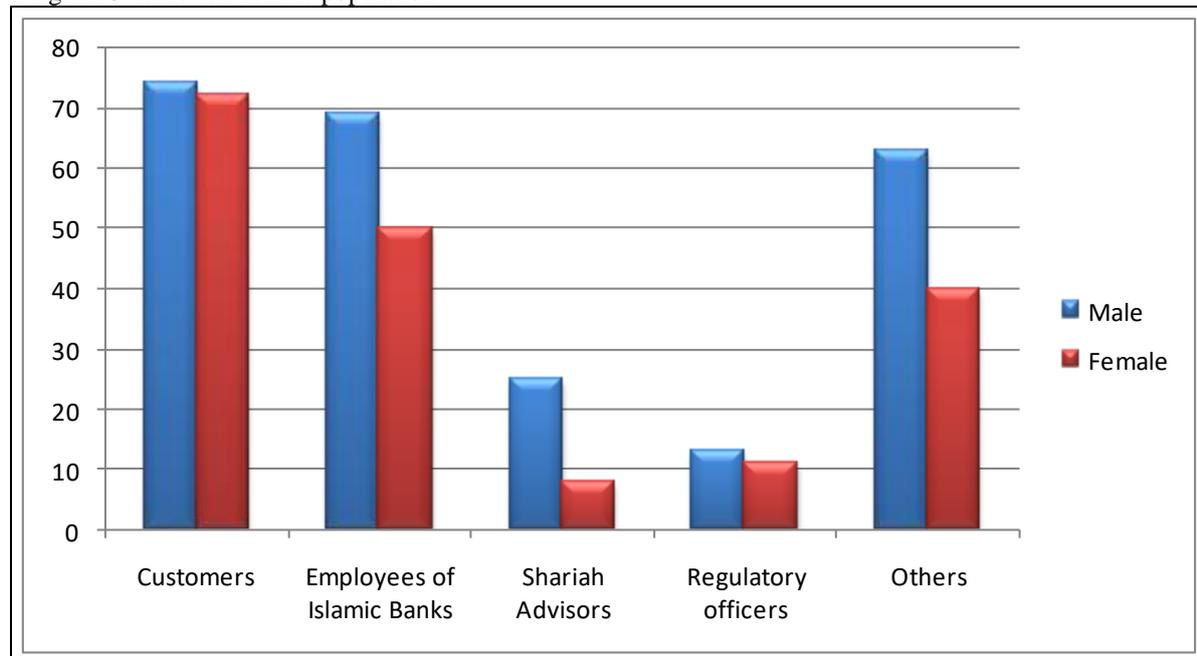


Chart 4: religious profile of respondents

