

**EXPLORATORY STUDY TO DEVELOP AN ISLAMIC COMPLIANT
INVESTMENT AND BANKING FRAMEWORK WITHIN A SOUTH
AFRICAN CONTEXT**

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at

DURBAN UNIVERSITY OF TECHNOLOGY

by

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Declaration

I, Shakir Jeeva, declare that this dissertation and the work presented in it are my own and have been generated by me as a result of my own original research.

I further declare that:

1. This work was done while in candidature for the PhD at Durban University of Technology;
2. Where I have consulted the published work of others, the source is always given;
3. I have acknowledged all main sources of assistance;
4. None of this work has been published or submitted previously.

Signed:

Date: 30 October 2020

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The successful completion of this research would not have been possible without the grace of the Almighty, and the support, guidance, patience and encouragement received from my wife, children, parents and siblings throughout my years of study.

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To all other individuals who may not have been mentioned, but in some way contributed to the completion of this study.

Dedication

This research study is dedicated to all those that are searching for Islamic alternatives to the current offerings or to gain a deeper understanding of the fundamentals of Islamic finance.

There is scope for these models as well as sufficient demand, and only require some dedication, support and effort to bring them to fruition.

This is, of course, all only possible with the assistance and permission of the Almighty.

Abstract

Islam, as a religion, is growing at a phenomenal rate, and with this growth, comes a greater demand for Islamic products such as Islamic banking and investment. While there have generally been Islamic offerings available in Muslim majority countries such as Malaysia, Saudi Arabia and others, these offerings are not widespread, relative to conventional financial offerings. This sporadic availability leads to a lack of offerings in other parts of the world, specifically in non-Muslim majority countries where there are growing Muslim populations, and in turn a demand for Shariah-compliant financial offerings and tools.

Therefore, the researcher attempted to understand the underlying principles and parameters with which Islamic finance is permissible and can operate, specifically in investment and banking, such that a model can be derived and presented based on these parameters. Further, specific to this, the researcher sought to analyse the model within a South African context from a regulatory framework requirement, considering the current frameworks and regulations as stipulated by the government, the FSCA, the SARB, as well as the understanding, awareness, attitudes and drivers of Muslims towards current Islamic offerings within South Africa. South Africa has several Islamic offerings which are available through Islamic windows as well as fully-fledged Islamic institutions.

The primary data was collected through a questionnaire and administered electronically via social media in major cities within South Africa, namely Johannesburg, Port Elizabeth, Durban and Cape Town. The study followed a cross-sectional quantitative design with a sample size of $N = 743$. Based on the results, it was found that while the sample was generally well educated, they lacked Islamic specific knowledge. Additionally, awareness and penetration of Islamic finance products were not high, relative to the usage of conventional products. While respondents were open to making use of Islamic finance, the religious obligation was not the main and only driver, and other factors are expected to be in place by the participants such as competitive pricing, good service, and access to facilities such as branches and ATMs.

The study also introduced a predictor model of consumer behaviour to measure the level of perception of the local community. The results indicated that consumer behaviour is significantly influenced by norms/attitudes and views/opinions. Recommendations were made, which totalled 18, and included increasing awareness regarding Islamic finance from providers by way of marketing through social media and education of potential customers. Also, consideration of existing alternative models which can be adapted to the Islamic principles, self-regulation and standardisation, and creating an Islamic compliant SARB facility for Islamic institutions were all discussed and commented on. Additionally, education regarding the product offerings and its benefits, as well as its relation to religious obligations, must be a key strategy not only for consumers but also for institutional staff, lawyers and regulators. Notwithstanding this, to achieve additional market penetration, other expected factors should also be in place, such as competitive pricing and service, in conjunction with education.

The study was concluded with discussions, conclusions, limitations and recommendations for future research in this regard.

Keywords

Shariah, Islamic Finance, Islamic Window, Shariah Board, Conventional Banking, Haram, Islamic Investment, Islamic Banking.



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Conventions

This study adopts the following conventions, namely:

- a. The citation style utilised in this study is the Harvard Referencing style.
- b. In the text, the references are abbreviated, by citing the author and including the relevant page number, where this is applicable. In the Bibliography, page numbers are utilised, only for journals, as per the selected citation style.
- c. Where more than two authors are responsible for the source being cited, the primary author is cited, followed by *et al.* The complete reference is incorporated in the Bibliography.
- d. Illustrative figures are chronologically referenced.
- e. Abbreviations and acronyms are declared in brackets when initially utilised in the study. Thereafter, the abbreviation or acronym is used. For ease of use, the abbreviations and acronyms are also listed separately.
- f. The use of online sources is included as part of acknowledging the contribution and for purposes of verification. The dynamic nature of online sources required that the date of these sources being accessed also be included.

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Glossary of terminologies

- **Al Ajr:** Commission, fees or wages charged for services.
- **Amana/Amanah:** Trustworthiness. Technically, an essential value of Islamic society in mutual dealings. It also refers to deposits in trust. A person may hold property in trust for another, sometimes by implication of a contract.
- **Al Wadia:** Resale of goods with a discount on the original stated cost.
- **Al Rahn:** An arrangement whereby a valuable asset is placed as collateral for a debt. The collateral may be disposed of in the event of a default.
- **Al Wadiah:** Safe-keeping.
- **Bai Muajjal (Deferred Payment Contract):** A contract involving the sale of goods on a deferred payment basis. The bank or provider of capital buys the goods (assets) on behalf of the business owner. The bank then sells the goods to the client at an agreed price, which will include a mark-up since the bank needs to make a profit. The business owner can pay the total balance at an agreed future date or make instalments over a pre-agreed period. This is similar to a Murabaha contract since it is also a credit sale.
- **Bai Al-Arboon:** A sale agreement in which a security deposit is given in advance as a partial payment towards the price of the commodity purchased. This deposit is forfeited if the buyer failed to meet his obligation
- **Bai al Dayn:** Debt financing: the provision of financial resources required for production, commerce and services by way of sale/purchase of trade documents and papers. Bai al-Dayn is a short-term facility with a maturity of not more than a year. Only documents evidencing debts arising from bona fide commercial transactions can be traded.
- **Bai al Salam:** This term refers to advance payment for goods which are to be delivered later. Normally, no sale can be effected unless the goods are in existence at the time of the bargain. But this type of sale forms an exception to the general rule provided the goods are defined, and the date of delivery is fixed. The objects of this type of sale are mainly tangible items but exclude gold or silver as these are regarded as monetary values. One of the conditions of this type of contract is an advance payment.

- **Bai Bithaman Ajil:** This contract refers to the sale of goods on a deferred payment basis. Equipment or goods requested by the client are bought by the bank, which subsequently sells the goods to the client at an agreed price which includes the bank's mark-up (profit). The client may be allowed to settle payment by instalments within a pre-agreed period, or in a lump sum. Similar to a Murabaha contract, but with payment on a deferred basis.
- **Baitul Mal:** Treasury.
- **Fatwah:** A religious decree.
- **Fiqh:** Islamic jurisprudence. The science of the Shariah. It is an essential source of Islamic economics.
- **Gharar:** Uncertainty. One of the three fundamental prohibitions in Islamic finance (the other two being riba and maysir). Gharar is a sophisticated concept that covers certain types of uncertainty or contingency in a contract. The prohibition on gharar is often used as the grounds for criticism of conventional financial practices such as short selling, speculation and derivatives.
- **Hawala:** Lit: bill of exchange, promissory note, cheque or draft. Technically, a debtor passes on the responsibility of payment of his debt to a third party who owes the former a debt. Thus the responsibility of payment is ultimately shifted to a third party. Hawala is a mechanism for settling international accounts, by book transfers. This obviates, to a large extent, the necessity of physical transfer of cash.
- **Haram/ haraam:** Unlawful
- **Ijara:** A leasing agreement whereby the bank buys an item for a customer and then leases it back over a specific period
- **Ijara-wa-Iqtina:** Similar to Ijara, except that the customer can buy the item at the end of the contract.
- **Islam:** The religion of Muslims, believing in one God (Allah).
- **Islamic banking:** Banking according to Shariah principles.
- **Islamic investment:** Investment according to Shariah principles.
- **Islamic finance:** Covers all Islamic compliant financial transactions and instruments.

- **Mudaraba:** Offers specialist investment by a financial expert in which the bank and the customer shares any profits.
- **Istisna (Progressive Financing):** A contract of acquisition of goods by specification or order where the price is paid progressively in accordance with the progress of a job.
- **Ju'alal:** Lit: stipulated price for performing any service. Technically applied in the model of Islamic banking by some.
- **Maysir:** Gambling. One of three fundamental prohibitions in Islamic finance (the other two being riba and gharar). The prohibition on maysir is often used as the grounds for criticism of conventional financial practices such as speculation, conventional insurance and derivatives.
- **Mudaraba:** An Investment partnership. As a financing technique adopted by Islamic banks, it is a contract in which the Islamic bank provides all the capital while the other party manages the business. The profit is shared in pre-agreed ratios, and loss, if any, is borne by the investor.
- **Mudarib:** In a mudaraba contract, the person or party who acts as an entrepreneur.
- **Murabaha:** A form of credit which enables customers to purchase without having to take out an interest-bearing loan. The bank buys an item and then sells it on to the customer on a deferred basis.
- **Musharaka:** An investment partnership in which profit sharing terms are agreed in advance, and losses are pegged to the amount invested – basically Private Equity.
- **Quran:** The Muslim Holy Book containing various divine scriptures as believed by Muslims.
- **Rab-al-maal:** In a mudaraba contract, the person who invests the capital.
- **Riba:** This term means an increase or addition. Technically it denotes any increase or advantage obtained by the lender as a condition of the loan. Any risk-free or "guaranteed" rate of return on a loan or investment is riba. Riba (interest), in all forms, is prohibited in Islam.

- **Shariah:** Islamic law as revealed in the Quran and through the example of Prophet Muhammad. A Shariah-compliant product meets the requirements of Islamic law. Shariah Board is the committee of Islamic scholars available to an Islamic financial institution for guidance and supervision in the development of Shariah-compliant products.
- **Sukuk:** Similar to an asset-backed bond, Sukuk is a form of commercial paper that provides an investor with ownership in an underlying asset, and a return based on this ownership. Sukuks are typically issued by corporate issuers, and some Financial Institutions, and also by Governments (Bahrain, Malaysia, Pakistan).
- **Takaful:** Islamic insurance. It is structured as a charitable collective pool of funds based on the idea of mutual assistance. In takaful, the members are the insurers as well as the insured. Conventional insurance is prohibited in Islam because its dealings contain several haram elements, including gharar and riba, as mentioned above (Agricole, 2010: 1).

Chapter 1 – Introduction and research background

1.1. Introduction and background

Globally, there is a rise in Islamic or Shariah-compliant financial instruments, seen by the growth in the “Islamic economy” with a 14% growth per annum (Thomson Reuters, 2015: 1), exceeding the traditional global economic growth of 11% per annum (Ey, 2016: 6; International Monetary Fund, 2016: 1).

Currently, the growth in Islamic compliant financial tools and offerings is mainly taking place in the Middle Eastern countries (Qatar, Indonesia, Saudi Arabia, Malaysia, United Arab Emirates and Turkey), which are predominantly Muslim majority countries. 80% of Islamic banks and investment assets are located in these countries (Ey, 2016: 18).

Within a South African context, the first Islamic product available was that of Islamic banking. The concept of Islamic banking and finance started in South Africa in 1989 when Albarakah Bank was established with a group of South African investors and the Saudi Arabian based Dallah Albarakah group. This Islamic offering was followed by conventional banks such as First National Bank and ABSA Bank (Amalgamated Banks of South Africa), in 2004 and 2006, respectively (IOL, 2010: 1).

The Islamic banking framework works off similar principles to that of Takaful (Islamic Insurance) (Iqbal & Mirakhor, 1987: 3; Khorshid, 2004: 4). These principles are that the framework cannot include any transactions or elements which are against the teachings of Islam, such as interest or usury (Ariff & Iqbal, 2011: 5). Therefore, the Islamic banks operate in a cooperative manner, where the customers share in the risks and profits of the firms. As an example of this concept, in a mortgage transaction, the Islamic bank would purchase the asset and resell it to the customer over fixed instalments, at a pre-agreed profit over the entire term. In contrast, the conventional banks would charge the customer an interest rate related to a monthly repayment fee, of which interest rate may fluctuate and not remain fixed, leading to uncertainty for the consumer (Ariff & Iqbal, 2011: 6; Jeeva, 2015: 39). This uncertainty goes against the Islamic principles as set out by Shariah law, which advocates clear and transparent

transaction terms, as well as the impermissibility of amending those terms without mutual consent.

It is envisaged that, through this study, the establishment and constitution of a Shariah supervisory board be explored. The board will oversee the credibility of the framework, as well as confirm that the framework follows Shariah law (Institute of Islamic Banking & Insurance, 2014: 1; Jeeva, 2015: 39). This Shariah board is generally made up of learned Islamic scholars who provide guidance internally. They ensure that strict adherence to Islamic principles is followed. As this board does not form part of the formal business structure, they would therefore not wield decision-making capabilities on their own, as would be the case with the board of directors. Such a correctly constituted Shariah board would also provide confidence to consumers of the various product offerings, with the knowledge that these products have been checked and approved by experts in the field (Wardhany & Arshad, 2012: 2).

With the Shariah-compliant framework and deviations thereof, there are differences of opinions as to whether the current framework is truly Shariah-compliant, and embodies the spirit and true framework as set out in the various Islamic sources of knowledge (Chong & Liu, 2007: 1; Khan, 2010: 805).

