



Exploring the Brand Effect of Islamic Bank on the General Population of Scotland

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Abstract: The United Kingdom (UK) currently has one of the most attractive regulatory and tax systems in the world for Islamic finance, as well as being far ahead of other western nations for provision of Islamic finance, with five sharia-compliant banks. Yet despite this, the patronage of these banks is extremely low, often times below that of smaller building societies. While the largest Islamic bank in the UK, Al Rayan (formerly Islamic Bank of Britain), have one third of its customer base have religious affiliations other than Islam, and a further 80% of all fixed-term deposits also patroned by non-Muslims. This study explores why general consumers do not pursue patronage with Islamic banking. This is an inductive research enquiry that uses descriptive statistics within a social constructivist paradigm to construct a line of reasoning, based on the primary data is collected through detailed questionnaire (n = 29). The findings from this research highlight the need for Islamic banks to better fund information programmes, advertisements and promotions to further spread awareness of their offerings as consumers are positive in their reception to Islamic finance concepts but unaware of its offerings.

Keywords: *Islamic Banks, Marketing Islamic Finance, and Brand Effect.*

Article History

Received 8 November 2020; Revised 11 September 2021; Accepted 16 September 2021; Available Online 15 October 2021

Introduction

Islamic finance has its origins in the medieval period with Middle Eastern tradesmen engaging in finance based on Sharia (Iqbal & Molyneux, 2005). In 1963 the Mit-Ghamr Islamic Savings Bank undertook an experiment in the Mit-Ghamr county of Egypt that took the model of German savings bank and was adopted to suit the rural, Islamic county in which it was situated (Chachi, 2005). From 1977 onwards to today, Islamic banks have grown globally, and many conventional banks have opened 'Islamic windows' to provide Sharia compliant financial instruments (Alharbi, 2015). Currently in the UK has over 20 banks that offer Islamic financial services, with five of those banks operating as fully Sharia-compliant (Firdaus, 2019) such as Al Rayan bank, formally the Islamic Bank of Britain.

The experience of Islamic windows, such as HSBC Ammanah is less than successful within the UK resulting in insufficient profits and closures (Housby, 2013). The Islamic finance products failed to attract or engagement with the general public and the majority of consumers (that are not motivated by the religio-ethics) remained detached from these financial products (Oxford University Press, 2020; Jenkins, 2012). Islamic finance windows were mostly launched after the financial crisis of 2008, and in light of general public discontentment of the conventional banking sector, there was a public desire for an alternative way of financing. However, Islamic finance was not able to capture this market and the public disapproval of conventional banking practices did not result in any noticeable increase in market share of

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 <https://doi.org/10.14421/grieb.2021.091-09>



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Islamic banks. This research examines the brand effect of Islamic banks and investigate whether the branding played a decisive role in the failure of Islamic financial bank to position itself as an alternative to conventional finance.

The rest of article is structured as follows: the [Section 2](#) looks at the branding effect and contextualises it within the case of Islamic banks. [Section 3](#) discusses the methodology, while [Section 4](#) critically analyses the findings. This is followed by conclusion and recommendations within [Section 5](#).

Dichotomy of Marketing Islamic Financial Institutions

[Ya et al. \(2017\)](#) describes branding as a marketing strategy to create a unique name and image for certain products in a customer's mind. Branding ultimately works as a signal that allows consumers to recognise products quickly and determine whether it is one they are familiar with or like ([Chovanova et al., 2015](#)). [Skurnik et al. \(2000\)](#) argue that branding and the information we store about brands is crucial in guiding decisions, as a result no matter what sector or business type having branding that evokes positive responses is crucial to the success of the business. Creating customer value and a relationship through branding is an integral part of marketing and can be used to create a powerful and sustained competitive advantage over other firms in the same space.

Combining this definition with one from [Alserhan \(2010\)](#), who states that Islamic branding consists of brands that are Sharia compliant or halal, originate from Islamic countries and targets Muslim consumers. Considering this, there is a challenge presented to Islamic banks and financial services providers in the UK about the determining factors and drivers behind patronage of banks in the UK and how smart use of branding could help overcome the potential challenges faced by many in this exciting, yet relatively unknown market in the West. A further barrier facing Islamic banks in branding is disseminating information to ensure non-Muslims understand Sharia compliance. The marketing for Islamic bank needs to go beyond the halal principles to maximise the effect branding on general consumer decision-making, and development of preference. This is supported by a study conducted by [Akbar & Shah \(2012\)](#) which concluded that, in the UK it is believed that the products and practices of Islamic banks are mirror copy of conventional banks.

Early studies completed by [Erol et al. \(1989, 1990\)](#), as well as later studies by [Humayon \(2005\)](#) in the UK found that bank customers were indifferent at best towards Islamic finance. Erol's studies highlighted that customers did not differentiate between Islamic and conventional banks and that across Asia and the Middle-East customers tended to value factors such as staff interactions, convenience, and speed of transaction to be the prime motives behind patronage ([Al-Ajmi et al. 2009](#); [Abdullah et al. 2012](#); [Haron et al. 1994](#)).

