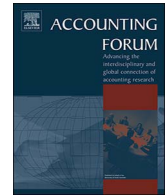


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Perceptions on the accessibility of Islamic banking in the UK—Challenges, opportunities and divergence in opinion

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ABSTRACT

This study examines the views of UK-based Muslims, Islamic Scholars and Islamic banking employees on the current state of the latter industry, both in practical terms and as regards engagement with the nation's large, but often marginalised Islamic community. The British Government has recently championed the Islamic banking sector and committed to supporting it as a means of addressing financial services needs and consolidating London's position as the global centre for Islamic investment. The analysis adds to the substantive literature in two principal ways: (i) by contextualising the evidence via the notions of empowerment, engagement and social justice that underpin both the state's attempts to foster growth and the central tenets of Islam; and (ii) by placing comparison of the opinions of key groups at the heart of the investigation. The findings reveal that while progress has been made, UK-based Muslims see several substantive impediments to access, including the complex terminology of Islamic banking products, the lack of internet banking facilities and branch networks as well as a generalised lack of interest in marketing on the part of the institutions. Whilst some coincidence of perception is evident, the views of bankers are shown to be out of line with those of the other parties in a number of key areas. For example, bankers appear to see less potential in the role of the internet as a medium for spreading awareness than do either potential customers or religious scholars. The paper therefore concludes with a call for multi-party *Ijtihad* and *Qiyas* (deductive analogy) that will encourage industrial outreach and, in so doing, support long-term growth.

1. Introduction

This paper explores views regarding the accessibility of Islamic banking in the UK amongst those employed in the sector, the faith's scholarly leaders and the nation's wider Muslim population.¹ The UK Government has been effusive in its desire to widen access to the industry's services and transform London into the world's centre for Islamic Finance (Housby, 2011). The terms in which such initiatives are couched – consistent with traditional Islamic thinking and *Ijtihad* (independent reasoning) – focus on social justice allied to the notion of minority emancipation via enhanced corporate communication; the empirical evidence in the present study is therefore contextualised via prior theorising relating to these issues. Whilst such an ethical underpinning might be suggestive of an approach that garners pervasive support across all the relevant parties, direct comparison of the opinions held by everyday Muslims, those at the heart of the industry and Islamic leaders has not been central to prior analyses in the area. In addition, most of the earlier

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¹ Hereafter we employ the term “everyday Muslims” to distinguish followers of Islam who are neither scholars nor bank employees from those drawn from the two latter categories.

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empirical studies emphasise the influence of practical issues such as car parking and opening hours etc. We extend the focus here to include consideration of a broader range of factors relating to Islamic banking's accessibility in Britain including knowledge diffusion, product features and choice determinants.

An embryonic Islamic finance industry first emerged in the 1970s, building on theoretical advances in "Islamic economics" from the 1950s (Kamla and Alsoufi, 2015). Through the development of philosophies relating lending activities to spiritual principles, Islamic banks began to permeate the market in both Muslim and non-Muslim countries. This process reflected growing realisation that Islam's economic and social messages were closely aligned (Akhtar, 2007; Housby 2011). From a strategic point of view, the unique features of Islamic finance have proved simultaneously beneficial and detrimental (Hassan, Chachi, & Latiff, 2008), but significant in its appeal are the equity-based transactions and distributions of risk that should, in theory, lead to social welfare gains (Housby 2013; Iqbal & Ali, 2007; Kuran, 2004). Such purported benefits have encouraged the British government to make particular efforts to support the industry, although the UK is far from unique amongst non-Islamic nations in seeing significant growth in the sector in recent years (Masood, Aktan, & Amin, 2009).²

Siddiqi (2001), Haron and Hisham (2003) and Hassan and Musa (2003) characterise Islamic banking as a phenomenon that represents much more than the ubiquitous prohibition on interest (*Riba*).³ Siddiqi (2001) and Ahmad and Hassan (2007) argue that Islamic banking should have as its central aim the creation of a harmonious, balanced and just society, encouraging the equal distribution of wealth while forbidding activities that may harm individuals. Such intents and responsibilities require banks to undertake ethical investments and avoid monopolies whilst treating their employees and customers fairly (Kamla, Gallhofer, & Haslam, 2006; Wilson, 2006). Beekun and Badwai (2005) argue that the societal responsibility of Islamic financial systems should not be limited to approaching, educating and serving Muslims. Instead, the authors argue that everyone should have the right to consume *Shariah*-compliant products, secure employment and hold shares in the institutions concerned. On a practical level, greater espousing of the socially responsible nature of their products could lead Islamic financial institutions to attract significant numbers of new customers (Tameme, 2009), provided that awareness and accessibility – the issues examined here – are recognised and understood.