The arguments against Islamic banking, seem to be in its current form and the way it is practiced, and not with the actual concept and principles of Islamic banking. These arguments against the current implementation of Islamic finance by certain scholars are as follows (Hunt-Ahmed, 2013: 387, Jeeva, 2015: 39):

1. Certain Islamic banks charge for the time value of money, which effectively amounts to an interest charge. This practice is contrary to the Shariah because one is not allowed to make money off money, without underlying assets backing the transaction;
2. Certain Islamic banks would share the rewards with the client but have little tolerance for any risk, such as in the case of default, where the client is expected to cover the full cost of the shortfall of the asset once it has been auctioned off. This is not an equitable sharing of risk and reward where the reward is shared

and tolerated, but the risk is one-sided to the client and not the financial institution itself;

3. Certain Islamic banks are not Muslim owned or managed, and therefore create doubt and suspicion in the minds of potential clients as to the validity and credibility of the framework and banking institution. Additionally, doubt circulates around the source of the initial funds, as this may “contaminate” all subsequent transactions and activities, whether these are compliant or not. This would be applicable in the case where the financial institution makes use of Islamic windows, and where capital is generated internally and transferred to the Islamic structure, from a conventional structure, of which the conventional structure has made money from impermissible acts/ interest derived, as per the Islamic parameters;
4. Certain Islamic banks use the prevailing interest rate to calculate the client non-interest repayment amounts (known as profit-sharing payments), where interest is not allowed in Islam. This is used as an inappropriate substitute for an interest charge to the customer, where the profit-sharing rate is benchmarked to the interest rate and not calculated independently;
5. Certain Islamic banks work on a diminishing partnership structure, which is not on a fair and equitable basis towards the client as it favours the bank unduly;
6. Certain Islamic banks charge service fees which are seen as a disguised interest charge and a charge which is not justified in terms of the Islamic principles of fairness; and
7. Certain Islamic banks can make unilateral amendments to pre-agreed contracts which are in contrary to the Shariah and its underlying principles (Hunt-Ahmed, 2013: 388; Jeeva, 2015: 39).

It must be noted, however, that the above criticisms are against the current offerings’ framework, such as those generally offering Islamic finance offerings in South Africa and elsewhere, and not on the Islamic banking concept and framework itself. Therefore, the critique should not be seen as a critique on the general concept of Islamic banking and finance, but merely the implementation thereof amongst the majority of institutions offering Shariah-compliant products.

Islamic investments, similar to Islamic banking, work off close principles and structures to conventional investments, with specific frameworks and parameters applicable. Within Islam, people are encouraged to make investments with the provisos that these investments should not be in impermissible activities, underlying assets, financial instruments, and transactions such as gambling, alcohol, pork and interest-based transactions. The philosophy behind this is to promote “ethical” investments and equitable and just positions within society as a whole. (Gait & Worthington, 2007: 12)

While Islamic financial instruments are relatively new to South Africa, the South African government is seen to be moving forward in this direction by offering more Islamic products. They are doing so as a way of expanding their investor base, where Muslims are only able to invest in instruments which follow Shariah law. An example of this is the debut of an Islamic bond (Sukuk), which was issued and listed on the Luxembourg Stock Exchange (South African National Treasury, 2014: 1). The value of the Sukuk was USD 500 000 000, and the bond was oversubscribed by more than four times, with an order book of approximately USD 2 200 000 000. Therefore, this shows the demand and appetite available in the marketplace for Islamic compliant financial instruments, especially in emerging markets, where there are generally higher returns relative to more established economies, commensurate with the increase in risk found in the emerging economic sectors. (South African National Treasury, 2014: 1; Jeeva, 2015: 40)

Within a South African context, there is currently only one independent sole Islamic bank (only selling Islamic product offerings in the absence of conventional product offerings), namely Albarakah Bank, and no large sole Islamic investment firms. There are, however, institutions that offer Shariah-compliant products coupled with conventional financial products and will therefore be beyond the scope and focus of this study. However, they will briefly be touched on for comparison and interest sake for the reader’s additional insight into the various combinations and permutations of product offerings.

This study aims to understand and investigate what constitutes an Islamic compliant banking and investment framework, as well as the potential demand and attitudes toward these offerings in South Africa. Firms that offer conventional products (interest-based), but also have specific Islamic compliant offerings are referred to as Islamic windows.

However, based on the support that the Sukuk issuance received, there seems to be an appetite for Islamic financial instruments, and by relation, Islamic banking and investments. This demand may be driven by various economies which are looking towards emerging markets for potentially higher returns on their investments, in an ethically acceptable and Islamic instrument/s.

The topic sought to ascertain the foundational requirements of the Islamic investment and banking framework within the Islamic sources of knowledge and texts. Secondly, the study sought to propose a framework based on these parameters within the current banking and financial environment.

The researcher would also develop a framework within a South African context, considering the possible laws and regulations which may affect these offerings.

The rationale behind this is to determine and ascertain the level of Shariah-compliant banking and investment framework to develop a framework within a South African context.

The primary aim of the study was to investigate the potential suitability of an Islamic compliant investment and banking framework within the Republic of South Africa.

To provide further insight and detail into the primary aim, the following secondary aims and objectives were formulated:

- To determine the extent of the existence of Islamic investment and banking products within Shariah;
- To identify the requirements of Islamic investment and banking;
- To propose a compliant and relevant framework within an ideal setting;

- To propose how the Islamic requirements translate into a commercial offering within South Africa;
- To compare and contrast the Islamic finance framework with conventional finance framework; and
- To explore the awareness, knowledge, opinions, attitudes, use and drivers of Islamic Investment and banking in South Africa of Muslim individuals.

The researcher, therefore, aimed to achieve the following:

1. To determine the extent of Islamic banking and Islamic investment within Islam;
2. To propose a suitable and appropriate framework within an ideal setting and South African context; and
3. Assess the attitudes of certain Muslims through administered questionnaires.

Since the researcher sought to study the attitudes and feelings of participants towards current Islamic finance offerings, a mono method approach was used, making use of quantitative analysis, using a questionnaire as a data collection tool.

Therefore, due to the nature of the data to be measured and assessed, as well as the intended data collection tool and approach, the research methodology adopted in this study, was that of a mono method design study, adopting a positivist philosophy. The approach adopted undertook the Survey Monkey electronic questionnaire design and distribution tool. This approach includes a quantitative dimension using a singular data collection tool, which would cover and survey the various variables needed to conduct the survey and give rise to sufficient data to answer the respective objective.

This paradigm is based on the fundamental that science or knowledge creation should be restricted to what can be observed and measured. It combines a deductive approach with a precise measurement of quantitative data so that researchers can identify the causal laws to help predict human behaviour (Struwig & Stead, 2013: 5) and on naturalistic methods which involve engagement with others to “construct a meaningful reality”, based on the information received (Cohen & Crabtree, 2006: 1).

Certain quantitative data emanated from the questionnaire, which was analysed further using a statistical software package, SPSS, with the assistance of a statistician. This statistical package allowed for various statistical analyses to be conducted and give rise to specific and significant results, which provided additional insight into the response data set.

The researcher used a questionnaire guide to construct the questionnaires (Babbie, 2011: 415). The participants were chosen through convenience sampling, which entails selecting specific participants (cases) that meet the criteria of the study (non-sampling method) that enable the researcher to draw relevant data for the study (Terre Blanche, Durrheim & Painter, 2006). The reason for choosing convenience sampling is that not all mosque committees have reliable databases of congregants, funders and partners. Therefore reliance was placed on social media such as WhatsApp, Facebook, LinkedIn, and “word of mouth” distribution for a more efficient and broader reach.

The research participants for the study included a cross-section of Muslim participants which constitute various sectors within South African society. The participants were selected based on the fact that the researcher believed they would either make use of conventional and/ or Islamic finance and/ or appreciate the need for a different product offering in South Africa, being in this case, an Islamic/ ethical financial offering. The sample framework involved individuals and companies in the respective areas making use of conventional/ Islamic finance or wanting an alternative banking/ investment solution. The geographic scope, however, was limited to Johannesburg, Cape Town, Port Elizabeth and Durban, as the researcher believed that these cities would constitute most of the Muslim population within South Africa. This is primarily due to the population and Islamic community density within these cities, relative to other parts of South Africa.

The final contribution envisaged was to present a fully compliant Shariah banking and investment framework, as well as give insight into the attitudes of the South African market towards these concepts and current offerings. The data will also result in better understanding of the market requirements and perceptions, such that the current and future product offerings can factor in the Islamic ethos and feedback which would

emanate from the questionnaires and the quantitative data received. Additionally, the researcher hopes that the information shared and developed will assist in creating better developed Shariah-compliant offerings for the Muslim public at large, as well as the results and recommendations leading to an improved climate of innovation and expertise within the South African Islamic finance industry.

1.2. Field of research and the provisional title

The study set out to address the question of the extent of Islamic finance frameworks, within what is known in current times as banking and investment. The researcher aimed to determine this through existing Shariah banking or intended products to be launched in the future. The study additionally explored on what basis this Islamic banking and investment are allowed, the extent and parameters of this in Shariah law, and developed a framework within an ideal setting, and then within a South African context, in strict accordance to the Shariah evidence as researched. This process involved certain desktop research in determining global best practice regarding Shariah finance and banking. The researcher then sought to assess consumer awareness and understanding through structured questionnaires, which were created such that they give rise to quantitative data for additional insight.

While this study followed a detailed structure; the study explored aspects such as history, the extent of the permissibility of banking and investment in Islam, current frameworks and their implementation, market share and growth of Islamic finance, criticisms and pitfalls of existing models, a proposed framework based on the findings in terms of Shariah, regulatory and country-specific laws and their implications, and attitudes of Muslims toward the framework in a South African context.

The field of research is, therefore, that of financial management, as the study proposed investigations into both the banking and investment spheres of finance.

It is on this basis that the title was as follows - EXPLORATORY STUDY TO DEVELOP AN ISLAMIC COMPLIANT INVESTMENT AND BANKING FRAMEWORK WITHIN A SOUTH AFRICAN CONTEXT

Therefore, the focus of the study is to explore the extent of Islamic banking and investments, compile a framework based on the parameters as set in the Shariah, transpose this framework within a South African context in consideration of any potential applicable laws and regulations in this regard, as most studies have been done within a middle eastern context, and measure the attitudes of people towards the current Islamic compliant offerings to solicit their views and opinions.

1.3. Context of the research

Based on a broad analysis of the market, globally, and indeed, within a South African context, Muslims are generally uncertain of the financial Shariah restrictions regarding investment and banking, and the permissibility of the current products in the market place, (Jeeva, 2015: 82).

Worldwide, Muslims represent approximately 23% of the world's population or 1.6 billion people. Islam, being the fastest-growing religion in the world, is gaining popularity as more and more people convert to Islam (Rt, 2015: 1).

In South Africa, the Muslim population is estimated to be just under 1 590 000 people as at 2014 estimates (Muslim Population, 2014: 1). This Islamic population value would be assessed by the researcher to be approximately 1 725 900 as of 2019 based on the growth rate between 2014 and 2019 (Trading Economics, 2020: 1). This is merely a high-level estimate and did not account for the possible variables amongst the various demographic and racial factors present within South Africa.

The Muslim population, in South Africa, and globally, need to ensure that they comply with the various religious laws as set out in the Muslim holy book, the Quran, as well as the various teachings by the Prophet Muhammad (PBUH), which script and teachings collectively make up Islamic law, otherwise known as Shariah law.

According to the Shariah law, interest and other financial calculation methods currently used such as speculation and usury are not permissible for Muslims to engage in, whether directly or indirectly, due to the risk of "contamination", and it being contrary to the Islamic principles of just and fair transactions for all parties involved. Therefore, the majority of current investment and banking offerings are not conducive

for Muslims in South Africa, as there are generally offered on a conventional finance and investment basis, involving interest-based transactions as well as unrestricted and unfettered investment types (Surah Ash-Shu'ara', The Holy Quran; Desai, 2014: 1; Jeeva, 2015: 67).

In this context, a small percentage of religious conscious banking clients will still engage in these instruments out of necessity. Still, a large portion of religious conscious banking clients will rather abstain, and thus self-invest and self-bank, where they can, due to the risk of interest payable and interest receivable contamination. It is this Muslim religious conscious niche market that the research is targeting, which target market currently has no perceived fully exclusive “Halaal” alternative in South Africa to turn to based on the understanding and attitudes of the Muslim public.

The study sought to provide clarity on the current offerings and its lawfulness within the Islamic framework to Muslims within a South African context and to examine further their attitudes towards existing and potential Shariah-compliant products currently being offered, whether as sole Islamic product providers or as Islamic windows which offer Islamic products coupled with conventional products.

Once the extent of the Shariah parameters was researched, the researcher sought to create a framework for the establishment of Islamic banking and investment within a South African context. The Shariah parameters constituted the basis of this framework, initially within an ideal setting, and then within a South African context. The researcher attempted to make a comparison with the globally accepted best practice. For example, the Halaal integrity and certification is a global regulated body to which respective authorities conform. From a financial perspective, the generally accepted international financial practices and norms are set out by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

Specifically, within a South African context scenario, consideration was be given to the laws and regulations governing finance, including banks and investment firms. Also, this encompassed government-mandated organisations as well, such as the Financial Sector Conduct Authority (FSCA) and South African Reserve Bank (SARB), amongst others.

Due to the limitations in terms of access to information from current Shariah product providers, a cursory investigation of the current product offerings was undertaken. As a result, an ideal framework was developed for the study. The study was also limited to particular geographic areas, covering Cape Town, Port Elizabeth, Durban, as well as the Gauteng region. The selection was based on the fact that Gauteng is the financial capital of South Africa (South Africa, 2016: 1), and that the cities constitute most Muslims in South Africa, due to their relatively high population density, as compared to other parts of South Africa. The density of these four provinces where these cities are located, are the four highest, and its densities are as follows, with the proportion of the country density percentages included (South African Market Insights, 2020: 1):

	Gauteng (Johannesburg)	KwaZulu-Natal (Durban)	Western Cape (Cape Town)	Eastern Cape (Port Elizabeth)
Population	15 176 116	11 289 086	6 844 272	6 712 276
Percentage	25.8%	19.2%	11.6%	11.4%
Total	40 021 750 (68%)			

Table 1 – Population density of the four significant provinces within South Africa encompassing part of the geographic research scope (Source: adapted from South African Market Insights, 2020: 1)

The context of the study and prior studies is encapsulated within the literature review. This section provides the context of the research problem, and its contribution to the research undertaken, considering previous studies conducted and the results thereof.