[Marimuthu \(2010\)](#) and [Yusoff \(2003\)](#) provide a viewpoint that suggests that religiosity actually does play a major role for the patrons of Islamic banks, however as discussed by [Volk and Pudelko \(2010\)](#) secularity must be considered. Considering that Islamic finance is not exclusive to Islamic individuals discovering why non-Muslim individuals do or do not take up patronage with an Islamic bank can be considered, as a study by [Zick and Kupper \(2009\)](#) would suggest that wider perceptions about Islamic practices is a hurdle that affects patronage and success in Western nations. Looking at prior studies and research, there are a few key zones the researcher believes to be of importance for building a survey. The first piece of work looking at Islamic and conventional banking patronage the researcher has chosen to review is [Abduh and Omar \(2010\)](#)'s study into patronage of Islamic banks in Indonesia, this paper looks closely at the reasons why people choose their banking provider, considering factors such as the feeling of safety, profitability of the banks and whether convenience, Sharia compliance or advertisement are the main reasons for choosing a bank, a weakness of this survey in the researcher's opinion is the use of yes or no questions for the importance of various factors for

patronage, a Likert-scale rating could be considered far more effective and will be employed in this study's survey. Convenience and Sharia compliance or a religious element was certainly a reoccurring theme amongst surveys into patronage of banks, with [Awan and Khuram \(2011\)](#) in Pakistan conducting a questionnaire across Pakistan that included two sections; the first using a five-point Likert scale to show their perceived importance of a factor when selecting an Islamic bank. Whilst the second section explored previously discussed areas such as personal, demographic and economic profiles. The survey listed areas such as variety of services, profitability, service charges, ease of access, reputation, religious motives and the nature, attitudes & professionalism of staff, in particular, staff interaction quality, religious motives and service charges are of interest to the researcher and whilst this has been done in multiple journals prior it is still of interest to this study and consumer attitudes towards conventional banking as a whole. [Selamat and Abdul-Kadir \(2012\)](#) explored more patronage factors for Malaysia, the first point of importance from this study is the inclusion of religious background, with 92 of the 150 respondents being Muslim. As this study is being conducted in the UK that has a wide range of cultures and religious followings the researcher believes there is huge importance in exploring not just by age and gender alone but also by religious beliefs, or lack of potentially. A notable failure one could argue is the binary nature of these surveys, whilst Muslim and non-Muslim provides a clear picture, by exploring what religions the non-Muslim respondents are opens up more avenues of analysis and that will be employed in the survey used in this study. This survey also uses age as a measurable demographic, alongside education background and employment. Whilst the latter two are important to consider and measure in the case of this study the researcher feels although these two could be removed from this study's survey and instead kept for further studies in the area once more exploratory research has been conducted. The study by [Selamat and Abdul-Kadir \(2012\)](#) also explores criteria for bank patronage, looking at several factors such as convenience, low interest charges, friendliness of personnel, range of services provided and advertisement. The researcher believes a number of these factors can be considered for this study's research, as well as moving a few of these factors away from a ranking system and isolating features to gauge opinions on key areas of finance.

The results of these studies imply that the data gathered must focus on the drivers of bank patronage, education and/or awareness of Islamic finance and perceptions surrounding Islam in wider society, not just exclusively in financial terms. Overall, it appears there is yet to be a study of this nature conducted in the UK.

Research Methods

This is an inductive research enquiry that uses descriptive statistics within a social constructivist paradigm to construct a line of reasoning. The primary data is collected through ranking-based questionnaire ($n = 29$), and our sample is non-Muslim general population of Edinburgh, UK. The breakdown sample's religious inclination of participants is shown in [Table 1](#). A total of 38 questionnaire were distributed and we received 29 replies, with a gender balance of 59 to 41 percent split between male and female respondents.

The aim of this study is to explore the decisive factors that influence the engagement of general banking consumer with the Islamic bank. We examine the perception and importance of speed of service, staff quality, convenience, religiosity and competitive products & charges in engagement with the Islamic bank. ([Al-Ajmi et al., 2009](#); [Abdullah et al., 2012](#); [Haron et al. 1994](#)). These studies all focused on the driving factors behind patronage and give an insight into the way consumers think in Asian and Middle East economies, most notably the lack of religious differentiation and importance. Our study aims to shift this focus towards the UK, using the five factors above. We also test consumer awareness about the features that may be found in an Islamic finance mortgage or home financing contract. We use [Dixon \(1992\)](#)'s

characterisation of Islamic banking as a system based on profit and loss sharing to check the perception of the participants towards risk sharing, fees & charges and interest payments, and whether these features create positive signals. Our questionnaire also checks the consumer response about the importance of the benefits that a bank may provide the community and local businesses. These questions were developed as a result of prior work by Alharbi (2015) and their definition of the purpose of the early Islamic banks, which was to create a competent and just society that broadened social solidarity. We also test customer perception on whether Islamic finance are exclusively for Muslims in the UK, based on the work of Volk and Pudenko (2010) and Zick and Kupper (2009) that suggests that wider perceptions towards Islamic practices would create a barrier to success for Islamic finance institutes.

Table 1. Religious Inclination of Participants

What is Your Religion?	Total	Total (%)
Christian	5	17%
Catholic	4	14%
Protestant	1	3%
Church of England	2	7%
Atheist	13	45%
Other	4	14%
Total	29	100%

The questionnaire also asks the participants to do a blind comparison of a conventional home financing contract with an Islamic finance home financing contract. The researcher chose to use price comparison sites as it felt authentic to how an individual in the UK may conduct their own search, giving crucial data in a simplified package which is easy to interpret and compare against other providers. A 5-year, fixed home financing contract was chosen as the contract to be compared, using Barclay's as the conventional bank. Both contracts were for a first-time buyer seeking an 80% fixed rate mortgage for a property valued at £200,000. There was no reason behind picking a fixed-rate mortgage over any other type of financial contract such as insurance or a variable rate mortgage, but for the purpose of comparison this contract was simple to present alongside a conventional offering.

The layout of the contract comparison was simply 'Contract A' and 'Contract B' with no indication as to which is the Islamic bank, from here the key points and features of each contract was laid out alongside each other, followed by the contract information, monthly payments required and any charges, fees or fines that may come as part of the mortgage deal. These three were designed to then be comparison points later in the questionnaire, asking which of the two was better value, easier to understand in terms of the monthly payments and which was easier to understand in terms of the charges and fees attached.

Findings and Analysis

This section discusses the findings from the primary data and critically analysis the results of descriptive statistics with the literature. The purpose of this section is to understand the key factors that influence the (dis)engagement of general population in Scotland with the Islamic banks.