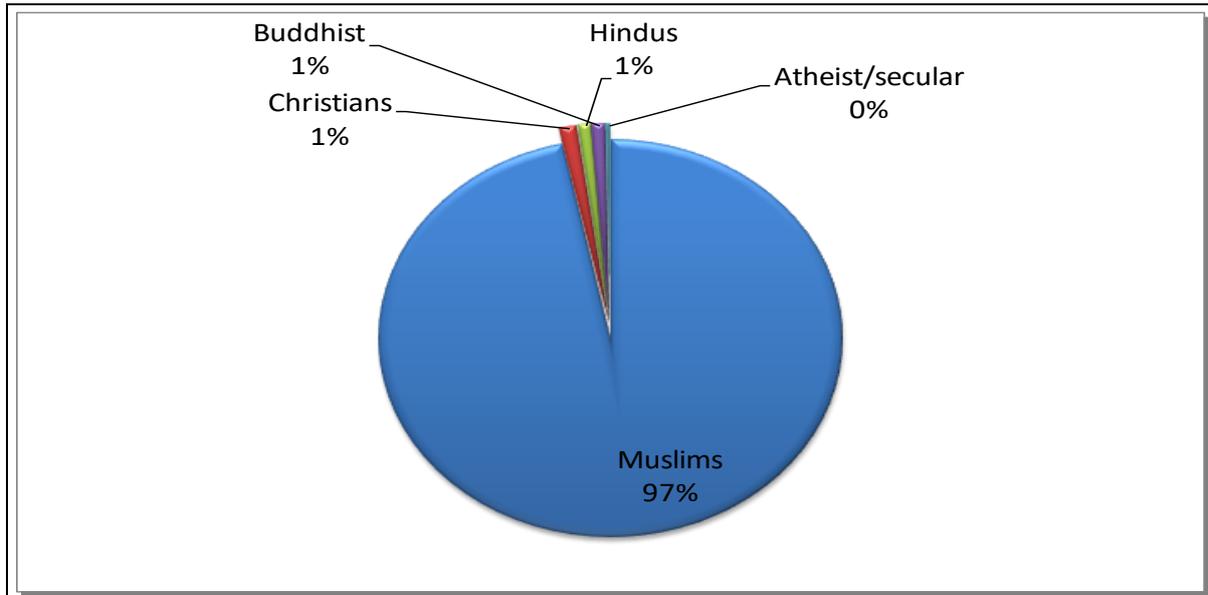
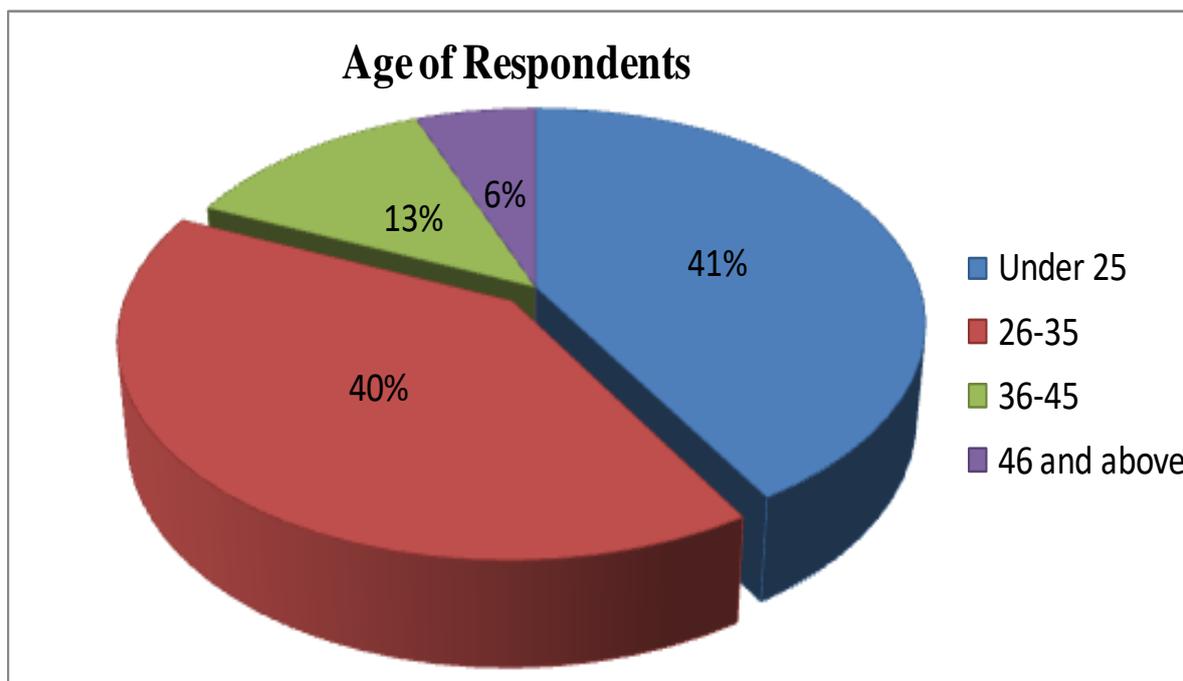