1.4. Research problem and aims

The research problem

There has been some resistance to utilising Islamic products and banking services due to a lack of understanding and awareness from a large segment of the Muslim community. However, this is slowly changing, partly because of the role that the South African government has played regarding national treasury strategy as well as the increased offerings within this niche segment (Ackermann, 2011: 67).

Harding (2011) reports that the former finance minister Pravin Gordhan has stated: "... the development of Islamic finance in South Africa is critical to the expansion of National Treasury's strategy to position South Africa as a gateway into Africa. The Treasury envisages South Africa being a central hub for Islamic product development and ensuring the rollout of such products into African markets. "

The comments by the ex-finance minister have been supported by the introduction of tax neutrality laws for Islamic finance offerings. This is with the express purpose of indicating the full potential that Islamic finance has for South Africa, internal and external stakeholders as well as the potential market segment (Lall, 2013: 15).

The above comments have also been supported by Islamic scholars within the Muslim community, due to the religious injunctions and prescripts, which are prescribed in the Quran and other Islamic sources of knowledge.

Therefore, the research problem is related to the limited knowledge of Islamic banking and investment products – banks and investment houses are not likely to increase revenue due to the niche and specialised field of Islamic finance. This field would require a significant initial investment in terms of development, internal and external education and marketing to the consumers, not only of their respective product offerings but also the religious benefits and obligations incumbent on Muslims in using suitable Islamic financial offering. This is against the backdrop of newer entrants in

the banking and investment environment, which have lower barriers to entry due to more modern and innovative technology and digital products, which reduce the channel distribution costs and infrastructure. In this regard, traditional banks have to seek niche areas within the banking environment to promote sustainability under the current banking and investment infrastructure or seek alternate and innovative ways of conducting business and serving clients (Askari, Iqbal & Mirakhor, 2011: 41).

Currently, Islamic banking and investment products are integrated as part of existing product portfolios in the offerings of mainstream financial institutions (FNB, 2020: 1; Absa, 2020: 1; Standard Bank, 2020: 1). These are referred to as Islamic windows. The success of marketing Islamic banking and investment products depends on the ability of banking and investment staff to lure potential clients. The staff consists of Muslim and non-Muslim employees. The environment is strongly biased towards conventional banking and investment products and services, thus limiting the growth of revenues in the South African banking and investment environment. This bias may be attributed to the employee's knowledge of the various products, its purpose and objective, as well as the ability to respond correctly and succinctly to prospective and existing client's questions and concerns. Therefore, this study sought to formulate a conceptual framework in relation to the review of contemporary literary sources and the problem context.

Additionally, the researcher sought to gain further insight into the relevance of Islamic products within a South African context and to explore the views and opinions of people regarding Islamic finance in general. This was done with the knowledge that while Islamic finance does exist in Islam, most Muslims are either apprehensive of this, or do not make use of these financial offerings, for unknown reasons. These reasons would be investigated accordingly.

The data collection process involved a survey (to gain additional insight and views of participants' understanding, awareness and attitudes towards Islamic banking and investments) and desktop research (to develop an Islamic banking and investment framework). The investigation area concerning data collection covered the following key questions pertaining to the study:

1. What is the current understanding of Islamic banking and Islamic investment in the current economic environment?
2. How does Islamic banking compare to conventional banking?
3. How do Islamic investments compare to conventional investments?
4. How does Islamic banking compare to conventional banking with regards to internal investments through the bank?
5. Working towards a new conceptual model based on religion, banking and investment knowledge on consumer behaviour;
6. If the participant would consider making use of an Islamic product offering, what would be the motivating factors in evaluating the choice of a product?
7. The extent of the motivating and other drivers of Islamic banking and investment on the end consumer; and
8. Would the socioeconomic and demographic factors of the participants who intend to use Islamic banking offerings and those who do not be significant in terms of differences?

Considering the global context, the demand for Islamic products has significantly increased, to the extent that some South African banks are also offering limited Islamic products. Investment houses have also adopted some Islamic compliant offerings for their Muslim clients due to this increasing demand.

Aims

The primary aim of the study is to develop and understand the potential suitability of an Islamic compliant investment and banking framework within the Republic of South Africa. The researcher aimed to formulate a framework based on the Islamic parameters as researched within the study. The framework would, however, not be tested within the scope of this study due to its complexity and the nature of the variables and instead formulated its own study. In this regard the development of a conceptual model has been put forward as a means for proposed and theoretical implementation within the South African banking and investment environment.

To provide further insight and detail into the primary aim, the following secondary aims and objectives were formulated:

1. To determine the extent and basis of the existence of Islamic investment and banking products within Shariah;
2. To identify the requirements of Islamic investment and banking;
3. To propose a compliant and relevant framework within an ideal setting;
4. To propose how the Islamic requirements translate into a commercial offering within South Africa;
5. To compare and contrast the Islamic framework with conventional finance framework;
6. To explore the awareness, knowledge, opinions, attitudes, use and drivers of Islamic Investment and banking in South Africa of Muslim individuals.

The researcher, therefore, hoped to achieve the following:

1. To determine the extent of Islamic banking and investment within Islam;
2. To propose a suitable and appropriate framework within an ideal setting and South African context; and
3. To assess the attitudes of certain Muslims through administered questionnaires to determine the use or the lack thereof of Islamic product offerings.

South Africa is not currently using mainstream Islamic banking and investments because it is a non-Islamic country. As such, South Africa does not operate an Islamic economy, banking and investment environment. Therefore the proposed framework will facilitate the following: add to the current knowledge on the subject matter; give some parameters for potential banks and investment houses to work with; and serve as a contribution for banks and investment houses to develop new products as well as offer suggestions for improvements and additional innovation and market penetration within the South African Muslim community seeking these Islamic financial offerings. Additionally, the researcher hopes that, through the investigation within the study and results thereof, to be able to offer additional insight and understanding, such that Islamic finance offerings may be better developed and more in line with the Islamic tenets than the current offerings.

The developed framework can serve as a framework which can be replicated and amended to suit the context and regulations at the time and also tailored to the financial institution for their specific product types.

1.5. Literature Review

“A literature review is a summary of a subject field that supports the identification of specific research questions. A literature review needs to draw on and evaluate a range of different types of sources, including academic and professional journal articles, books, and web-based resources. The literature search aids in the identification and location of relevant documents and other sources. Search engines can be used to search web resources and bibliographic databases. Conceptual frameworks can be a useful tool in developing an understanding of a subject area. Creating the literature review involves the stages of scanning, making notes, structuring the literature review, writing the literature review, and building a bibliography.” (Petty and Guthrie, 2000: 31)

According to Hart (2018: 2), the literature review process is imperative to allow for an understanding of the topic, previous studies in the field of research and the respective outcomes, and gain an understanding of the critical issues facing the research topic and any recent changes to thinking around the subject.

Limited research regarding Islamic banking and investments has been conducted, especially in comparison with research relating to mainstream banking and investments, particularly within the South African environment (Khir *et al.*, 2008: 88-89; Mohd-Karim, 2010: 91). It is for this reason that the researcher has chosen several studies to examine.

Islamic banking:

According to Kassie (2012: 1), there are approximately 1,5 million Muslims in South Africa, with Islamic banking offerings available since around 1980. However, over this period, the current uptake of these products by Muslims currently only sits at a minimal 15%. It can be argued that this slow uptake over this extended period is inextricably linked with a lack of innovation in the banking and finance sector to develop additional offerings, especially with potential in Muslim minority countries.

Thus creating a cycle: lack of innovation due to a lack of demand, followed by a lack of demand due to a lack of innovation (Wilson, 2000: 196). Saini, Bick and Abdulla (2011: 298) also support this view.

Hamdan (2009: 20), confirms the existence of evidence supporting the notion of a type of Islamic banking. This is, of course, based on the fact that certain conditions are met that are per Shariah law.

Warde (2000: 235) also supports the opinion of Hamdan (2009: 20), and further states that an Islamic financial institution must have a Shariah board which will guide the company as to the parameters of Islam concerning Shariah law, as well as audit the frameworks and operations of the institution, which will give greater credibility to the framework and ultimately the end product/s being offered to the public. The Shariah board is to consist of learned Islamic scholars, that are well versed in both Shariah law, as well as contemporary finance, although these are not prerequisites, instead recommendations. The board will also serve to instil greater confidence by the end-users, who will make use of the products with the knowledge that these respective products have been vetted and approved from an Islamic compliance perspective (Warde, 2000: 234).

Lewis and Algaoud (2001: 1) cite that there is an accepted framework of Islamic banking and one of the main differences between Islamic banking and conventional banking is that of the prohibition of interest in Islamic banking. However, about 40 years ago, Islamic banking was virtually unknown and has grown significantly since then.

Maurer (2005: 4) also concurs on the existence of Islamic banking as well as the prohibition of interest as part of the fundamentals of Islamic banking.

From an economics perspective, Siddiqi (1983: 1019) advises that Islamic banking is based on the principle of profit-sharing, and based on this principle, should interest rates be abolished and market forces allowed to determine the profit sharing ratio, this will give greater stability to economics and create smoother transactions for money as a transaction medium. This insight effectively establishes the notion that Islamic

finance fundamentals may lead to greater market stability in terms of the profit-sharing or effective market interest rate.

Chong and Liu (2007: 1) proposed most banks offering Islamic banking alternatives are merely using a different name for the same principles as conventional banks. The profit-sharing is closely pegged to the interest rates, which interest rates seem to be used as a benchmark in the profit-sharing rate. Therefore, they believe that the Islamic banks should have different regulations governing their transactions and operations, as they currently fall under the same regulatory framework as conventional banks, and not serve to mimic the traditional offerings under the Islamic finance brand.

Khan (2010: 805) is also of the opinion that the current Islamic banking offerings are not correctly aligned to the ideals as stipulated by Shariah, more from the basis of broader ethical and market efficient concerns. This is apart from the fact that the current frameworks on offer seem to be no different than that of conventional banking framework, based on the variables of the study conducted at the time and the Islamic offerings available.

Therefore, from the above, it is clear that Islamic finance does indeed exist in Islam (Mills and Presley, 1999: 1). However, its actual translation into a commercial offering may be problematic based on possible profit and other motives, as well as the broader economic climate in which these products interact. Generally, these Islamic products operate in a non-Islamic broader economic, where some transaction is usually required with conventional offerings somewhere on the financial value chain.

From the perspective of attitudes towards Islamic banking, in a Singaporean context, various persons were polled, Muslims and non-Muslims, and the results showed that most people were generally unaware of Islamic banking and offerings within Singapore (Gerrard & Cunningham, 1997: 204).

Gait and Worthington (2008: 783) undertook a study to understand the attitudes of people towards Islamic finance. The research shows that while religious conviction does play a significant role in the decision making of the customer, the conventional rationale is also applied such as evaluating the price, service and ease of accessibility

to the Islamic finance offerings. Conversely, financial institutions are also interested in offering Islamic compliant services. However, due to a lack of understanding and the reluctance of risk-sharing amongst deposit holders, this acts as a deterrent and creates either unsuccessful product offerings or offerings with low penetration and uptake rates.

Bley and Kuehn (2004: 17) also researched attitudes of a sample population within the UAE. With data from 667 participants, it was confirmed that while those polled had some knowledge as to Islamic finance, the knowledge of the specific Islamic finance terms lacked.

Haron, Ahmad and Planisek (1994: 1) concluded that there is insignificant difference in the decision making of Muslim and non-Muslim clients as to a banking purchase. This would therefore also support the proposal of Gait and Worthington (2008: 783) that ultimately consumers would still make a purchase decision based more on economic and convenience benefits rather than on religious beliefs and grounds. While this study polled the decision making views of clients and potential clients, Aliyu, Hassan, Mohd Yusof and Naiimi (2017: 440) undertook to understand whether the factors, from a banks perspective, of institutional, societal and environmental sustainability were at odds with each other, and concluded that this was not the case and that Islamic banks can be sustainable by balancing these factors accordingly.

Additionally, from a risk perspective, Mollah, Hassan, Al Farooque and Mobarek (2017: 195) conclude that due to the complexities of the product offerings of banks, the increased level of capitalisation, and superior supervisory overview, it is possible for Islamic banks to take more significant risks than their peers and in turn achieve a higher level of returns due to these factors.

Platonova, Asutay, Dixon and Mohammad (2018: 451) took a different view and investigated non-financial factors which may affect the performance of Islamic banks. In this study, they considered the corporate social responsibility (CSR) reporting and measured the impact that this had on the returns and performance of the bank. They concluded that this had a positive long-term effect on the Islamic banks. This is

significant as the CSR component is a fundamental cornerstone of the Islamic banking model.

Within a South African context, studies are limited. However, there is a study by Saini, Bick and Abdulla (2011: 298) which assesses the level of consumer awareness of Islamic banking in South Africa. The results show that while there is a high level of awareness, there is a low uptake as most people have commercial preferences over religious, which would affect their financial decision around which bank to use. Therefore, for an Islamic bank to be accepted and used by the wider Muslim community, the bank would need to offer the same level of banking services, pricing and structure as the traditional banks.

Therefore, previous studies conducted confirm the existence of Islamic banking, with one of the significant differences being the abstention from interest and operating on a profit-sharing basis. From an attitude perspective, not all Muslims would base their banking decision on religious principles, but rather commercial reasons. Therefore, should Islamic offerings be released, they would need to be fully Islamic and offer the same benefits provided by conventional product providers. They would also need to maintain competitiveness in price, availability, expertise and service, amongst other expected factors.

Islamic Investments

According to Usmani (2007: 2), Islamic investments are allowed and need to follow two primary conditions, namely that the investment fund must operate on a mutual profit and loss basis, and that the business invested into must be permissible in terms of Shariah law i.e. not sell alcohol, pork, and be engaged in interest transactions such as conventional banking institutions.

In terms of performance of the Islamic funds, Hussein (2007: 387) states that in an American context, there is no evidence to suggest that the Islamic funds would underperform, relative to the conventional funds, and evidence suggests superior performance in the long run due to the prudent investment criteria. This would, however, be affected by the economic climate at the time, as markets are subject to

external shocks and the period under review would also affect the results based on whether specific shocks were included in the review period or not.