Table 2 shows five factors that affect the patronage and the frequency of each ranking. All the results were gathered in one table, before an average was calculated by multiplying the amount of times a ranking had been selected by the value of the ranking, i.e. ranking 3rd is 3 points, 5th is 5, etc, and then dividing by the total. Based on these averages, the most important factor which effects patronage of a bank is the speed of the service received, followed by the competitive nature of the products & charges attached. With staff interaction quality and high street presence & convenience being the 3rd and 4th most important factors respectively.

Religiosity of the bank was the least important factor with an average of 4.8. From the 29 respondents only 1 individual selected religiosity to be the most important factor to deciding their bank patronage, clearly from this data there is a large difference between the other factors and religiosity, with a difference of 1.7 between the 4th and 5th most popular responses. A previously discussed study by [Mansour et al. \(2010\)](#) found that, from 156 Muslim and Non-Muslim respondents, low service charges topped the criteria for bank patronage, with the Islamic nature of the bank ranking second. This is not reflected in the findings, with religion being the least important factor to the respondents.

Table 2. Patronage Factors Responses

Question 4: Patronage Factors	Ranking					Total	Average
	1st	2nd	3rd	4th	5th		
Speed of Service	11	11	4	2	1	29	2.0
Staff Interaction Quality	2	8	12	7	0	29	2.8
High Street Presence & Convenience	3	5	7	13	1	29	3.1
Religiosity	1	0	1	1	26	29	4.8
Competitive Products & Charges	12	5	5	6	1	29	2.3

Table 3. Features of a Mortgage Responses

Question 5: Features of Mortgage	Response					Total	Average
	1	2	3	4	5		
Interest Payments	8	4	10	4	3	29	2.7
Risk Sharing	4	14	9	2	0	29	2.3
Charges & Fines	5	6	6	6	6	29	3.1

Question 5, as shown in [Table 3](#) explored attitudes towards how positive various features and parts of a mortgage that could potentially be seen in a conventional home financing contract are. Responses 1 through 5 were Strongly Agree, Somewhat Agree, Neither Agree nor Disagree, Somewhat Disagree and Strongly Disagree respectively. Based on the 29 responses gathered, the respondents somewhat agree that risk sharing between the bank and client is a positive feature with an average response score of 2.3. The inclusion of interest payments averaged 2.7 with most responses falling in the ‘neither agree nor disagree’ response. Charges and fines had an average score of 3.1 with an extremely even distribution across all 29 responses which would suggest that they are neither a negative nor positive feature overwhelmingly.

Table 4. Questions 6, 7, and 8 Responses

Question 6, 7, and 8	Response					Total	Average
	1	2	3	4	5		
Informed Decision	5	13	3	4	3	28	2.5
Benefit to Community	1	13	8	5	2	29	2.8
Benefit to Local Business	1	2	12	8	5	28	3.4

Questions 6, 7, and 8 as shown in [Table 4](#) explored opinions towards the role of the bank beyond providing a service. This included, “My main banking provider provides me with all the information I need to make an informed decision before undertaking a major financial decision,” “My bank provides services, products and schemes that not only benefit me, but also benefit the wider community,” and “My bank uses the money I deposit and generate for them to benefit local businesses,” as discussed earlier in the paper. There was a single response less for Question 6 due to an unfilled response, however this still averaged the highest score with

2.5, suggesting that people somewhat agree that the bank provides all the information needed to make an informed decision. The results from the data also suggest people believe that the bank and its operations provide benefit to the account holder and the wider community. Interestingly, the responses suggest that for Question 8 the bank does not use money deposited and generated by customers to benefit businesses in the local community.

The survey then shifted the respondent's knowledge away from conventional finance and opinions on it, to Islamic finance and knowledge and opinions on the patronage and exclusivity of it. Question 9 asked respondents if they were aware of any offerings, products or services that are available and provided by Islamic banks in the UK.

Table 5. Awareness of Islamic Banks Responses

Question 9: Awareness of Islamic Banks	Code	Total	Total (%)
Yes	1	5	18%
No	2	23	82%
Total		28	100%

From the responses gathered (see Table 5), which once again had another incomplete response from another respondent there was a clear trend with 82% of the 28 completed surveys having no awareness of the products, services, and offerings of Islamic banks in the UK. This question was followed up by an exploration into the extent to which people believed 'Islamic finance was exclusively for people of the Muslim faith'.

Table 6. Islamic Finance Exclusivity Responses

Question 10: Islamic Finance Is Exclusively for Muslims	Response					Total	Average
	1	2	3	4	5		
Response Frequency	2	8	10	8	1	29	2.9

As shown in Table 6, with an average score of 2.9 and an extremely even distribution of responses the respondents neither agree nor disagree that Islamic finance is exclusively for Muslims. Following on from the previous question, Question 11 asked whether the respondent would or has ever considered banking with an Islamic bank. Table 7 shows that 25 of the 29 respondents have not and potentially would not consider banking with an Islamic bank, which means only 14% of the 29 respondents would consider or have considered banking with an Islamic bank.

Table 7. Patronage with Islamic Banks prior to Contract Comparison Responses

Question 11: Would You or Have You Considered Banking with an Islamic Bank?	Responses	Total (%)
Yes	4	14%
No	25	86%
Total	29	100%

The questions on page two of the survey looked and compared two home financing contracts, the contracts information was gathered through the Al Rayan website and use of Barclays and a Price Comparison site to gather the details. Using no more detail than available to a regular consumer looking to compare financial offerings the two were compared on areas such as the best value contract, ease of understanding monthly payments and rent, and ease of understanding the fees and fines attached. As shown in Table 8, the results were mixed. From the 28 respondents, there was a perfect split between which contract was perceived to have the best value, 14 selecting contract A, from an Islamic bank, and 14 selecting contract B which was from a conventional banking provider. The understanding of monthly payments had a clear

favourite with 17 respondents picking contract A compared to 12 for contract B. However, when it came to the final comparison point, understanding the fees and fines attached to each contract, it was contract B that had the larger share of the votes, with 16 to the 13 for contract A.

