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Perceptions on Islamic banking in the UK—Potentialities for empowerment, challenges and the role of scholars

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ABSTRACT

This study examines the issue of minority empowerment and scholarly input in the context of Islamic banking in the UK. The nation has a large Muslim population that has often been characterised as marginalised, and so the study employs a critical lens to explore views regarding the extent to which the Islamic banking sector meets community needs. The paper investigates and compares the views of everyday Muslims, bank employees and Islamic scholars, finding widespread discontent with the current state of Islamic banking in the UK. Particular concerns were evident regarding the employment of the same (small) group of Shariah experts and scholars' inability (or unwillingness) to provide advice that is properly contextualised for contemporary Western societies. Whilst bankers' views differed from those of both scholars and everyday Muslims in some key respects, the study suggests a strong need for industrial and religious leaders to work together – including the need for deepened Ijtihad (independent reasoning) – to ensure that the sector develops services and products that are of real value to British Muslims. The evidence is shown to be consistent with the postmodern thinking underpinning Mandaville's notions of “transnational space” and “politics of identity” in Islamic diaspora, as well as Kuran's conceptualisation of “fixity” in the faith's teaching.

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1. Introduction

1.1. Context

Recent years have witnessed significant global growth in the Islamic banking industry (Akbar, Syed, & Shahin, 2012). At the same time, Muslim scholars have continued to develop notions of Islamic economics that should – in theory – underpin sectoral practices, as well as leading more generally to the emergence of a worldview that is both reflective of modern societal environments and consistent with the faith's underlying principles (Housby, 2011).¹ However, the extent to which

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¹ Kuran (1989) argues that Islamic economics did not emerge as a discipline in its own right until the mid-1960s. However, the writings of several prominent early Muslim scholars are still regularly cited in this context, for example: Abu Yusuf; (d.798); al-Mawardi (d.1058); Ibn Hazm (d.1064); al-Sarakhsi (d.1090); al-Tusi (d.1093); al-Ghazali (d.1111); al-Dimashqi (d. After 1175); Ibn Rushd (d.1198); Ibn Taymiyyah (d.1328); al-Shatibi (d.1388); Ibn Khaldun (d.1406). These works provide the foundation for more recent critical analyses of economic concepts and Islamic banking tools by Mirakhor (1987); Siddiqi (1992, 2002a, 2002b); Siddiqi and Nejatullah (1992); Essid (1995); Islahi (1996); Chapra (2000); El-Gamal (2001); and Usmani (2002a, 2002b).

the prescriptive tenets of this guidance have impacted upon industry behaviour is not well understood; this becomes a major issue as the theologians involved have called for dialogues in all areas of activity to foster reconciliation of Islamic heritage with modern European thought (Hallaq, 1997). For these individuals, Islam is not only a religious doctrine, but is also an ideology representing a wider “civilisational heritage” (Kersten, 2011, p. xiv) that, if engaged with critically, can enlighten a global Muslim paradigm compatible with the contemporary world and all aspects of life, including the financial realm (Housby, 2011). Such rationales have become important in broader attempts to encourage the embracing of Islam as a way of life (Malkawi, 2002; Maali, Casson, & Napier, 2006). In this context - and commensurate with the notion of a “translocal space” arising from Islamic diaspora - Mandaville (2001, p. 110) argues that: “Islam already possesses a rich conceptual language for engaging in critical modes of theorising in the sense of asking questions about the hegemony of particular Muslim narratives.” Whilst this perspective allows for the portrayal of Islamic banking as the tailoring of successful organisational processes in a spiritual context, one possible implication of the type of historical institutional analysis advanced by Kuran (2003) is that the industry’s existence instead represents an attempt to address: “divergence of institutional paths” (p. 442).