Chart 5: age profile of respondents



Graph 6: country profile of respondents

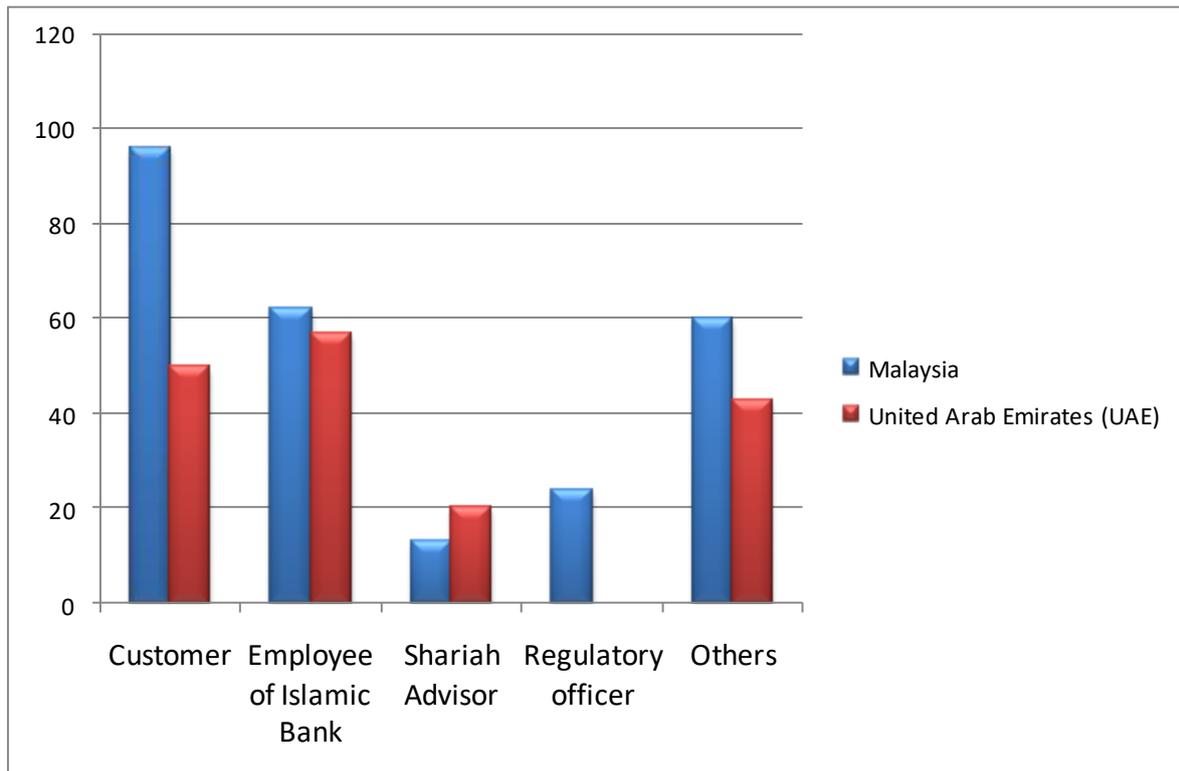


Table 7: Mean and Standard Deviation

Q. No	Descriptive Statistics	Mean	Std Deviation
1	Mudarahah (sleeping partnership)	3.86	0.917
2	Musharakah (partnership financing)	4.00	0.863
3	Sukuk (Islamic bond)	3.74	0.885
4	Ijarah (leasing)	3.95	0.852
5	Takaful (insurance)	3.92	0.844
6	Murabahah (cost plus financing)	3.80	0.921

Table 8: Reliability table of Each Statement

Mudarahah (sleeping partnership)	.947
Musharakah (partnership financing)	.947
Sukuk	.948
Ijarah (leasing)	.947
Takaful (insurance)	.948
Murabahah (cost plus financing)	.946

Table 9: Rotated Component Matrix

Mudarahah (sleeping partnership)	.484
Musharakah (partnership financing)	.588
Sukuk	.562
Ijarah (leasing)	.652
Takaful (insurance)	.548
Murabahah (cost plus financing)	.675

Table 10: Showing the mean, Std. Deviation and Std. Error of Islamic finance products/services across Profession.

Table 1: Descriptive						
Products	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
Customers	146	3.8253	.72723	.06019	3.7064	3.9443
Employees of Islamic Bank	119	4.0364	.59072	.05415	3.9292	4.1436
Shariah Advisors	33	3.8990	.66789	.11626	3.6622	4.1358
Regulatory officers	24	3.9375	.57696	.11777	3.6939	4.1811
Others	103	3.7492	.66005	.06504	3.6202	3.8782
Total	425	3.8780	.66840	.03242	3.8143	3.9418

Table 11: showing the 'F' value and Sig. value of Islamic finance products/services between the stakeholders.

Table 2: ANOVA					
Products	Sum of Squares	df	Mean Square	F	Sig.
Within Groups	184.229	420	.439		
Total	189.428	424			

Table 12: Showing the mean, Std. Deviation and Std. Error of Islamic finance products/services across Age.

Table 3: Descriptives						
Products	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
under 25	176	3.7661	.69469	.05236	3.6628	3.8694
26-35	171	3.9834	.61905	.04734	3.8900	4.0769
36-45	53	3.8805	.67096	.09216	3.6956	4.0654
46 or Older	25	3.9400	.71343	.14269	3.6455	4.2345
Total	425	3.8780	.66840	.03242	3.8143	3.9418

Table 13: showing the ‘F’ value and Sig. value of Islamic finance products/services between different age groups.

Table 4: ANOVA					
Products					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.201	3	1.400	3.183	.024
Within Groups	185.227	421	.440		
Total	189.428	424			

Table 14: Showing the mean, Std. Deviation and Std. Error of Islamic finance products/services across country.

Table 5: Group Statistics				
Products				
Country of Data Collection	N	Mean	Std. Deviation	Std. Error Mean
Malaysia	255	3.8503	.62495	.03914
United Arab Emirates (UAE)	170	3.9196	.72868	.05589

Table 15: showing the ‘F’ value and Sig. value of Islamic finance products/services across country.

Table 6: Independent Samples Test							
		Levene's Test for Equality of Variances			t-test for Equality of Means		
Products							
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Equal variances assumed	5.192	.023	-1.047	423	.296	-.06928	.06617
Equal variances not assumed			-1.015	323.610	.311	-.06928	.06823

Table 16: Showing the mean, Std. Deviation and Std. Error of Islamic finance products/services across Gender.

Table 7: Group Statistics				
Products				
Gender of the Respondent	N	Mean	Std. Deviation	Std. Error Mean
Male	244	3.8839	.70901	.04539
Female	181	3.8702	.61126	.04543

Table 17: showing the ‘F’ value and Sig. value of Islamic finance products/services across gender.

Table 8: Independent Samples Test							
		Levene's Test for Equality of Variances			t-test for Equality of Means		
Products							
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Equal variances assumed	3.950	.048	.209	423	.835	.01371	.06564
Equal variances not assumed			.214	413.495	.831	.01371	.06422