Table 8. Contract Comparison Responses

Question 12: Contract Comparison	Contract A	Contract B	Total
Best Value	14	14	28
Total (%)	50%	50%	
Understanding of Monthly Payments	17	12	29
Total (%)	59%	41%	
Understanding of Fees & Fines	13	16	29
Total (%)	45%	55%	

Question 13 explored the respondent's opinion towards the use of the term 'rent' as opposed to payments or language that could be seen in traditional financial contracts (see Table 9). As well as this, respondents were asked whether the bank remaining the legal owner until their equity is purchased by the other partner, as seen in the *musharakah* contracts discussed earlier, had a positive, negative, or no effect on how they view the contract. From the responses gathered there was a mixed response overall, with a fairly even spread across the somewhat positive, negative and no effect responses however a much heavy leaning toward the strong negative effect on opinion response left an average response of 3.25, suggesting that the use of the term rent and the nature of a *musharakah* contract was something the respondents deemed to be negative overall to the contract.

Table 9. *Musharakah* Opinion Responses

Question 13: Opinion Towards <i>Musharakah</i>	Responses					Total	Average
	1	2	3	4	5		
Amount	1	9	5	8	5	28	3.25

As you can see in Table 10, when asked if, after considering contract A and B, the respondent would now consider banking with an Islamic bank, 16 of the 29 respondents, or 55% said they would consider banking with an Islamic bank. So, from Question 11 to 14, twelve respondents have decided that Islamic finance is something they would now consider after seeing a home financing contract from an Islamic bank.

Table 10. Patronage with Islamic Banks after Contract Comparison Responses

Question 14: Would You Now Consider Banking with an Islamic Bank?	Yes	No	Total
	16	13	29
Total (%)	55%	45%	

The focus will now shift to how these variables, gender, age and religion, tie to the key questions in the survey and what this data means for both Islamic finance providers and general policy recommendation at later stages.

When looking at gender and age breakdowns for Question 11, the overwhelming trend is a lack of interest in patronage with an Islamic bank. Referring to a study conducted by Dar (2005), this study revealed that $\frac{3}{4}$ of UK Muslims are indifferent at best to Islamic finance. He suggested that this means that Islamic finance offerings in the UK are 'supply-led' and with a staunch but small demand of 5% in the UK it is evidenced further by these results. One could

consider the potential to explore how the North would respond to a different style of financing after reading Dar (2005)'s paper.

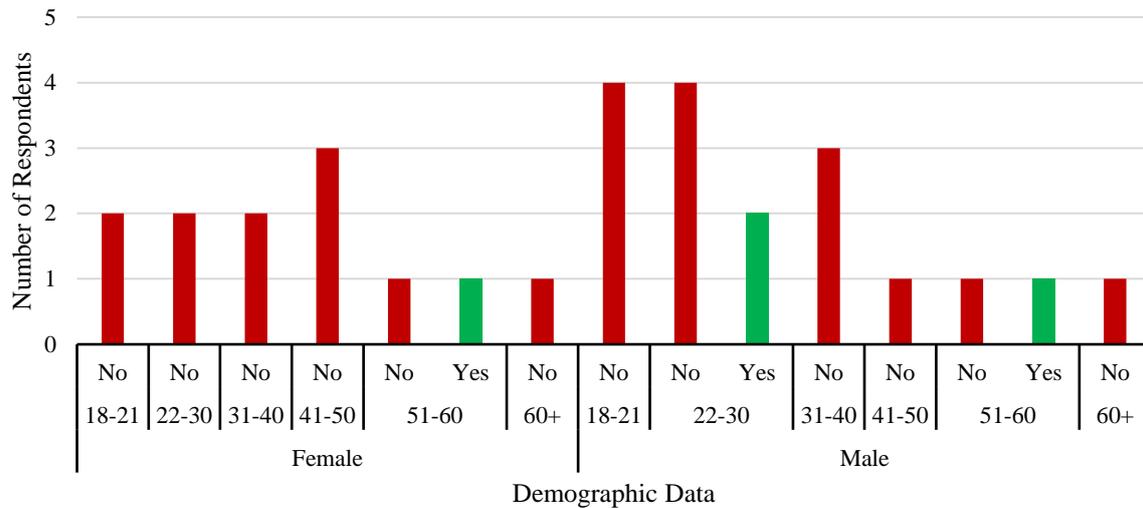


Figure 1. Gender and Age Breakdown of Attitudes towards Patronage with an Islamic Bank, prior to Being Shown an Islamic Home Finance Contract

As Figure 1 shows, the overwhelming negative response could suggest a bleak outlook for Islamic finance in the North. However, Figure 2 shows a completely different landscape. After already establishing that religiosity does not matter globally, reviewing studies by Erol et al. (1989, 1990), Al-Aimi et al. (2009), and Abdullah et al. (2012) all in predominantly Muslim countries and in the UK specifically with this study's findings, as shown in Table 2 with religiosity of a banking provider being the least important factor behind patronage, through education, promoting, and providing the means to research, compare and look at Islamic financial offerings there is the potential to change perceptions. This could be argued to be successful, with a dramatic increase in both male and female respondents now considering patronage with an Islamic bank based on the contract provided in Question 12 and data collected in Question 14.