Mensi, Tiwari and Yoon (2017: 135) have studied the returns of Islamic investments in Turkey and Malaysia and also conclude that there are no significant short-term superior returns, relative to conventional investments, but do have long term gains over conventional investments. Further to this, Setyawati, Suroso, Suryanto, Nurjannah, (2017: 1) conclude that the financial institutions are also affected by the general global performance of stocks, however, do have a relatively faster recovery after the slump, relative to its peers. This shows that Islamic investments are not immune to external shocks but may be better prepared to weather any shocks and may recover faster, due to the instruments in which the investments are made and the specific risk profile and parameters of Islamic investment firms. This is, however, depends on whether the shocks were global or geographic or industry-specific.

Ahmed (2018: 1) states that it is critical of the profit-sharing models on the basis that the actual profits may not fully be paid over. This conclusion is based on a study conducted in Sudan, where it was found that the profit share was not fully paid over to the shareholders but was instead diverted on the investment institution's behalf to other assets to boost their returns. This would create greater unit returns on the initial capital values. This would, however, depend on the model used by the investment institution and whether they were allowed to invest the funds while in their possession, as this act is not impermissible unless there is transparency amongst the management and shareholders.

Girard and Hassan (2008: 112) however believe while there may be a difference in the investment framework, there is no difference in returns between the conventional form of investment and Islamic framework, and therefore no effect on returns for the end consumer.

A study undertaken by Aggarwal and Yousef (2000: 93) suggests that certain Islamic banks and investment institutions, while claiming to offer Shariah-compliant instruments, are offering more debt-like instruments which are not in line with Shariah law. Other practical challenges faced by specific Islamic investment methods are that

of attracting the incorrect client, where the capital provider would take all of the risks in the event of a failure of the business. However, profits would be shared at an agreed rate (Abdul-Rahman and Nor, 2017: 1). The challenges experienced by investment firms include high risk of investment, difficulty in selecting appropriate partners, a demand which seemingly comes from low creditworthy customers and lack of capital security.

Bose and McGee (2000: 1) cite in their study that it is not the lack of superlative returns that is hampering the growth of Islamic financial framework, but rather the lack of knowledge within these fields. However, they go on to advise that there are ample opportunities to be exploited for those that have the knowledge, as this facet of finance is currently underexploited and positioned for phenomenal growth.

Additionally, The Banker (2011: 1) states that the Islamic finance sector has shown consistent growth multiples with double-digit returns in the GCC and other parts of the Middle East and Africa. Further to this, there is a belief that there is an opportunity for similar growth in Muslim minority countries (Wilson, 2000: 196)

One of the more recent studies undertaken by Ali (2008: 61) looked at various trends which were expected in the Islamic finance space. These trends and facts identified include:

- Malaysia is the market leader in Sukuk (Islamic bonds);
- Saudi Arabia and Bahrain are at the forefront of bank deposits;
- In Malaysia, about 80% of Islamic investments are held by non-Muslim investors; and
- Due to the interpretation of certain Shariah principles, there is confusion in some sectors with certain conventional institutions declaring their products Shariah-compliant based on their own interpretation.

However, in closing, several authors have conducted similar research in Islamic finance and investments from authors such as Okumus (2005: 51), Bley and Kuehn (2004: 18); Hamid and Nordin (2001: 15) Naser, Jamal and Al-Khatib (1999: 136); and Haron, Ahmad and Planisek (1994: 33) whose studies were done in the GCC and

MENA regions. Their findings, primarily reflect the view that Muslims currently do not engage with the Islamic finance sector due to a lack of understanding of what the models entail. Furthermore, Othman and Owen (2001: 3) state that the views and outcomes of the research above also apply to a South African context.

In summary, it appears that there are certain longer-term superior returns to be gained through Islamic finance when compared with conventional finance, with the possibility of some padded protection from market shocks. However, coupled with this, it may be where the religious restrictions affect the clients as well as investment placement opportunities.

Thus, this study seeks to add to the body of knowledge by understanding the perceptions and possible misconceptions to assist with developing a framework, to increase the uptake in the Islamic finance space.

1.6. Aim, goals and objectives of the research

The primary aim of the study was to investigate the potential suitability of an Islamic compliant investment and banking framework within the Republic of South Africa.

To provide further insight and detail into the primary aim, the following secondary aims and objectives have been formulated:

- To determine the extent of the existence of Islamic investment and banking products within Shariah;
- To identify the requirements of Islamic investment and banking;
- To propose a compliant and relevant framework within an ideal setting;
- To propose how the Islamic requirements translate into a commercial offering within South Africa;
- To compare and contrast the Islamic finance framework with conventional finance framework; and
- To explore the awareness, knowledge, opinions, attitudes, use and drivers of Islamic Investment and banking in South Africa of Muslim individuals.

1.7. Research Approach

Research Paradigm

Guba and Lincoln (1994: 105) suggest that the objective of research is to examine and critically build onto the known assumed reality. The paradigm is a guiding belief that sets the parameters for the future course of action. Within the study, the paradigm chosen is that of a positivist and interpretive paradigm.

Bashir, Afzal and Azeem (2008: 35) further state that “Both qualitative and quantitative paradigms try to find the same result; the truth. Qualitative studies are tools used in understanding and describing the world of human experience.”

Since the researcher seeks to study the attitudes and understanding of participants towards the proposed Islamic finance frameworks, an appropriate method was found to be that of using quantitative analysis. The quantitative analysis would be discerned from the questionnaires, the results of which would yield relevant data for statistical analysis using SPSS, administered with the assistance of a statistician.

The research methodology, therefore adopted in this study was that of mono methodology study, adopting a positivist philosophy, and making use of convenience sampling. Mono methods research is defined by Azorin and Cameron (2010: 2) as:

[A] study [that] uses only one type of method, one quantitative or one qualitative. In general, in a quantitative study, the data is in numerical form, and this information is analysed using quantitative data analysis techniques.

This mono method is different from mixed methodology studies, which include qualitative and quantitative data (Cresswell & Clark, 2011; Zefeiti & Mohamed, 2015). These mixed-method paradigms rely on the fact that science or knowledge creation should be restricted to what can be observed and measured, combine a deductive approach with a precise measurement of quantitative data so that researchers can identify the causal laws to help predict human behaviour (Struwig & Stead, 2013: 5) and on naturalistic methods which involve engagement with others to “construct a meaningful reality” (Cohen & Crabtree, 2006: 1), based on the information received.

From the quantitative data, using a questionnaire, various information would emanate, which would then be categorised. The questionnaire was intended to be created and distributed electronically, to allow for ease of efficient completion and distribution, especially with the current proliferation of social media users. The data would emanate from structured questions.

The questionnaire would contain closed questions for uniformity purposes. It would assist with the reliability and validity of the process through segmentation variables and qualifiers, as well as the quantitative data results.

One data collection tool was used, which included only close-ended questions, to provide quantitative data.

Research approach

The study followed a mono method research approach, using a quantitative approach in the form of a desktop study through structured questionnaires, administered using one collection tool. The desktop study included the use of reports, surveys, online theses, conference proceedings etc. The researcher aimed to collect the data from 750 participants (who met the criteria as set out). All were polled using a questionnaire, administered electronically using the Survey Monkey tool to create, distribute and collect the data. This was done by distributing the link to the survey through various social media platforms and chat groups such as WhatsApp groups as well as other social media distribution platforms for the intended target audience such as Facebook and LinkedIn.

Results of the questionnaire were harnessed to give relevant statistical data so that the quantitative is assessed independently and in conjunction with the respective variables.

The participants were selected from the following four major cities within South Africa, being:

1. Johannesburg
2. Durban
3. Cape Town

4. Port Elizabeth

The geographic locations have been chosen considering that a large percentage of Muslims reside in these major cities, relative to other parts of South Africa, as well as the population densities of these provinces where these cities are located.

The Muslim participants in each city were identified using the local communal Mosques (places of worship) which are geographically spread within the major cities. The mosques provided lists of the regular local attendees, where the potential participants were identified, and questionnaires distributed electronically. Permission was obtained at the onset of the questionnaire. The participants had to confirm that they are prepared to undertake the survey and consent to the results being used. Additionally, the participants were sourced via various social media groups, where the link was posted and shared for completion, allowing the link to go viral and in turn allow for a more significant number of completed responses to be received.

The parameters for selecting the participants have been elaborated further below.

Sampling

The researcher used a questionnaire guide to construct the questionnaires (Babbie, 2011: 415). The participants were chosen through convenience sampling, which entailed selecting specific participants (cases) that met the criteria of the study (non-sampling method) and enabled the researcher to draw relevant data for the study, as elaborated below (Terre Blanche et al., 2006: 1). The participants needed to confirm that they met the criteria at the onset of the study, after offering their consent to participate. Additionally, by the researcher targeting specific distribution channels and mediums such as Mosques and relevant online media platforms, the likelihood that the appropriate participants would respond was strong, in addition to them confirming that they met the criteria. Mosque committees have databases consisting of information about the congregants, funders and partners. Many mosque committees are also linked to social media platforms such as Facebook, Twitter, LinkedIn and WhatsApp. Apart from the mosques, there are various South African religious-focused social media groups, which the researcher penetrated to collect relevant data.

The participants were chosen through convenience sampling, which entailed selecting specific participants (cases) that met the criteria of the study (non-sampling method) and is a non-probability technique based on the convenience of the researcher.

While purposive sampling was considered for the study, since it encompasses a select group of participants according to specific parameters and is a cost and time-effective method, it was not selected in this case. It had the disadvantage of possibly leading to higher levels of bias, creating the inability to generalise from the study and may have created a vulnerability in judgement for the researcher (Dudovskiy, 2017: 1).

The research participants for the study included a cross-section of Muslim participants which included individuals and companies who make use of conventional/ Islamic finance, and who sought an alternative banking and/ or investment product offering within South Africa, being in this case, an Islamic/ ethical financial offering. The criteria for selecting the sample was based on the following:

1. The participant must be a Muslim;
2. The participant must have a basic understanding of finance;
3. The participant can be of any race and either gender;
4. The participant must reside within South Africa;
5. The participant must be 18 years or older; and
6. The participant must be willing to participate.

A pilot study was undertaken before the full investigation was done. This will be elaborated on further below.

Data collection and testing

The researcher adopted a quantitative data approach and a mono method research approach was used to achieve the objectives as set out by the researcher. The questionnaire, therefore, formed the quantitative data collection instrument, as questionnaires are generally used to gather this type of information.

For purposes of the study, both primary and secondary data sources were used and/ or consulted.

The questionnaire, therefore, formed the primary data collection tool, of which the questions were structured such that primary quantitative data was received for further analysis.

The secondary data source constituted the desktop study and research to create an Islamic banking and investment model. Examples of secondary data include government statistical reports, economic indicators, companies' share prices and annual reports, as well as other similar information that is available from accredited academic journals. Additionally, concerning the Islamic specific product offerings within South Africa, data was collected from the respective banking and investment websites and product specification sheets from institutions such as Albarakah Bank, First National Bank, Standard Bank, ABSA Bank, and Oasis, of which all currently offer Islamic financial product offerings.

The research instrument (quantitative) was used to collect data on the feelings and attitudes of participants toward the current Islamic finance offerings, as well as their opinion as to whether these offerings indeed constitute an Islamic compliant framework, based on their understanding of Islamic law.

A cover letter was included to explain the purpose of the study, the background to this study, contact details for the researcher and supervisor, as well as the value this study would have for the researcher.

A Likert scale was employed as the rating tool as this is the most commonly understood scale, where each question was accompanied with a rating tool, with the respondent choosing a value or option between the two extremes (Halperin & Heath, 2012: 261).

To ensure validity and reliability of the study, a pilot study (pre-testing) constituted 60 participants, which was undertaken with 15 participants in each major city, to ensure that the research collection tool is not ambiguous in any way. These 15 participants per city were surveyed for practicality purposes, such that the testing was spread equally to detect any potential issues in a particular chosen city. Additionally, the full process was tested, including the covering letter, distribution medium, and data

collection. Should any errors or ambiguities have existed, these would be rectified, pre-tested again to the same group of participants to ensure that the necessary corrections were made and that reliability and validity were accounted for, before the full data collection process being undertaken.

Data analysis

Data analysis was through categorising the data of the closed-ended questions. Drawing from this technique, the researcher generated categories from the data using the constant comparison technique (Babbie, 2011: 394). The researcher engaged in member-check to verify the proposed findings and framework generated (Denzin & Lincoln, 1994).

Through the various categories, conclusions and inferences were drawn and discussed further. The results were further analysed with the findings presented in the form of discussions, tables, and graphical illustrations. Due to the ease of use and reliability, the quantitative data was processed through SPSS, and the services of a statistician were utilised.

Data analysis in the study was done through various analytical analysis techniques, which was analysed from the responses already received in writing through the Survey Monkey tool. Drawing from this technique, the researcher generated grouped outcomes from the data using the constant comparison technique (Babbie, 2011: 394). The researcher engaged the pilot study to verify the proposed findings and framework generated (Denzin & Lincoln, 1994: 1).

To analyse and present the findings, the quantitative data collected was processed and analysed in an integrated manner such that the results were merged and analysed accordingly, to give rise to meaningful data.

Reliability and validity

As stated by Treiman (2009: 242), an indicator is only effective if it explains the underlying data/ concept effectively.

Validity entails constructing an appropriate theoretical link between the concept and the indicator. Reliability can be described as the repeatability and consistency in the measurement of a test (Shuttleworth, 2009: 1). In order to ensure validity and reliability, the pilot study aimed to remove any errors and ensure accuracy and consistency, implying that the results are predictable and that the data intended to measure is done so accordingly.

More specifically, regarding reliability, the data collection tool used was a structured questionnaire, which was constructed using various theoretical concepts from the relevant literature, and in consultation with multiple experts in the field—this structured tool assisted with reliability.