The UK government has openly championed the Islamic financial industry in an attempt to encourage wider participation (Ahmad, 2008; Housby, 2011). The City of London has been one of the world's most prominent financial centres for centuries (Wilson, 2000) and, reflecting the state's efforts, has become a major hub for Islamic Finance (Ainley, Mashayekhi, Hicks, Rahman, & Ravalia, 2007; Beloufi and Chachi, 2014; Hutton, 2013). A number of Muslim scholars have noted this growth and see opportunities for the UK industry to flourish further (Ahmed, 2008; Akbar, Shah, & Kalmadi, 2012; Aldohni, 2008; Dusuki, 2008; Fry, 2014; Karbhari, Naser, & Shahin, 2004; Nazeer, 2015; Quilter-Pinner and Yan, 2013; Rahman, 2012; Walid, Abdelhamid, Omar, & Niazi, 2010; Wilson, 2000). However, and notwithstanding progress in the UK and elsewhere, many authorities remain doubtful about the long-term future of the Islamic banking sector and its operations (Ahmad, 2008; Warsame, 2009; Zaher and Haasan, 2001). These concerns provide context for the present study's exploration of perceptions about the state of the industry in the UK. Of particular importance here is the suggestion that financial communication is a social paradigm, acknowledgement of which can facilitate meaningful consensus (Kamla, 2009). Gradual change in institutional behaviour reflecting the principles of openness and transparency is unlikely unless communicative processes emerge in which powerful groups are less dominant (Gallhofer and Haslam, 2004; Parker, 1992). Such logic contextualises social engagement by firms (in the present case Islamic banks) in an 'emerging reason' methodology that targets emancipation and social justice whilst enlightening debates about sexual, racial and class discrimination and their relationship to corporate disclosures and engagement – dimensions that are limited in mainstream accounting (Chua, 1986; Cooper, 1983; Hopwood, 1983; Sikka, 2012). In fact, accounting in its broadest sense could help foster the interreligious/intercultural dialogue underpinning the research presented here (Gallhofer & Haslam, 2004). Whilst the UK's Muslim population has often been characterised as marginalised (Housby, 2013), suggesting an emancipatory need, Tinker (2004) argues that there is a close connection between mainstream Western perceptions of Islam today and corporate communication that could be exploited further. Given this complex background, the present study compares the perceptions of everyday British Muslims, Islamic scholars and Islamic bankers in an attempt to establish whether commonality in perceptions has developed or if, instead, the industry has grown despite on-going inconsistency in understanding amongst the three groups most critical to its future in the modern, highly competitive international market for capital – i.e. potential customers, spiritual leaders and those employed in the industry.

The remainder of the paper is structured as follows: Section 2 outlines the prior literature setting out both the potential role for Islamic banking in a modern setting and the nature of published findings to date regarding the industry's operations. Section 3 then sets out the theoretical contextualisation, focussing on institutional engagement/communication issues and their impact on accessibility and emancipation. Section 4 describes the research methods used and explains the choices made in terms of method and sample selection. Section 5 presents and interprets the findings while Section 6 concludes the paper by setting out the main contributions of the study and their possible implications.

² The industry is set to expand significantly in the years ahead (UKIFS, 2013). The total value of market assets reached \$2 trillion for the first time in 2014, reflecting a trebling in size since the global financial crisis, with a figure of \$3 trillion predicted by the end of 2018 (London Stock Exchange, 2015). Around 95% of this value is located in Asia, North Africa and the Middle East (IFSB, 2016). However, the UK remains one of the most advanced Islamic financial markets in the Western world and has quickly become a key destination for foreign *Shariah*-compliant institutions (Filippo et al., 2013). The UK was the first Western country to allow the establishment of a fully-fledged Islamic bank, Al-Rayan, and currently hosts six operational Islamic banks, more than any other Western country (Fry, 2014).

³ To these authors, the industry represents a system that promotes socially responsible investment, thereby targeting socio-economic objectives; it attempts to do this by balancing individual incentives and the need for investment that benefits all (Al-Omar and Abdel-Haq, 1996; Haron, 1995).

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