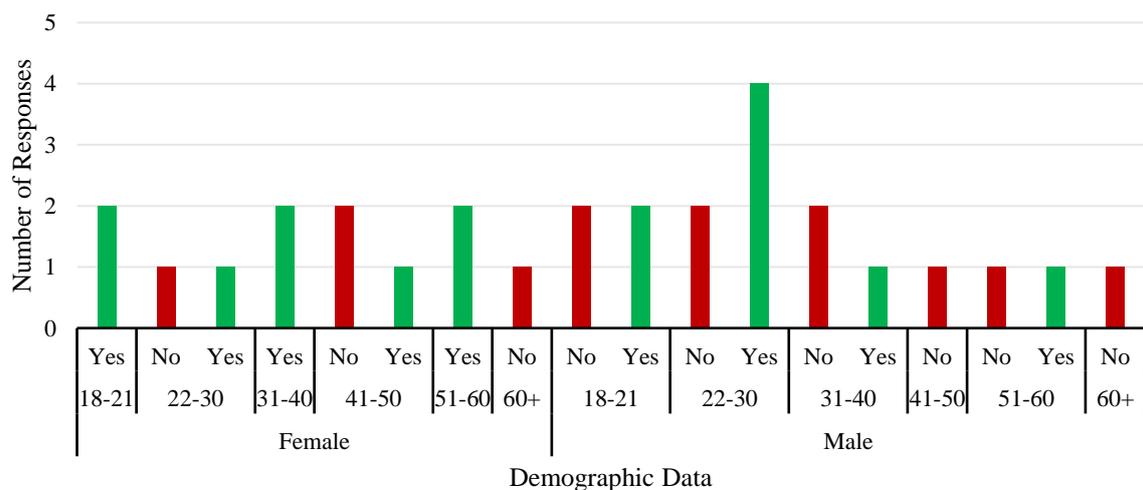


Figure 2. Gender and Age Breakdown of Attitudes towards Patronage with an Islamic Bank, after Being Shown an Islamic Home Finance Contract

By compiling all of the data into a table, which is split into four main areas, male and female and age groups for both genders (see [Table 11](#)), the share of the vote for each gender and more specifically the age group's share of the vote can be seen. The age group's share of the vote was determined based on the total number of responses for the gender it belongs to, and not the total 29 responses gathered. The age group percentage change between Question 11 and Question 14's responses is shown by the change in the number of 'No' responses. The gender-based percentage change from Question 11 to Question 14 is shown at the bottom of both tables, below the 'After Contract Comparison' column. This shows both the positive and negative movements of both the 'Yes' and 'No' responses.

Overall, for the group there was a change of 29.41%, with the number of yes votes rising from 17.65% to 47.06%. For the males, the most receptive age groups were the 18-21 and 22-30 groups, both showing a decrease in the number of 'No' votes by 11.76% each. After this the 31-40 saw a decline of 5.88%. This would suggest that younger adults are more receptive and willing to change provider or patron with another bank after being made aware of and making their own judgements on the benefits of Islamic financing. However, one could also argue this is due to a lack of major, long-term financial commitments such as mortgages, savings and pension products.

Now focusing on the female group, this group also saw a rise in the number of respondents who would consider Islamic finance, with a 58.33% rise in the number of 'Yes' responses, rising to 66.67% from 8.33%. Immediately this suggests that women are more responsive and willing to consider Islamic finance as an option when deciding a bank to take up patronage with. However, it must also be noted that there were only 12 total responses from females, with 17 from males. Across all but two of the age groups women appear to be more responsive, noting a decline in all but one of the age groups and a greater shift in terms of percentage in four groups. The 18-21 and 31-40 age groups were the largest shifters, both showing a 16.67% decline in total 'No' votes each. As well as showing an 8.33% decline in the 22-30, 41-50 and 51-60 groups.

From the data gathered one could suggest that this data counters [Zick and Küpper \(2009\)](#)'s suggestion that the term Islamic was a hurdle that negatively affected Islamic finance's ability to grow and develop in the West. Through provision of material and comparison with conventional financial offerings there is shifting demand, most notably amongst men and women in between the 18-40 age range.

With the age and gender considered, it was important to also consider religion and how receptive the different religious groups were to these responses (see [Table 12](#)). Overall focusing on solely religious representation the results would suggest positive news for Islamic financial services institutions, with a positive change of attitude towards patronage of 41.38% after the respondents were shown a home financing contract from an Islamic bank. This further supports the conclusions found in [Erol et al. \(1989, 1990\)](#), [Al-Aimi et al. \(2009\)](#), and [Abdullah et al \(2012\)](#) which state religiosity is not a key component in the decision-making process of consumers seeking a new banking provider.

Most notably all religions asides from Catholic saw a positive change in the number of respondents who would consider patronage with an Islamic bank. Atheists saw one of the greatest changes, with a rise of 5 respondents which represented a rise of 17.24% of the overall total amount of responses. This suggests that Islamic banks and financial institutions can certainly target a wide range of cultures and faiths to entice and create demand. The findings above certainly would suggest that religion in the UK will not play a major role in bank patronage, certainly the findings in this study add to existing findings in studies conducted by the previously mentioned [Erol et al. \(1989, 1990\)](#), [Al-Aimi et al. \(2009\)](#), [Mansour et al. \(2010\)](#) and [Abdullah et al \(2012\)](#).

Table 11. Gender and Age Comparison on Patronage of an Islamic Bank Pre and Post Contract Comparison

Gender	Age	Prior to Contract Comparison				After Contract Comparison				Age Group % Change
		Yes	No	Yes	No	Yes	No	Yes	No	
	18-21	0	0.00%	4	23.53%	2	11.76%	2	11.76%	-11.76%
	22-30	2	11.76%	4	23.53%	4	23.53%	2	11.76%	-11.76%
	31-40	0	0.00%	3	17.65%	1	5.88%	2	11.76%	-5.88%
	41-50	0	0.00%	1	5.88%	0	0.00%	1	5.88%	0.00%
	51-60	1	5.88%	1	5.88%	1	5.88%	1	5.88%	0.00%
	60+	0	0.00%	1	5.88%	0	0.00%	1	5.88%	0.00%
Total Responses		17				17				
Yes / No Tally		3		14		8		9		
Percentage Share		17.65%		82.35%		47.06%		52.94%		
Percentage Change from Prior to After						29.41%		-29.41%		