Regarding validity, this was undertaken and verified through the use of SPSS. Depending on the emerging themes/ data that were extracted from the research process, the constructs that were used in the quantitative research instrument were set up in Excel and exported into SPSS at a later stage. After the codebook was established and the data had been cleaned, the statistical tests included descriptive statistics (frequencies, means etc.), correlation and partial statistical analysis as well as statistical regression analysis. The use of descriptive statistics was used to establish the sample descriptor. Correlation and partial correlation was used to determine secondary effects between independent and dependent variables. Finally, regression was used to establish a robust theoretical model. On this basis, the researcher determined the interactive effects between the independent variables and the dependent variable in the study.

According to Said, Badru and Shahid (2011: 1099), construct validity testing of an instrument is rarely carried out among students but is often done to test the validity of the criteria. However, the use of scales used in past empirical studies often serves as a yardstick for scale validation. The principal factors that commonly threaten the validity of the research findings (for example, subject selection, testing, mortality, ambiguity about causal direction, etc.) were addressed during the research design phase as well as during the development of the research instrument phase.

Notwithstanding the above, all attempts were made such that validity was accounted for and achieved, considering the structure of the primary tool, being the questionnaire, as well as the inclusion of various theory and feedback received from the pilot study.

Based on the estimated sample size, a minimum number of 385 completed questionnaires were required, to allow for at least a 95% confidence level (Raosoft, 2020: 1).

Ethical considerations and trustworthiness

From an ethical perspective, ethics were considered by ensuring anonymity of participants; informed consent received from the participants, as well as confidentiality assurance from the researcher not to divulge any information which may contravene the ethical or confidential standards set for this study. Other factors such as transferability, credibility dependability and confirmability were also accounted for within the study.

The specifics of this were:

1. Data collection tool (questionnaire) – The questions were framed and included in a manner which gave the participant a level of comfort, such that responding to the respective questions did not compromise the participant in any way; and
2. Researcher – All responses elicited were kept confidential by the researcher, and the researcher will retain only the data required for record purposes. No personal information will be saved and/or divulged, as the surveys will be conducted anonymously (no personal or identifiable information will be required or entered within the questionnaire fields). Additionally, to reinforce the integrity of the data, the services of a trained statistician were used such that the data sets and results will be correctly inputted, analysed and interpreted accordingly.

Delimitations

Delimitation typically refers to the choices that would influence control of the study by the researcher (Reference, 2016: 1).

For the study, the following would constitute delimitations:

- **Limited variables** – Due to the nature of the research and factoring in the unlimited number of possible variables, only a few variables were tested against. This may therefore exclude other contributing factors to the data which may not have been accounted for;
- **There was a pilot study** – This study only covered a specific locality, being the major cities within South Africa, and therefore there may be geographic bias to the pilot study; and
- **A cross-section of the population was polled** – The scope and limitation of the sample population were restricted to four major cities within South Africa.

Limitations

Limitation in research typically refers to “those characteristics that impacted the interpretation of the findings from the research” (USC Libraries, 2016: 1).

For the study, the following would constitute limitations:

- **Limited geographic scope** - Only four cities have been covered due to the sizeable Muslim communities within these cities – Johannesburg, Cape Town, Durban, and Port Elizabeth. Therefore, views from other geographic locations will not be taken into consideration, although, the principles would be applicable from an Islamic perspective; and
- **Only covers a sector/ religious grouping of South African society** – Due to the nature of the study, only Muslims were polled. However, these products are available to the general South African market, especially those interested in “ethical” finance.

Consolidation

For quantitative studies, it is referred to as validity and reliability. This was achieved through SPSS 24. During the pilot phase, various constructs were subjected to validity and reliability testing to ensure the trustworthiness of the data (Alshenqueeti, 2014). To ensure the dependability of the data, the constructs were subjected to robust

reliability and validity of statistical testing. To provide an acceptable level of trustworthiness, the researcher adhered to best practice standards.

1.8. Significance of the study

This resulted in outputs that may be published. Presentations would possibly take place, presenting the findings where applicable and appropriate, as well as models available for reference and further development.

1.9. Format of the study

The research study and approach were broken down as follows:

Chapter 1 – Introduction and research background

The researcher will introduce and elaborate further on the topic and give some background to the various financial structures, including that of Islamic banking and investments, as well as what gave rise to the framework and the reason behind this. The context of the research as well as the intentions of the researcher in terms of the implementation of the study, including the research approach and research study breakdown.

Chapter 2 – Literature review

The researcher will discuss and integrate the theoretical framework and the thoughts of the concepts of Islamic finance, as well as the works of other authors who have raised issues on the same or similar topic. This chapter will give rise and insight into previous works and studies in the area, as well as the results thereof. These results will, therefore be critical as a reference point for the researcher in terms of a comparison to the outputs of this research paper.

Chapter 3 - Theoretical framework and construct

The researcher will integrate the theoretical components researched with regards to Islamic finance from chapter 2 into the observations and findings of the study, as well as the analysis thereof, which will result in an Islamic compliant framework within a South African context as proposed by the researcher. This chapter will set the basis

and creation of the theoretical Islamic compliant banking and investment model. Consideration will also be given, and research conducted as to other existing suitable structures, which would serve as a base for the Shariah-compliant models. A comparison of the conventional, as well as the Islamic banking and investment frameworks, will be conducted to highlight the differences between these forms of finance.

Chapter 4 – Research design and methodology

This chapter will focus on the research design and methodological approach in terms of data collection and the interpretation of this data.

Various research design and methodology components will be addressed here, including those of research paradigm, research setting, data collection instrument and procedure, sample selection, quality criteria and ethics. The reasoning and justification of the use of various strategies will be addressed with their respective advantages and disadvantages where applicable. The outcome of this chapter will lead to a concise research approach to conducting the research using a primary data collection tool.

Chapter 5 – Results, discussions and interpretation of findings

This chapter will present all the data collected through the primary research instrument. After that, an analysis of the results, using various statistical tests and models, amongst others, will be made, with the results being discussed thereafter. Tables and raw data may be included within this chapter where there are significant results which may lead to points of discussion within the research paper.

Observations by the researcher, which may have a bearing on the outcomes of the research and results will also be highlighted here.

Comparisons may also be made of the data collected to the results of previous studies as stated within the literature review section, alternatively discussed in the subsequent chapter as may be appropriate.

Chapter 6 – Discussion and analysis

The discussion chapter will serve to elaborate further on the information collected in the literature review chapter as well as the results of the questionnaires.

Additionally, other author's opinion on some of the results will be analysed to compare the results received in this study against other results from previous studies and publications.

Certain recommendations on Islamic finance will also be made in this chapter which would emanate from insight drawn from within the study.

Chapter 7 – Research findings, conclusions and recommendations

In this chapter, the researcher will summarise all the key points of the research and state the conclusions and inferences drawn after the analysis. The researcher will also emphasise the objectives of the research, what it was meant to address, and how the objectives were addressed in the study.

This final chapter seeks to conclude the research by providing an overview of the entire study. Therefore, this would briefly summarise the study and complete the study.

The limitations encountered during the study will also be made clear.

Based on the nature of the findings, the researcher also makes suggestions for possible further research concerning the field of study.

1.10. Summary

Chapter 1 briefly introduced the topic to be researched, its significance, and some work already done in this field by way of a brief literature review. The chapter seeks to underscore that there is a rise in Islamic financial instruments, as well as the growing demand for this niche financing method and instruments. This growth is seen from the development of the Islamic economy, which is growing at a rapid rate, outpacing the growth in traditional finance. The majority of the growth is from middle-eastern countries, which are generally Muslim majority countries. However, there is also growth and appetite from non-Muslim majority countries as is illustrated from the

South African issuance of a Sukuk, as well as other European countries, seeking to attract this growing demand for Islamic financial products.

Additionally, this chapter sought to set out the basis and context of the study, the aims and objectives, including the reasoning behind the aim and objectives, and the underpinnings of the research topic and proposal in terms of researching and concluding the study. Subsequent chapters were proposed and outlined and will serve to expand and elaborate on the initial content of chapter 1, of which the research proposal served as the basis of this chapter, chapter 1.

Chapter 2 – An investigation into the conventional finance and Islamic finance literature

2.1. Introduction

The literature review chapter seeks to set out the various Islamic concepts and literature, as well as link them to the study undertaken. Additionally, apart from examining existing studies, in-depth research will be conducted into various sections of the topic which the researcher feels will aid the study, as well as give additional direction to the research component. This will all be underpinned by the research aim, objectives and research questions, which will provide direction to the research activities within this and subsequent chapters.

The objective of the literature review chapter is to create the correct academic climate for the researcher to further engage with the topic. The literature review, therefore, sets the tone in terms of additional information on the subject, previous studies done in the field, how these studies were conducted, the outcomes of these studies, and any challenges still facing the topic. Also, recommendations for areas of research could be uncovered which may serve to add an additional “lens” to the flow of the subject for the researcher as well as the direction and areas of investigation within the researcher’s chosen topic and research areas.

This embedded literature review will therefore form the basis and set the foundation of the study, through the various linkages, which will then set out the framework of the research and inform the research to be undertaken by the researcher (Guilford, 2019: 2).

2.2. The origins and fundamental beliefs of Islam

Islam as a religion can be summarised as an Abrahamic religion which preaches that there is only one God and that the messenger Muhammad (peace be upon him - PBUH) is the last and final prophet of God.

Islam is an Arabic word, with its English translation meaning “submission” to God, has grown significantly over the years and is currently a major global religion. The followers of Islam are referred to as Muslims (History.com Editors, 2019: 1).

The population of Muslims worldwide currently numbers approximately 1.8 billion or approximately 24% of all humanity, based on a 2015 study. Islam is expected to grow at a rate of 70% between 2015 and 2060, as is currently the fastest-growing religion globally (Lipka, 2017: 1).

The Islamic doctrine, thinking and law are based upon several fundamental principles derived from the following sources (Schimmel, Rahman & Mahdi, 2019: 1):

1. The Quran – The holy scriptures of Islam, which is the direct revelation from God;
2. The *Sunnah* – The teachings, words and deeds of the last and final messenger of Islam, Prophet Muhammad (PBUH);
3. *Ijma* (consensus) – This refers to the consensus of Islamic scholars; and
4. *Ijtihad* (individual thought) – Similar to *Ijma*, this refers to the individual's views and beliefs based on the interpretation of the Quran and Sunnah (Schimmel *et al.*, 2019: 1).

For Muslims, Islam consists of five fundamental beliefs or tenets within the broader belief system (referred to as the five pillars of Islam – which are to be achieved and completed in a Muslim's lifetime, where possible and applicable):

1. The profession of faith to one God;
2. Prayer;
3. Obligatory tax (called *Zakaat*);
4. Fasting annually during the obligatory month known as Ramadan; and
5. Hajj pilgrimage to Mecca.

The five pillars of Islam seek to ensure peace and harmony amongst humanity (Kamal-ud-Din, 2010: 3)

While several other aspects of Islam can be discussed, for this study, the above is sufficient to set the correct context and understanding within the scope of this study.

2.3. Sources of knowledge in Islam

Schimmel *et al.* (2019: 1) describe four sources of knowledge in Islam. Herlihy (2012: 33) concurs with the sources of knowledge in this regard.

The focus on this section will be on the two main primary sources of knowledge, being the Quran and Sunnah.

Quran

The Quran, meaning the recitation, was revealed to the Prophet Muhammad (PBUH) for approximately twenty-three years. This revelation commenced at about 609 CE (Boundless World History: 1).

The Quran contains several texts which cover a wide range of topics, which include, but are not limited to, topics on laws, guidance, heaven, hell, resurrection, repentance and prayers.

The Quran is the final word of God and has been preserved intact and unaltered since its revelation and completion (Boundless World History: 1).

The Quran states the following verses concerning Islamic finance parameters (Gait & Worthington, 2007: 12):

- "Allah will deprive usury of all blessing but will give increase for deeds of charity" (Quran 2: 276).
- "And they were not commanded except to worship Allah, [being] sincere to Him in religion, inclining to truth, and to establish prayer and to give Zakah. And that is the correct religion" (Quran 98: 5).
- "The believers are only those who, when Allah is mentioned, their hearts become fearful, and when His verses are recited to them, it increases them in faith; and upon their Lord, they rely - The ones who establish prayer, and from what we have provided them, they spend. Those are the believers, truly. For them are degrees [of high position] with their Lord and forgiveness and noble provision" (Quran 8: 2-4).

- "Have you seen the one who denies the Recompense? For that is the one who drives away the orphan. And does not encourage the feeding of the poor" (Quran 107: 1-3).
- "O you who have believed, indeed many of the scholars and the monks devour the wealth of people unjustly and avert [them] from the way of Allah. And those who hoard gold and silver and spend it not in the way of Allah - give them tidings of a painful punishment" (Quran 9: 34).
- "And give the relative his right, and [also] the poor and the traveller, and do not spend wastefully. Indeed, the wasteful are brothers of the devils, and ever has Satan been to his Lord ungrateful" (Quran 17: 26-27).
- "And do not consume one another's wealth unjustly or send it [in bribery] to the rulers in order that they might aid you to consume a portion of the wealth of the people in sin, while you know [it is unlawful]" (Quran 2: 188).
- "Those who devour usury will not stand except as stands one whom The Evil One by his touch hath driven to madness. That is because they say: Trade is like usury. But Allah hath permitted trade and forbidden usury" (Quran 2: 275).
- "O Ye who believe! Fear Allah and give up what remains of your demand for usury, if Ye are indeed believers. If Ye do it not, take notice of war from Allah and His Apostle. But if Ye turn back, Ye shall have your capital sums: Deal not unjustly, and Ye shall not be dealt with unjustly" (Quran 2: 278-279).

Therefore, Islamic finance and its various combinations and permutations of transactions are allowed, based on Quranic verses, but with certain provisos to ensure fair trade and transactions, wealth distribution, concern for those less fortunate, and the prohibition of interest. The basis of Islamic finance is that there must be a fair and equitable exchange between the parties.