This study explores the views of Muslims on Islamic banking in the context of the critical perspectives on the faith advanced by Mandaville, Kuran and others. The latter emphasise the changing nature of Muslim experiences in a dynamic world and the non-mainstream nature of emancipating Islam. Such modelling reflects the conceptualisation of progressive Islamic scholarship by Ibrahim (2012), who suggests a role for the notion of “re-thinking” in Islam by those who: “can be said to be having direct engagement, debating and challenging the conservatism of the traditionalists and the revivalists” (p. 288). Of particular relevance here is Ibrahim’s contention that it is in the context of minority Islam (e.g. in Western Europe) that alternative thinking is likely to gather weight:

“since the traditionalists’ grip on the local discourse and authoritarian governments’ refusal to tolerate anything but conformity to the status quo make it difficult to find a critical audience in their home countries” (p. 288).²

The UK has become the main hub for Islamic Finance in the west, with London attracting significant amounts of funds through investment banks linked to the Middle-East (Ahmad, 2008; Masood, Aktan, & Amin, 2009). However, this institutional dominance has not been reflected in widespread market engagement on the part of the nation’s small – but large and well-established – Islamic population (Belouafi & Chachi, 2014; Dusuki & Dar, 2007; Filippo di Mauro et al., 2013; Rashid & Hassan, 2009). The British government has asserted its explicit desire to tackle the financial exclusion of UK-based Muslims and support ethical practices in the sector more widely (Housby, 2011). This context of a significant, but apparently financially excluded, Muslim community in a nation whose capital markets are replete with global Islamic banking flows makes the UK an ideal site for investigating views regarding both disenfranchisement and potential in the sector. Whilst the potential demand for Islamic financial services in the UK is significant (Housby, 2013) there are reasons to believe that this represents no more than a “mirage” (Dar, 2004; Dusuki, 2007).³ As a result, authors typically portray Islamic banking operations in the UK as trivial, especially given evidence that the number of individuals who use the services available is very small (Dusuki & Dar, 2007; Rashid & Hassan, 2009). The first wave of Islamic products appeared to have benefited a large number of Muslims, misleading many commentators into thinking that the UK sector’s remarkable early expansion could be sustained indefinitely (Housby, 2013). In fact, growth has declined substantially in recent years, leading providers of finance to compete for the same small customer cohort (Housby, 2011). This growing gap between practice and potential in UK Islamic banking motivates the current study, along with the lack of investigation into the scholarly silence that has accompanied (and potentially restricted) the industry’s development (Iqbal, Ahmed, & Khan, 1998; Esposito & Voll, 2001; Housby, 2011) and impacted on its ability to meet the needs of the large, but minority, British Muslim community. Consideration of this issue is critical to a study of Islamic diaspora, given Ibrahim (2012)’s contention that absence of the traditional voices which dominate debates in Muslim-dominated settings might provide the space for alternative dialogues to develop.

1.2. Aims

Many academics have examined the phenomenon of Islamic banking by exploring sectoral growth, investigating selection criteria and evaluating institutional performance (Ford & Jones, 2001; Devlin, 2002a, 2002b; Mathews, Tlemsani, & Siddiqui, 2003; Wilson, 2007; Aldohni, 2008; Masood et al., 2009). While much of this literature analyses the attitudes of Muslims towards Islamic banking, it tends to do so from a purely financial perspective, emphasising quantifiable measures of performance and relegating theological debates and insights from critical perspectives to the margins (Dar, 2002; Wilson, 2003; Amin & Isa, 2008; Langah, 2008; Masood, Niazi, Ahmad, 2011; Khan, 2010; Akbar et al., 2012). In particular, the role of scholars, of central importance in most aspects of Islamic life (Kamla, Gallhofer, & Haslam, 2006) is largely ignored.

This study’s central aim is to identify perceptions regarding the potentialities of Islamic banking in the context of a minority community where marginalisation and lack of access to financial resources has often been portrayed as a failure of

² In this context, Ibrahim makes specific reference to Arkoun’s (1993) contention that humanist interpretations of Islam are unlikely to take hold, given demand for (and conservatism of thought prevalent in) political Islam.

³ For example, the proportion of UK Islamic banks’ assets financed on genuine *Shariah*-compliant profit and loss bases has been reported as less than five per cent (Dusuki, 2007; Lewis & Algaoud, 2001).

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