	Prior to Contract Comparison				After Contract Comparison				Age Group % Change	
	Yes	No	Yes	No	Yes	No	Yes	No		
18-21	0	0.00%	2	16.67%	2	16.67%	0	0.00%	-16.67%	
22-30	0	0.00%	2	16.67%	1	8.33%	1	8.33%	-8.33%	
31-40	0	0.00%	2	16.67%	2	16.67%	0	0.00%	-16.67%	
41-50	0	0.00%	3	25.00%	1	8.33%	2	16.67%	-8.33%	
51-60	1	8.33%	1	8.33%	2	16.67%	0	0.00%	-8.33%	
60+	0	0.00%	1	8.33%	0	0.00%	1	8.33%	0.00%	
Total Responses		12				12				
Yes / No Tally		1		11		8		4		
Percentage Share		8.33%		91.67%		66.67%		33.33%		
Percentage Change from Prior to After						58.33%		-58.33%		

Table 12. Religious Breakdown of Prior and Post Contract Comparison Patronage Responses

	Prior to Contract Comparison				After Contract Comparison				
	Yes	% of Total	No	% of Total	Yes	% of Total	No	% of Total	
Christian	1	3.45%	4	13.79%	3	10.34%	2	6.90%	
Catholic	1	3.45%	3	10.34%	1	3.45%	3	10.34%	
Protestant	0	0.00%	1	3.45%	1	3.45%	0	0.00%	
Church of England	0	0.00%	2	6.90%	1	3.45%	1	3.45%	
Baptist	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Islamic	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Hindu	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Sikh	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Jewish	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Buddhist	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Atheist	1	3.45%	12	41.38%	6	20.69%	7	24.14%	
Other; Agnostic	1	3.45%	2	6.90%	3	10.34%	0	0.00%	
Other; No Religious Beliefs	0	0.00%	1	3.45%	1	3.45%	0	0.00%	
Total (Yes / No)		4		25		16		13	
Percentage Change from Prior						41.38%		-41.38%	

Focusing on the gender and religious breakdown, prior to being shown a contract to compare with a conventional home financing contract, male respondents were more receptive to the potential patronage of Islamic banks, with three respondents saying yes to Question 11, this represented 10.34% of the total vote, with only one female respondent stating that they would consider patronage with an Islamic bank (see Table 13).

Table 13. Religious and Gender Breakdown of the Responses Prior to the Contract Comparison

Religion	Prior to Contract Comparison							
	Male				Female			
	Yes	% of Total	No	% of Total	Yes	% of Total	No	% of Total
Christian	1	3.45%	2	6.90%	0	0.00%	2	6.90%
Catholic	0	0.00%	1	3.45%	1	3.45%	2	6.90%
Protestant	0	0.00%	0	0.00%	0	0.00%	1	3.45%
Church of England	0	0.00%	0	0.00%	0	0.00%	2	6.90%
Baptist	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Islamic	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Hindu	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Sikh	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Jewish	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Buddhist	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Atheist	1	3.45%	9	31.03%	0	0.00%	3	10.34%
Other; Agnostic	1	3.45%	2	6.90%	0	0.00%	0	0.00%
Other; No	0	0.00%	0	0.00%	0	0.00%	1	3.45%
Religious Beliefs								
Total (Yes/No)	3	10.34%	14	48.28%	1	3.45%	11	37.93%

Table 14. Religious and Gender Breakdown of the Responses After the Contract Comparison

Religion	After Contract Comparison									
	Male					Female				
	Yes	% of Total	No	% of Total	Change from Prior	Yes	% of Total	No	% of Total	Change from Prior
Christian	1	3.45%	2	6.90%	0.00%	2	6.90%	0	0.00%	-6.90%
Catholic	0	0.00%	1	3.45%	0.00%	1	3.45%	2	6.90%	0.00%
Protestant	0	0.00%	0	0.00%	0.00%	1	3.45%	0	0.00%	-3.45%
Church of England	0	0.00%	0	0.00%	0.00%	1	3.45%	1	3.45%	-3.45%
Baptist	0	0.00%	0	0.00%	0.00%	0	0.00%	0	0.00%	0.00%
Islamic	0	0.00%	0	0.00%	0.00%	0	0.00%	0	0.00%	0.00%
Hindu	0	0.00%	0	0.00%	0.00%	0	0.00%	0	0.00%	0.00%
Sikh	0	0.00%	0	0.00%	0.00%	0	0.00%	0	0.00%	0.00%
Jewish	0	0.00%	0	0.00%	0.00%	0	0.00%	0	0.00%	0.00%
Buddhist	0	0.00%	0	0.00%	0.00%	0	0.00%	0	0.00%	0.00%
Atheist	4	13.79%	6	20.69%	-10.34%	2	6.90%	1	3.45%	-6.90%
Other; Agnostic	3	10.34%	0	0.00%	-6.90%	0	0.00%	0	0.00%	0.00%
Other; No	0	0.00%	0	0.00%	0.00%	1	3.45%	0	0.00%	-3.45%
Religious Beliefs										
Total (Yes/No)	8	27.59%	9	31.03%		8	27.59%	4	13.79%	
Change from Prior		17.24%		-17.24%			24.14%		-24.14%	

Once again focusing on the changes before and after being shown an Islamic contract to compare, the focus is on the major changes seen between the two response sets. In Table 14 the results show clear trends in which religious groups showed the biggest movements by gender. Beginning with Christian respondents, in male respondents this showed no change from the two stages, with female respondents however there was a complete shift with both respondents now willing to consider patronage with an Islamic bank, representing a 6.90% change.

Across all the male respondents, there was a large shift in Atheist and Agnostic respondents, seeing a 10.34% and 6.90% rise, as a proportion of the total amount of responses, in the number of respondents considering patronage with an Islamic bank. Whilst the female vote didn't see a single shift as large as 10.34%, there was a greater number of changed responses across a wider number of religious backgrounds. Christian, Protestant, Church of England, Atheist and those with No Religious Beliefs all saw a positive shift in the responses.