While it is clear that interest (Riba) is strictly forbidden, there are no specific reasons given in the primary sources. However, these could be inferred from secondary sources based on the primary principles. This, therefore, means that the reasoning behind the prohibiting of interest is that interest would contradict the profit and loss principle, of which principle is in place to allow for just and fair transactions between all parties to

the transaction, leading to a functional and harmonious society as a whole. Some Arabic scholars cite interest as being a social corruption using text from the Quran to support this (Gait & Worthington, 2007: 14):

- "That which you give in usury in order that it may increase in other people's property has no increase with Allah; but that which you give in charity, seeking Allah's countenance, has increase manifold. Allah is He Who created you and then sustained you, then causes you to die, then gives life for you again. Is there any of your (so called) partners (of Allah) that does aught of that? Praised and exalted be He above what they associate with him. Corruption does appear on land and sea because of (the evil) which men's hands have done, that He may make them taste a part of that which they have done, in order that they may return " (Quran 30: 38-41).

Other reasons cited for the prohibition of interest are:

- The implication of wrongful appropriation of other's property without justification;
- The decrease of resources of the state through an inverse effect of the growth of the economy;
- Diminishing and demeaning the humanity of individuals; and
- Unfairness on both borrowers and lenders alike.

Therefore, the seriousness of contravening these principles can be seen by the respective texts and interpretations.

Sunnah and Hadith

During the lifetime of the Prophet Muhammad (PBUH), there were certain teachings and mannerisms, which he passed on to those around him, collectively known as the Sunnah (Afsaruddin, 2018: 1). Reference of the word "Sunnah" is loosely translated to the "traditions of the Prophet" (Hasan, 1968: 47). Various scholars recorded these teachings at the time.

The Sunnah, therefore, forms a significant source of religious knowledge, combined with the teachings and scriptures of the Quran.

Sunnah refers to the actions of the Prophet (PBUH), and Hadith refers to:

A record of the traditions or sayings of the Prophet Muhammad, revered and received as a major source of religious law and moral guidance, second only to the authority of the Qur'ān, the holy book of Islam. It might be defined as the biography of Muhammad perpetuated by the long memory of his community for their exemplification and obedience. The development of Hadith is a vital element during the first three centuries of Islamic history, and its study provides a broad index to the mind and ethos of Islam (Cragg, 2017: 1).

As an amalgamation of the various sources of knowledge, mainly drawing from the Quran and Sunnah, has given birth to a form of Islamic law, known as the Shariah law (Cerimagic, 2010: 40).

2.4. Shariah law and its underpinnings in Islam

Shariah law, also known as Islamic law:

compels companies to be wary of interest, uncertainty or risk. This means that companies that rely on compelling interest on the consumer are prohibited in operating in Islamic states. The law is there to protect the welfare of all the parties involved. The strict nature of these laws often seeks to provide justice and fairness to both parties (Cerimagic, 2010: 40).

Coulson and El Shamsy (2019: 1) further state that:

the religious law of Islam is seen as the expression of God's command for Muslims and, in the application, constitutes a system of duties that are incumbent upon all Muslims by virtue of their religious belief. Known as the Shari'ah (literally, "the path leading to the watering place"), the law represents a divinely ordained path of conduct that guides Muslims toward a practical expression of religious conviction in this world and the goal of divine favour in the world to come.

Perfect (2019: 1) cites the following definition and explanation:

Shari'a' can be understood as God's will for humankind. 'Fiqh' is the body of law produced by scholars trying to understand that will. As fiqh is the result of human interpretation, it is recognised as being fallible.

Traditional Shariah law covers several aspects, including (Coulson & El Shamsy, 2019: 1):

- Penal law;
- Law of transactions;
- Family law;
- Law of succession; and
- Procedure and evidence;

In classical form, the Sharī'ah differs from Western systems of law in two principal respects. In the first place, the scope of the Sharī'ah is much wider, since it regulates the individual's relationship not only with neighbours and with the state, which is the limit of most other legal systems but also with God and with the individual's own conscience (Coulson & El Shamsy, 2019: 1).

The Shariah law is interpreted by Islamic scholars, of which interpretation and understanding are referred to as Fiqh. Esposito (2018: 1) explains Fiqh as:

Conceptually, the human attempt to understand divine law (shariah). Whereas shariah is immutable and infallible, fiqh is fallible and changeable. Fiqh is distinguished from *usul al-fiqh*, the methods of legal interpretation and analysis. Fiqh is the product of application of *usul al-fiqh*, the total product of human efforts at understanding the divine will. A *hukm* is a particular ruling in a given case.

For purposes of this study, the focus will be on the Shariah aspect of the law of transactions (finance).

Therefore, figure 1 below has been adapted to summarise the sources of knowledge and its linkages (adapted from Ahmad, 2015: 2):

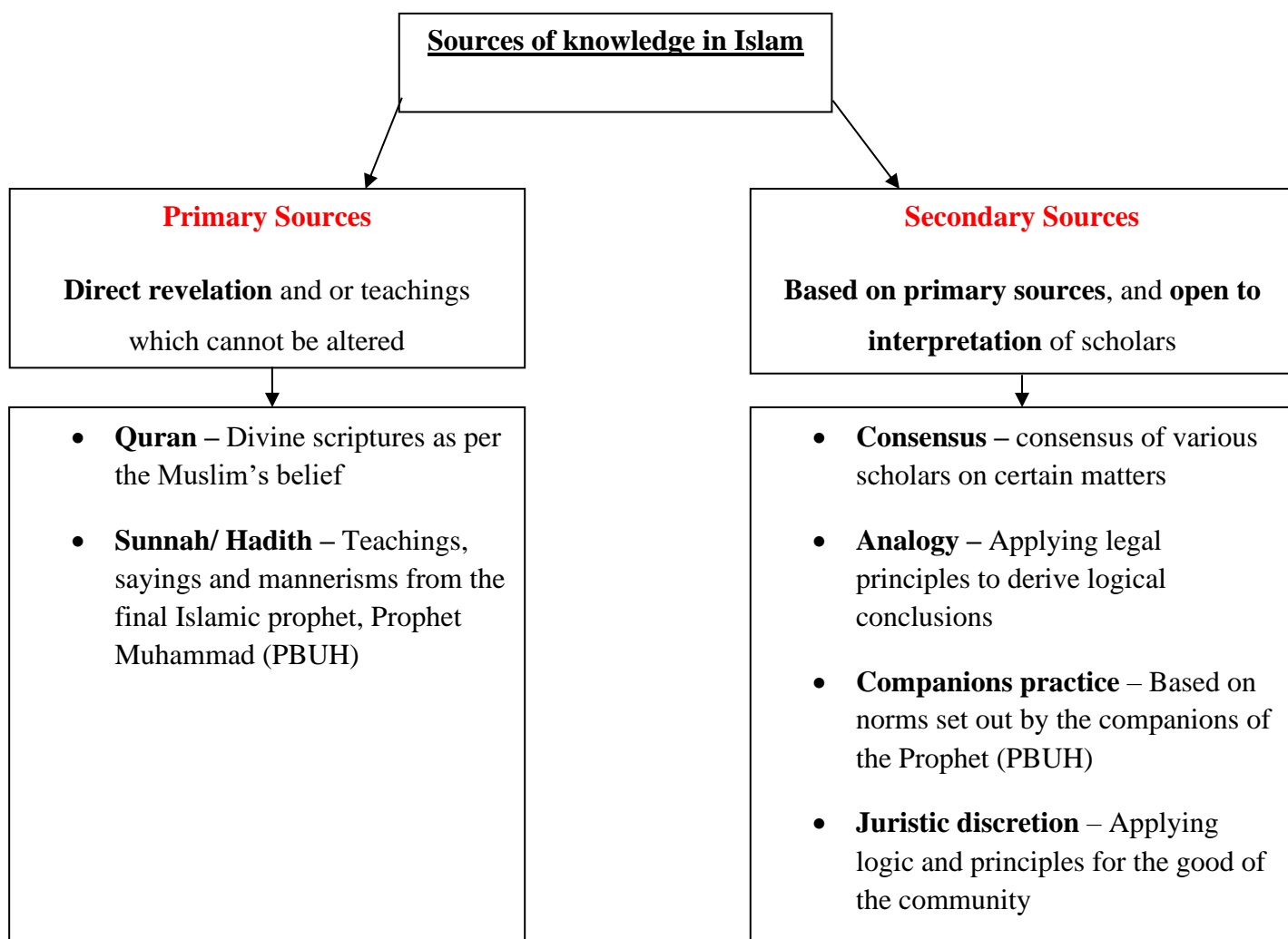


Figure 1 – Summary of sources of knowledge in Islam (Source: adapted from Ahmad, 2015: 2)

Figure 1 shows the sources of knowledge in Islam as based on two types: primary sources which are made up of the Quran as well as Hadith, which are both taken as fact and not able to be altered and secondary sources that are a combination of interpretation of primary sources to suit and protect the community.

2.5. Shariah law with respect to Islamic finance

The cornerstones of Islamic finance are the permissibility of the transactions, with specific underlying principles which need to be adhered to such as the prohibition of:

- Paying or charging interest – this is considered an exploitative practice and part of usury, with the lender being favoured over the borrower;

- Investing in businesses involved in forbidden industries – certain activities which are impermissible in Islam, such as consumption of alcohol and pork, prohibit any association with these activities. Therefore, any activity relating to impermissible industries or transactions are not allowed;
- Speculation – Speculation is strictly forbidden, such as gambling activities. Therefore, any form of transaction which hinges on an uncertain future event is not permissible; and
- Uncertainty and risk – Any excessive risk and/or uncertainty are strictly forbidden. Therefore, short selling and derivatives contracts would be impermissible and the uncertainty as to the value of future transactions or payments (Franzoni & Allali, 2018: 3)

Additionally, Islamic finance emphasises that each transaction must have an underlying asset, as well as the profit and loss principle, which is aimed at creating fair and equitable transactions for all parties involved.

When comparing Islamic finance to conventional finance (Salman & Nawaz, 2018: 155; Saidu, Junaidu & Jibril, 2018: 1; Hesse, 2019: 1):

1. Islamic finance involves a mutual profit and loss sharing between all parties of a transaction, whereas conventional finance consists of an interest payment between the lender and borrower, where the lender does not share the risk;
2. Risks are managed and shared equitably in an Islamic finance arrangement, whereas the risk falls on the borrower in the event of a failure to repay or diminished returns of the possible investment;
3. All transactions in Islamic finance must have a tangible underlying asset, whereas in conventional finance, “speculative” transactions are possible with no underlying asset and/or future uncertainty over a transaction;
4. Islamic finance transactions involving impermissible assets are not allowed, whereas there is no differentiation in conventional finance, with all instruments and transactions allowed;

5. Islamic finance deposits made by customers can only be used for Islamic compliant transactions whereas conventional finance allows for the free use of deposited funds as the institution sees fit; and
6. A Shariah board is established in an Islamic finance institute to guide the operational team in terms of the permissibility of certain transactions/ investments, ensuring the correct religious principles are applied, and that all transactions are in accordance with Shariah.

Based on the various sources of knowledge and Islamic principles contained therein, Islamic scholars have devised several in principle models which would be acceptable in Islamic finance.

While Islamic finance is relatively new when compared to conventional finance, this history can be summarised as follows (Jamaldeen, 2016: 1):

- “In 1963, the Mit Ghamr Savings Bank in Egypt was opened, becoming the first modern Islamic bank on record.
- Also in 1963, the Pilgrims Saving Corporation of Malaysia — although not a bank — began to incorporate basic Islamic banking concepts.
- In 1975, the Islamic Development Bank opened in Saudi Arabia and gave the Islamic finance industry an international presence. It recruited member countries and then offered them financial products to promote economic and community development.
- In 1979, the first Islamic insurance (or *takaful*) company — the Islamic Insurance Company of Sudan — was established. (Muslims cannot purchase conventional insurance products because those products involve interest-based transactions, uncertainty, and gambling, which are all prohibited by Islamic law.)
- In 1986, the Amana Income Fund, the world’s first Islamic mutual fund (which invests only in sharia-compliant equities), was created in Indiana.
- In 1990, the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) was created to establish industry accounting and auditing standards.

- Also in 1990, the Islamic bond market emerged when the first tradable *Sukuk* — the Islamic alternative to conventional bonds — were issued by Shell MDS in Malaysia.
- In 1996, Citibank began to offer Islamic banking services when it established the Citi Islamic Investment Bank in Bahrain.
- In 1999, the Dow Jones Islamic Market Index (DJIMI) was established, becoming the first successful benchmark for the performance of Islamic investment funds.
- In 2002, the Malaysia-based Islamic Financial Services Board (IFSB) was established as an international standard-setting body for Islamic financial institutions.
- In 2004, the Islamic Bank of Britain became the first Islamic commercial bank established outside the Muslim world” (Jamaldeen, 2016: 1).

Therefore, Islamic finance is relatively new, when compared to conventional finance with its long history. Notwithstanding this, Islamic finance has recently grown in popularity, demand, and offerings as the growth rate of Muslims increased. The purchasing and asset power was accrued, especially in Muslim majority countries which are generally endowed with specific natural resources such as oil, which led to the explosion in asset base. This, therefore, created a feasible market for Islamic finance.

2.6. Islamic finance institution types

Before delving into the models and their purposes, one needs to understand that there are different levels of Islamic institutions in terms of its setup and independence, concerning conventional finance, where applicable.

These can be classified as either:

Windows: Islamic finance products offered via conventional finance channels;

Subsidiary: Islamic finance products offered via conventional finance channels and standalone branches; and

Fully-fledged: Islamic finance products offered via Islamic channels (Islamic bankers, 2017: 1).