Overall, this data appears to suggest that whilst male atheist's are the most responsive with the largest shift, it is the female respondents who were overall the most responsive gender once again, from a religious standpoint it is the atheist group that was most responsive, with a 10.34% rise in males and 6.90% rise in the number of females who would consider patronage with an Islamic bank. In the literature review the viewpoint of [Marimuthu \(2010\)](#) and [Yusoff \(2003\)](#) was discussed in which both authors suggest that religiosity actually does play a major role for the patrons of Islamic banks, however as discussed by [Volk and Pudelko \(2010\)](#) secularity must be considered, from the results gathered whilst it is clear there is a wide range of religious followings in the UK the term 'Islamic' is not a barrier to patronage. This supports [Volk and Pudelko \(2010\)](#)'s argument that nations that are secular will not find religiosity an important feature of patronage and suggests that whilst the UK has a wide range of religious backgrounds there is little loyalty or intertwinement between religion and banking.

Conclusion

Islamic finance in the UK is certainly an area of opportunity and importance within the financial services sector. Attractive regulatory and tax systems ([Lane, 2019](#)) alongside a thriving cultural and financial hub in London provides an excellent starting point for Islamic banks hoping to grow in a Western economic setting and there is yet further room to develop this ([TheCityUK, 2017](#)). The aim of this research was to analyse consumers attitudes and perceptions towards an Islamic bank.

Looking at the data gathered, the analysis conducted, and the prior literature, in the UK, as discussed by [Dar \(2005\)](#), a lack of interest in Islamic finance, with many Islamic banks having to create their own demand through price cuts and substantially discounted offerings. This is echoed by this study's findings that 82% of respondents were not aware of Islamic finance and a further 86% who, prior to being shown an Islamic home finance contract, would not consider taking up patronage with an Islamic bank.

The responses gathered for this study and the main findings show that there is the potential for demand and underlying beliefs or opinions that certainly look positive for Islamic banks. For example, [Table 4](#) suggest that consumers do consider risk sharing between the bank and client to be important and a positive feature, and the consensus amongst the respondents for this study was that the current providers they have do not benefit local businesses as a result of the respondents patronage and business. With these two points, and prior studies conducted by [Erol et al. \(1989, 1990\)](#), [Al-Aimi et al. \(2009\)](#), and [Abdullah et al. \(2012\)](#) that explored consumer patronage had results that were paralleled in this study, with religiosity being the least important factor for patronage amongst the respondents of this study.

With this in mind the question began to appear as to whether consumers were simply unaware of Islamic banking, prior studies in Malaysia found that people simply did not differentiate between Islamic and conventional finance, and that the two were seen as one and the same being compared on the competitiveness of charges and fees as opposed to religiosity ([Abdullah et al., 2012](#)), however an awareness of the offerings were there. As previously mentioned 82% of respondents were not aware of Islamic finance in the UK and 86% would not consider patronage with one, an easy link here would be to suggest that because they were unaware of Islamic finance offerings they would not want to take up patronage with a bank they know nothing about. By modelling two home financing contracts that were both 5-year

fixed LTV mortgages, using information solely from price comparison and company websites, akin to what one may find when exploring the UK home financing market, and one being from an Islamic bank and the other a conventional UK bank the researcher was able to have a blind comparison. In the survey and as shown in the appendices, the contracts were unmarked and simply labelled 'A' and 'B' to prevent bias. The findings of this is shown in [Table 8](#), when asked to compare and pick which one was best for value and ease of understanding for monthly payments and charges and fees the two were very nearly inseparable. After making the respondents aware of contract 'A' being one from an Islamic bank they were once again asked to consider whether they would now choose to bank with an Islamic bank. The responses increased up to 55% responding yes. Further analysis revealed that the most responsive groups to this were, broadly, females both solely in terms of gender and when measuring individual religious groups as well. Whilst male atheists also saw a large shift in response from 'no' to 'yes'. Younger males were far more receptive than older age groups and saw more significant shifts in opinion and all female age groups asides from the 60+ bracket saw a positive change.

One of the major limitations of this study is the small amount of data collected from a concentrated area of the UK, the findings, whilst interesting and unique for the area of research, are not substantial as they do not represent the whole nation well. More time and financial resources available could have perhaps added to the ability to complete a greater size of study.

Ultimately, the research and analysis conducted suggests that public perception about Islamic finance is not negative or soured due to political or social perceptions as suggested by [Zick and Küpper \(2009\)](#). In [Volk and Pudelko \(2010\)](#)'s determinants of the development of Islamic retail banking, the third determinant is society's attitude towards Islamic culture in general, citing a large scale study completed by [Zick and Küpper \(2009\)](#) they note that 69% of Europeans believe that Muslim culture does not fit well in their country, with a further 54% believing that Islam is a religion of intolerance, one could view this study as a simple explanation as to why Islamic finance has not grown faster in the Western economies, however this study suggests it is simply a lack of understanding and not prejudice towards Islamic practices and people. As policy recommendation for Islamic banks and institutions, the main focus should be on targeting younger adults such as first-time buyers and those yet to take on multiple long-term commitments as they are the most positively responsive group in terms of age, more specifically attempting to target women to gather new customers and grow Islamic finance in the UK would certainly appear to be fruitful.

The main recommendation for future research would be further study into consumer attitudes towards features of Islamic finance and greater focus on the comparison between Islamic and conventional features and offerings. The evidence provided from results in this area would be beneficial to the financial services sector and to the developing Islamic finance community in the UK and potentially Europe. A potential further study exploring societal attitudes towards Islam and Islamic finance would certainly shed some light on the situation in the UK currently and help potentially explain why Islamic finance in the UK is yet to develop further. Finally, further research into the same areas as this paper would be hugely beneficial as this paper has only covered a small part of the UK and cannot be considered entirely representative of the nation.

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Appendices

Appendix 1. Questionnaire

Page 1

Question 1

What is your gender?