The table below is a summary looking at infrastructure and their respective advantages and disadvantages from an operational and management perspective of the Islamic firm:

	Windows	Subsidiary	Fully-fledged
Infrastructure	Conventional institution	Islamic subsidiary leveraged on a conventional bank (parent)	Islamic institution
Advantage	<ul style="list-style-type: none"> • Low cost • Existing infrastructure 	<ul style="list-style-type: none"> • Medium cost, • Existing infrastructure, • Independent management 	Standalone management and banking infrastructure
Disadvantage	Dependent on conventional bank	High cost to setup Islamic branches	High operating costs
Banking structure	Management team – conventional	Management team – Islamic	Management team – Islamic
System	<ul style="list-style-type: none"> • The conventional core banking system • Terminologies change + enhancements 	<ul style="list-style-type: none"> • The conventional core banking system • Terminologies change + enhancements 	Islamic core banking system
Documents	Document enhancement to Shariah context	Document according to Shariah contents	Document according to Shariah contents

Processes	Identify Shariah touchpoints to enhance processes	Identify Shariah touchpoints to enhance processes (leverage)	Shariah-based processes
Design	Design based on Islamic contracts	Design based on Islamic contracts	Design based on Islamic contracts
Treasury	Separate treasury structure to be built and managed independently	Separate treasury structure to be built and managed independently	Islamic treasury structure
Accounting	Separate general ledgers to be built and flow through into different books	Separate general ledgers to be built and flow through into different books	General ledgers for Islamic transactions
Conversions comprise mainly from	<ul style="list-style-type: none"> • New documents • New processes • New systems 	<ul style="list-style-type: none"> • New documents • New processes • New systems • New governance • Migration to Islamic • Vesting order 	<ul style="list-style-type: none"> • New documents • New processes • New systems • New governance • Migration to Islamic • Vesting order • Sale of conventional portfolio
Key challenges	Range of products and services	Alignment with parent institute	Operating costs

Table 2 – Comparison of the setup of various Islamic finance institutions (Source: adapted from Islamic bankers, 2017: 1)

While there are several other options also available such as co-operatives, development and special-purpose institutions, the three types are the most common due to its ease to enter the market as well as speed in setting up.

Each of the three types of structures offers a different entry point into the market. It would effectively be for the firm to decide and ascertain what the market preference of the consumers are, as apart from the financial implications of setting up. This will have an impact on the attitudes of the customers toward the firm in terms of trust and transparency.

2.7. Islamic finance in-principle models available within the institution

From a consumer perspective, while all three institution types will effectively allow for the same result, the level of Islamic involvement within the institutes' processes may leave some room for doubt with regards to the window and subsidiary option. This is due to the possible issues which may arise, such as the risk of contamination, management not fully understanding and appreciating the Shariah parameters and priority and voice of the board within the institute.

The driving forces of the Islamic finance principles serve to create fair and equitable agreements and/or contracts between parties, which will also serve for greater wealth distribution, risk mitigation and spread, and more significant economic activity (Chapra, 2011: 135).

Irrespective of the type of setup chosen to commence offering Islamic finance services (window, subsidiary, fully-fledged), there are currently various standards common to Islamic finance models, as follows (Jamaldeen, 2016: 1):

- **“Contracts of partnership** allow two or more parties to develop wealth by sharing both risks and return:
 - **Mudaraba:** One party gives money to another party, which invests it in a business or economic activity. Both parties share any profit made from the investment (based on a pre-agreed ratio), but only the investor loses

money if the investment flops. The fund manager loses the value of the time and effort it dedicated to the investment. (However, the fund manager assumes financial responsibility if the loss results from its negligence.)

- **Musharaka:** This contract creates a joint venture in which both parties provide investment capital, entrepreneurial skills, and labour; both share the profit and/or loss of the activity.
- **Contracts of exchange** are sales contracts that allow for the transfer of a commodity for another commodity, the transfer of a commodity for money, or the transfer of money for money:
 - **Murabaha:** In this *cost-plus* contract, an Islamic financial institution sells a commodity to a buyer for its cost plus the profit margin, and both parties know the cost and the profit in advance. The buyer makes deferred payments.
 - **Salam:** In this *forward* contract, the buyer (or an Islamic financial institution on behalf of the buyer) pays for goods in full in advance, and the goods are delivered in the future.
 - **Istisna:** This second type of forward sale contract allows an Islamic financial institution to buy a project (on behalf of the buyer) that is under construction and will be completed and delivered on a future date.
- **Contracts of safety and security** are often used by Islamic banks; these contracts help individual, and business customers keep their funds safe:
 - **Wadia:** A property owner gives property to another party for safeguarding. In Islamic banks, current (checking) accounts and savings accounts are based on the Wadia contract.
 - **Hiwala:** Debt is transferred from one debtor to another. After the debt is transferred to the second debtor, the first debtor is free from her obligation. Islamic financial institutions use this contract to remit money between people.
 - **Kafala:** A third party accepts an existing obligation and becomes responsible for fulfilling someone's liability. In conventional finance, this situation is called *surety* or *guaranty*.

- **Rahn:** A property is pledged against an obligation. A customer can offer collateral or a pledge via a Rahn contract to secure a financial liability.”

The above models can be summarised using the following table, elaborating on which model is recommended under which circumstance (Altaf, 2013: 1):

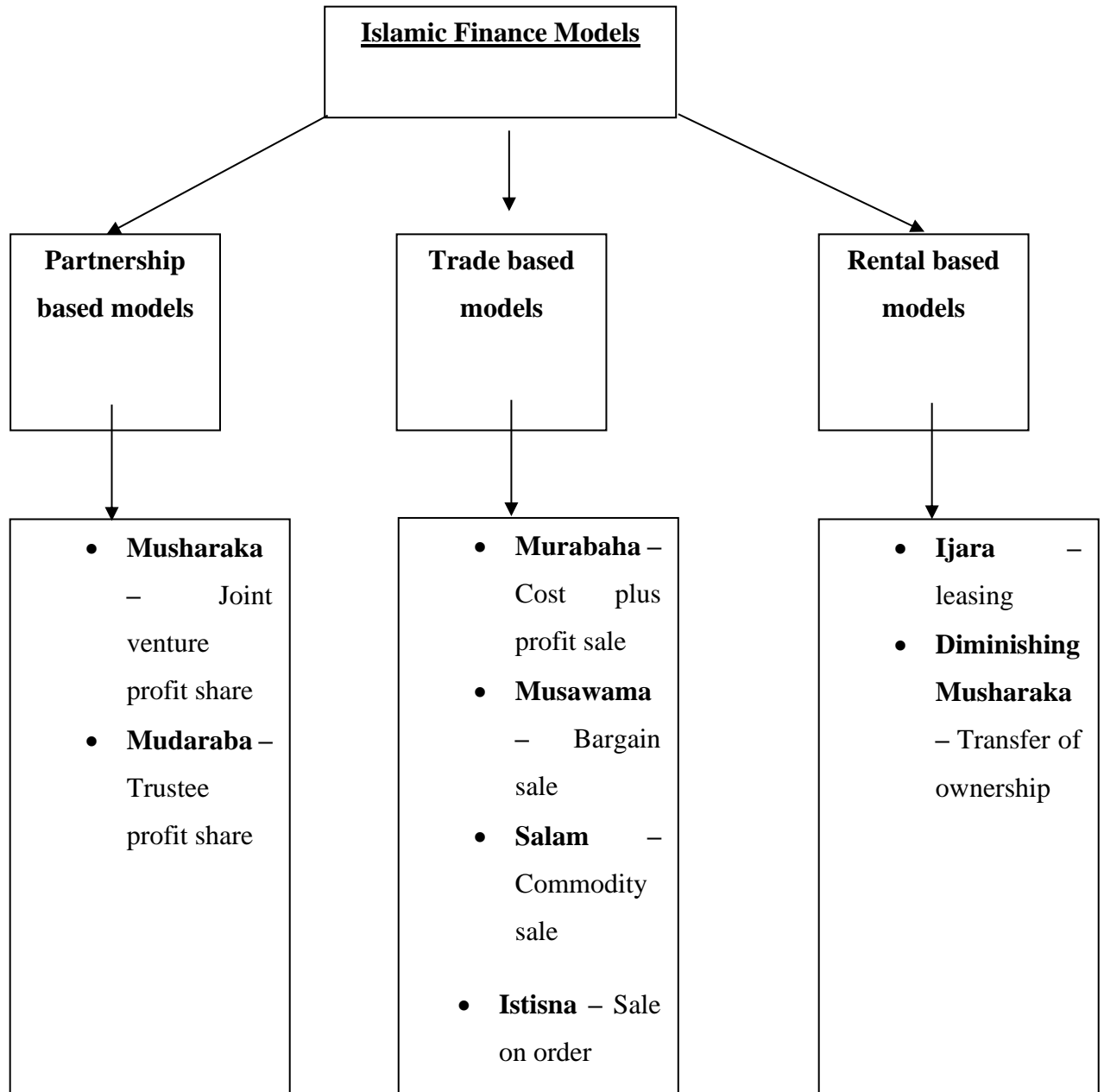


Figure 2 - Various Islamic finance models (Source: adapted from Altaf, 2013: 1)

Depending on the type of transaction and type of institution, the above can be used as a framework for the transaction/s, and are all considered to be Shariah-compliant, as they each serve a different transaction type.

2.8. Islamic banking

Banking in the conventional form is effectively a medium for transactions which allow lenders and borrowers to “transact” through the bank. The bank uses the funds received to lend out, at a fee, or interest rate, and facilitates the balancing between lenders and borrowers in terms of liquidity (Amadeo, 2019: 1, Ackermann & Jacobs, 2008: 67).

Barone (2020: 1) defines banking as:

A financial institution licensed to receive deposits and make loans. Banks may also provide financial services such as wealth management, currency exchange, and safe deposit boxes. There are several different kinds of banks, including retail banks, commercial or corporate banks, and investment banks. In most countries, banks are regulated by the national government or central bank.

From an Islamic perspective, Islamic banking is effectively banking in the traditional sense, excluding the interest charge levied, as well as a subscription to the Shariah laws prohibiting certain items. This is succinctly defined by Tarver (2019: 1) as a:

Banking system that is based on the principles of Islamic or Sharia law and guided by Islamic economics. Two fundamental principles of Islamic banking are the sharing of profit and loss, and the prohibition of the collection and payment of interest by lenders and investors. Islamic law prohibits collecting interest or "riba".

Lewis and Algaoud (2001: 1) further state of Islamic banking:

The prohibition of interest is the feature of Islamic banking which most distinctly sets it apart from conventional banking. To Western eyes, this seems a strange restriction, but Christian countries themselves maintained such a ban for 1,400 years.

Within a South African context, Vawda (2013: 2) conducted a study comparing the knowledge of Muslim and non-Muslim chartered accountants, with regards to their understanding and perceptions about Islamic banking in South Africa. It was concluded that Muslim and non-Muslim chartered accountants alike had limited

knowledge of Islamic banking, with religious persuasions being the main driver for those engaging or wanting to engage in Islamic banking. Currently, the majority of those polled are using conventional banking due to the perceived speed and efficiency, which the Muslim and non-Muslims polled found to be necessary. Notwithstanding this, Vawda (2013: 2) found that non-Muslims may also be attracted to Islamic banking and its philosophies once they understood the principles and structures, and therefore, this should be kept in mind when the creation and marketing of these products take place, as this should not only be targeted at and marketed to the Muslim segment only.

2.9. Islamic investments

Chen (2019: 1) classifies conventional investment as:

An asset or item acquired with the goal of generating income or appreciation. In an economic sense, an investment is the purchase of goods that are not consumed today but are used in the future to create wealth. In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or will later be sold at a higher price for a profit.

Ross (2019: 1) states that Islamic investment is:

A unique form of socially responsible investments because Islam makes no division between the spiritual and the secular. This means there is much more scrutiny applied to investment practices because religion is factored into all financial decisions. Investments that wish to be in accordance with Islamic Investment Policy need to follow a specific set of guidelines.

Other studies include those done by Tahir and Brimble (2011: 1) where they have stated that:

In the past decade, there has been strong growth in Islamic finance and banking across the globe, there is little empirical evidence on the impact of religiosity on financial decisions. The paper finds that Islam does influence investment behaviour, however, the degree to which it does this is influenced by the degree of religiosity of the individual. In addition, evidence is found of “Western style” wealth maximisation amongst Muslim investors as well as a desire to consider sustainable investment principles in asset allocations.

2.10. Significance of source of investment funds for investment firms and bank

To this point, the research focused on the internal aspects to the investment and banking firms in terms of their offerings, and the compliance of this concerning Shariah for the use by Muslim clientele.

However, another aspect which also falls within the ambit of the Shariah is the source of funds, more so the start-up capital, as well as the allocation and breakdown of expenses.

From an investment perspective, the source of the initial start-up capital would need to be ensured that this is not from Haraam sources such as money lent from a bank on an interest repayment basis. Additionally, the money received from investors cannot be taken should the funder be aware of any improprieties in terms of the client obtaining the respective funds. Of course, this would need to be known with certainty.

From a banking perspective, the same principles would apply. However, Shariah does not allow the payment and/or receipt of interest money. Therefore, the banks would need to keep strict control and monitoring of the interest being repaid to the reserve bank, in the event of an Islamic bank operating in a non-Islamic country.

2.11. Islamic finance and market stability

From previous literature reviewed, the researcher discovered notions that Islamic finance may lead to greater market stability. This was intriguing, as should this be the case, Islamic finance may serve a greater purpose than just complying with and meeting client's religious needs. Therefore, this was investigated further to evaluate additional research and data. Based on this literature reviewed, the following studies showed results in this regard:

1. Belouafi, Bourakba and Saci (2015: 1) conducted a critical review of Islamic economics and Islamic finance, with specific interest given to market stability in this regard. This stability is compared to that of conventional finance. The study analysed 40 different research papers which spanned thirty years, covering the period 1983 – 2013. This period included studies conducted before and post the sub-prime crisis faced in 2007/ 2008. Of this analysis, about

75% of the studies regarding market stability were post the crisis and approximately 25% pre-crisis. Using the z-score indicator, the results showed that there is a significant divergence between the theory and practice of Islamic finance. Additionally, theoretically, Islamic finance is superior due to the equity participation, but this study could not find any practical conclusive evidence in this regard.