Male	
Female	
Other	
Prefer not to say	

Question 2

What is your age?

18 – 21		22 – 30	
31 – 40		41 – 50	
51 – 60		60 +	

Question 3

Which of the following do you identify as?

Christian		Catholic	
Protestant		Church of England	
Baptist		Islamic	
Hindu		Sikh	
Jewish		Buddhist	
Atheist		Other	

Question 4

Using a scale of 1 – 5 with 1 being most and 5 being least important, order the in terms of what you consider to be important when considering a bank with which to undertake business.

Please select only one response for each number.

	Least Important				Most Important
	5	4	3	2	1
Speed of Service					
Staff Interaction Quality					
High Street Presence & Convenience					
Religiosity					
Competitive Products and Charges					

Question 5

To what extent do you agree or disagree that the following are positive features of a conventional Mortgage?

	Strongly Agree	Somewhat Agree	Neither Agree nor Disagree	Somewhat Disagree	Strongly Disagree
Charges & Fines					
Interest Payments					
Risk Sharing between the bank and client					

Question 6

To what extent do you agree or disagree with the following statement:

“My Main banking provider provides me with all the information I need to make an informed decision before undertaking a major financial decision”

Strongly Agree	Somewhat Agree	Neither Agree nor Disagree	Somewhat Disagree	Strongly Disagree

Question 7

To what extent do you agree or disagree with the following statement:

“My bank provides services, products and schemes that not only benefit me, but also benefit the wider community”

Strongly Agree	Somewhat Agree	Neither Agree nor Disagree	Somewhat Disagree	Strongly Disagree

Question 8

To what extent do you agree or disagree with the following statement:

“My bank uses the money I deposit and generate for them to benefit local businesses”

Strongly Agree	Somewhat Agree	Neither Agree nor Disagree	Somewhat Disagree	Strongly Disagree

Question 9

Are you aware, or do you have any knowledge about the offerings, products and services that are available and provided by an Islamic Bank operating in the UK?

Yes	
No	

Question 10

To what extent do you agree or disagree with the following statement:

“Islamic Finance is exclusively for people of the Muslim faith”

Strongly Agree	Somewhat Agree	Neither Agree nor Disagree	Somewhat Disagree	Strongly Disagree

Question 11

Would you, or have you ever, considered banking with an Islamic bank?

Yes	
No	

Please elaborate on your answer

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Page 2

Question 12

Looking at the two financial contracts above, please compare them on the following sections:

	Contract A	Contract B
Which contract is easier to understand in terms of the charges and fees?		
Which contract do you believe to be better value?		
Which contract is easier to understand in terms of the monthly payments		

Question 13

Contract A features monthly 'rent and acquisition' payments to the bank, with the bank remaining the legal owner until their equity is purchased by the other partner, would you say this has a positive effect, negative effect or no effect on how you view the contract?

Strong Positive Effect	Somewhat Positive Effect	No Effect	Somewhat Negative Effect	Strongly Negative Effect

Question 14

With Contract 'A' being one from an Islamic Bank in the UK, and considering your responses to the questions above, would you now consider banking with an Islamic Bank?

Further Information: Contract A is from Al Rayan Bank

Yes	
No	

Please elaborate on your answer

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Appendix 2. Questionnaire Contract Comparison

The following is based on a £200,000 valued property for a first-time buyer seeking an 80% Fixed Rate Mortgage.

Contract A	Contract B
<p>Key Points</p> <ul style="list-style-type: none"> • Pay no interest • Purchase the property as a partner with the bank • Monthly 'rent' and acquisition payments, once you have purchased the banks share through these payments you then become the legal owner • Sell the property at any time, and benefit should the property value increase • On a Fixed HPP you cannot make additional acquisition payments • In the event you are charged for a late payment, the bank will only recover administrative costs incurred, any additional amounts over this are donated to charity to ensure the bank does not profit from any extra income generated by the additional charges, if further payments are missed the bank could repossess your home 	<p>Key Points</p> <ul style="list-style-type: none"> • The mortgage reverts to a Standard Variable Rate • Purchase the property using the mortgaged property as security that the bank can use to reclaim the value should payments go unfulfilled • Mortgage rate changes after 60 months (5 years) • Monthly payments to the bank over the contract period • Sell the property at any time, and benefit should the property value increase • This providers mortgage allows you to make additional payments of up to 10% of your mortgage balance in every 12-month period • In the event you fail to make payments, the bank could repossess your home
<p>Contract Information</p> <ul style="list-style-type: none"> • 5 Year Fixed Home Financing • Finance to Value: 80% (Deposit of £40,000) • Finance Term: 25 Years <p>Monthly Payments</p> <ul style="list-style-type: none"> • Rental Rate: 3.49% • Revert Rental Rate: 4.74% • Monthly Payments: £1000.17 	<p>Contract Information</p> <ul style="list-style-type: none"> • 5 Year Fixed LTV Mortgage Contract • Finance to Value: 80% (Deposit of £40,000) • Finance Term: 25 Years <p>Monthly Payments</p> <ul style="list-style-type: none"> • First 60 Months: £661.16 (1.78%) • Last 240 Months: £825.50 (4.24%) • Overall Cost: 3.4% APRC • Total Amount Payable: £238.522 (Interest: £77,523)

<p>Charges</p> <ul style="list-style-type: none"> • Admin Fee: £499 • Legal Fees: £500 (With a £400 contribution from the bank) • Valuation Fees: Up to £1,442 • When a monthly HPP payment is missed: £8 + HPP amount due • Arrears management fee: £16 • When the bank pays a ground rent or service charge due to the partner failing to do so: £100 plus ground rent or service charge 	<p>Charges</p> <ul style="list-style-type: none"> • Application Fee: £999 • Legal Fee: £126 • Funds Transfer Fee: £35 • Mortgage Discharge Fee: £80 • Early Repayment Charge: 3.00% of loan amount redeemed to paid until 30th April 2025
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