2. The relative financial strength of Islamic banks was assessed by Čihák and Hesse (2010: 95), where empirical evidence was considered in 19 different banking systems. The results of this study showed that:
 - a. Small Islamic finance banks tend to be financially stronger than small commercial banks;
 - b. Large commercial banks tend to be stronger than large Islamic banks; and
 - c. Small Islamic banks tend to be stronger than large commercial banks
 - d. They also concluded that this might be due to how the different bank structures treat risk and debt, as this would affect the perception of “strength”.
3. Beck, Demirgüç-Kunt and Merrouche (2010: 1) conducted a post-crisis study and looked at various aspects of Islamic finance and its conventional counterpart. Part of the findings included that there is consistent evidence of higher capitalisation of Islamic banks, which enhances the market stability, coupled with the higher liquidity of the bank.
4. Another study conducted due to the sub-prime crises was that done by Ahmed (2009: 7). The objective of this study was to look at the issues which caused the crisis and to see how this can be avoided with the use of Islamic finance. In theory, Islamic finance is relatively well-cushioned against any type of crisis which may occur. However, a notable point raised by Ahmed (2009: 7) is that some of the Islamic finance offerings are merely mimicking their conventional counterparts, which would effectively remove the “protection” as provided by the true Islamic finance principles and its implementation thereof. Therefore, risk mitigation tools need to be considered, especially when conventional products are to be adapted to become Shariah-compliant.

5. Aziz (2008: 5) concurs that Islamic finance offers greater stability. However, he takes it further to state that this stability is primarily brought on by strictly enforced risk management protocols and procedures in place. This can be done through globally recognised norms and standards which need to be implanted and strictly followed.

Therefore from the above, it would seem that Islamic finance, in its true form, does provide additional market stability. However, this stability comes from internal controls and procedures. It would be eroded should the Islamic products merely act as a proxy to conventional tools, and to circumvent the Islamic principles.

2.12. The role and importance of the Shariah board within the institution

Generally, within the Islamic finance framework, it is recommended that a Shariah board be established to guide and endorse the institution's various products as well as internal processes. This also lends credibility to the institution, as well as assures the potential clients that the products and processes offered are indeed Shariah-compliant.

The Shariah board acts merely in a supervisory capacity, as is not a regulatory nor religious requirement, affecting the validity of the transaction/s.

In a general sense, the Shariah supervisory board would fit into the corporate hierarchy as depicted below (adapted from Grassa & Matoussi, 2014: 1):

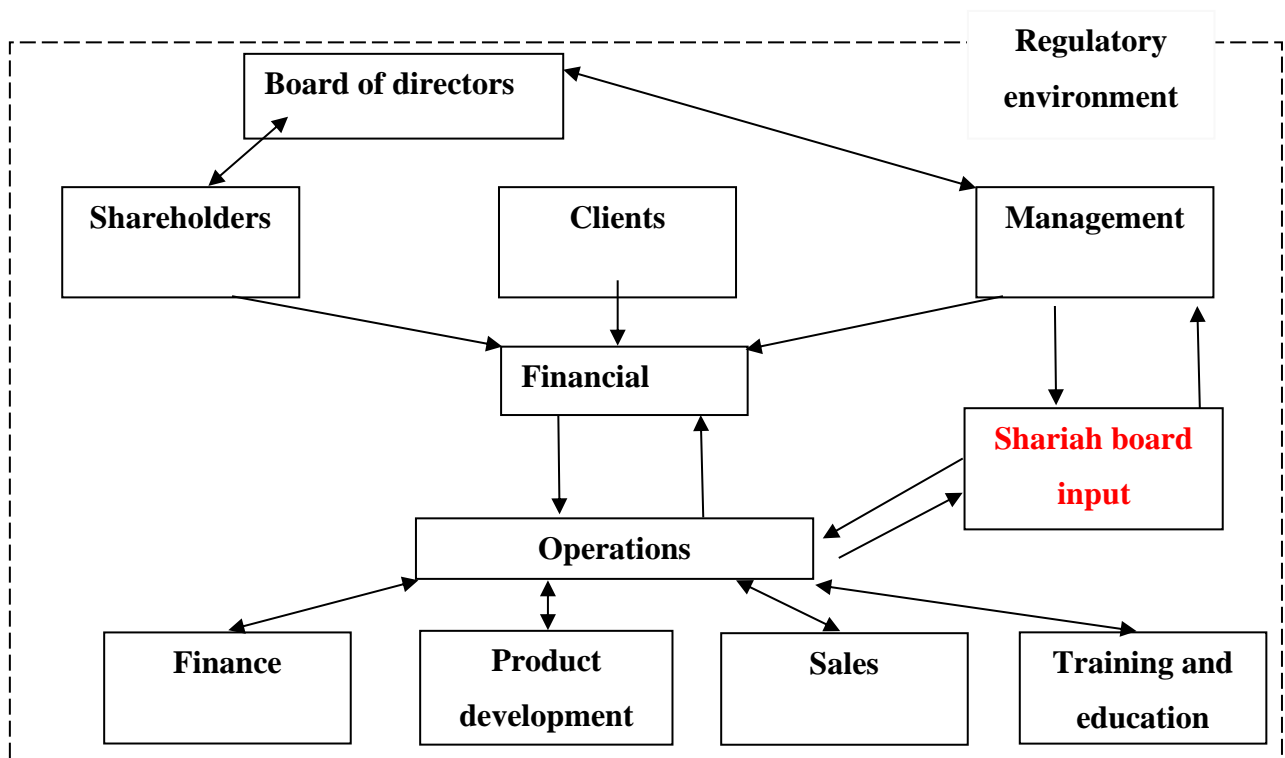


Figure 3 – The place of the Shariah board in the corporate hierarchy (Source: adapted from Grassa & Matoussi, 2014: 1)

According to Wardhany (2012: 4), the Shariah board must comprise of Islamic scholars who are well versed in jurisprudence as well as finance. Additionally, the board serves an internal corporate governance function.

Generally, according to best practice, it is expected that the Shariah board and/or committee carry out and comprise as follows (Wardhany, 2012: 4):

- Constituted with Islamic scholars who are well versed in various facets, including finance, and who can deliberate and give guidance;
- Have full oversight on all operational matters within the institution;
- Be effective in providing the necessary guidance and support within the institution;
- Conduct continuous internal audit reviews;
- Conduct a full audit at least once a year;
- Conduct gap analyses and provide insight and recommendations in closing these gaps;
- Continuous research conducted; and

- Issuance of Islamic rulings and feedback on products to the relevant stakeholders, both internally and externally (Ahmed, 2013: 4).

With regards to specific education of the Shariah board, it is accepted that these scholars should be well versed in Islamic teachings and be a qualified Mufti or Aalim. An Aalim is someone who has engaged in Islamic studies for approximately six years, covering various Islamic topics such as languages, Islamic history, hadith and logic. A Mufti is someone who is a qualified Aalim and has studies further to specialise in Fiqh (Darul Uloom Al Madania, 2020: 1). Khairuldin, Anas, Embong, Hassan, Hanapi and Ismail (2019: 1) defines a Mufti as:

An individual who becomes the main reference of Muslim community regarding Islamic laws. A mufti also declares a fatwa when there is arising problem or confusion related to Islamic laws among the community. Therefore, fatwa is very essential in explaining the rules related to Islamic laws to the community. Due to the fact that fatwa is an explanation of law and it has its own authority, it is a must for a mufti to have his own ethics in declaring a fatwa so that the published fatwa aligns with the laws of Islam.

While the Shariah board is required and expected to carry out the above, amongst others, particular challenges do exist internally, as the Shariah board is merely a supervisory board, and does not have any authority over the board of directors and management of the firm. Certain countries, such as Malaysia have specific laws in place governing the relationship and role of the Shariah board within the firm. However, with the absence of this, the board is effectively accountable to the main board of directors (Alam, Ab Rahman, Mustafa, Shah & Hossain, 2019: 1).

2.13. Cryptocurrencies

Currently, the issue of blockchain and cryptocurrency is a current and topical issue and one that has generated considerable interest. Therefore, this instrument will be given some thought by the researcher to allow for analysis within the context of Islamic finance.

Frankenfield (2019: 1) defines cryptocurrency as:

A digital or virtual currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend. Many cryptocurrencies are decentralised networks based

on blockchain technology—a distributed ledger enforced by a disparate network of computers. A defining feature of cryptocurrencies is that they are generally not issued by any central authority, rendering them theoretically immune to government interference or manipulation.

Rosic (2018: 1) gives a similar definition of cryptocurrency:

Cryptocurrency is an internet-based medium of exchange which uses cryptographical functions to conduct financial transactions. Cryptocurrencies leverage blockchain technology to gain decentralisation, transparency, and immutability.

The most important feature of a cryptocurrency is that any central authority does not control it: the decentralised nature of the blockchain makes cryptocurrencies theoretically immune to the old traditional ways of government control and interference.

Cryptocurrencies can be sent directly between two parties via the use of private and public keys. These transfers can be done with minimal processing fees, allowing users to avoid the steep fees charged by traditional financial institutions.

To validate whether cryptocurrency would be Islamically acceptable, the underlying principles of Islamic finance would need to be applied.

The relevant principle would be that of an underlying asset. In the case of the general cryptocurrencies, there is no underlying asset backing the cryptocurrency, as the currency is effectively computer code which was created out of nothing. Additionally, through data mining, the additional currency is created, again, without the backing of any tangible asset and/or increase in asset base to account for the increase in “coins” which would accrue from the data mining.

Alam, Gupta and Zamani (2019: 99) state that:

There is an ongoing debate about the legality and permissibility of cryptocurrency in Islamic finance. Cryptocurrencies have the potential to become the future currency and maybe even backed by the government in the long run, but in order to be accepted in the mainstream Islamic finance, it has to overcome negative sentiments surrounded by the excess volatility and use in fraudulent activity and well regulated by both banking law and Shariah law.

The extreme volatility of the markets is driven by speculation and speculative trades, causing the various swings in price, because there is no underlying asset driving the supply and demand.

Therefore, while the blockchain technology may pave the way for future currency transactions, due to the absence of a tangible asset backing up the majority of cryptocurrencies, this would not be permissible from a strict Shariah perspective. However, there are alternative currencies which have recently been created which are backed by certain tangible assets such as gold, which in principle, would be permissible. The asset-backed cryptocurrencies are known as stable coins, as they fluctuate based on the movements of the underlying asset (Roberts, 2019: 1).

Asif (2018: 91) confirms this view and states that “cryptocurrencies and tokens in themselves are Halal and further delves into separating the Shariah-compliant and non-Shariah compliant types. Realistically, it is not possible to evaluate every single cryptocurrency or token but by analysing the protocols that govern each currency, the intended use cases of each currency and seeing whether the cryptocurrency or token in question falls into certain areas such as Riba”.

The technology may pave the way for future currency mediums of exchange, and in itself would conform to Shariah, but not when any tangible assets do not back these mediums of exchange.

2.14. Ethical based financing (another name for Islamic finance?)

Islamic finance is based on several underlying principles. These include that Islamic finance activities should be:

1. Fair and equitable;
2. Transactions in lawful activities, i.e. exclusion of cigarettes, drugs etc.;
3. Foster economic growth; and
4. Enhance wealth distribution.

Recently, there has been an increase in the use of the term “ethical finance” and/ or “sustainable finance”.

Ethical finance can be described as:

Finance which considers not only financial returns but also environmental, social and governance (ESG) factors. This reflects an increasing recognition of the importance and value attributed by investors, both institutional and retail, to delivering measurable positive environmental and social impact on a sustainable basis (Brodies LLP, 2018: 1).

Similarly, sustainable finance is elaborated and described further by Fatemi and Fooladi (2013: 101):

We argue that our current approach to shareholder wealth maximization is no longer a valid guide to creation of sustainable wealth: An emphasis on short-term results has had the unintended consequence of forcing many firms to externalize their social and environmental costs. An unwavering faith in markets' ability to efficiently uncover long-term value implications of short-term results has created many unacceptable outcomes. Given the social and environmental challenges ahead, such practices and their unacceptable outcomes cannot be sustained. Therefore, a shift in paradigm is called for. We propose a sustainable value creation framework, within which all social and environmental costs and benefits are to be explicitly accounted for.

As social norms and standards are changing, so is consciousness in terms of sustainability. This change in consciousness is driving a greater thrust towards more ethical use of finance, as well as stricter reporting and accountability, not only to shareholders but also to the environment and the broader stakeholder base.

An example is that of Britain, which in 2013, became the first Western nation to issue sovereign Sukuk. The value of this was 200 000 000 GBP. It attracted orders to the value of 2 300 000 000 GBP, showing the demand and appetite for Islamic/ ethical instruments, where the value of the orders was more than eleven times oversubscribed (Chittilapally, 2016: 1).

Numerous studies have been conducted regarding the correlation between corporate social responsibility/ ethical finance with those of financial returns. Some of these studies have been conducted as follows:

- Ruf, Muralidhar, Brown, Janney and Paul (2001: 143) conducted a study with regards to the relationship between corporate social responsibility and financial performance, using stakeholder theory. The findings confirmed that there is a

significantly positive relationship between an increase in corporate responsibility and that of financial performance, specifically, with regards to the shareholders and the value created by the responsible behaviour. This also boded well for long term returns with the increase in socially and equitable corporate responsible behaviour.

- Supporting the notion of positive financial performance is that of Van Beurden and Gössling (2008: 407). They conducted a literature review on the relation between corporate social and financial performance. The objective of this study was to collate various studies and draw an overarching conclusion based on whether this is a positive or negative relationship. Based on the study done, it was concluded that there is clear evidence that social responsibility is positively tied to positive financial performance in the context of being seen to respond to consumer's expectations and demands. They, therefore, further stated that "good ethics is good business" (Van Beurden and Gössling, 2008: 407).
- Another way of reviewing the relationship between corporate responsibility, financial performance and society's norms and expectations is the extent to which these expectations and norms influence the corporate responsibility strategy, and in turn how this improves the firm's financial performance. Decker (2004: 712) looked at this relationship and impact and concluded that firms do amend their strategies to align them with the expectations of society. In so doing, they are satisfying the client's requirements, but also creating competitive strategies for themselves financially by using the corporate responsibility to their advantage.

Therefore, while Islamic finance is effectively faith-based finance, it lends itself towards and is in effect ethical based finance. This would overcome the mental block of non-Muslims towards Islamic finance and allow for a greater pool of demand for these types of products, which can now interchangeably be referred to as Islamic finance or ethical finance.

The concept of shared value and model is gaining traction and momentum, including in South Africa, where, amongst others, Discovery offers this type of model where

clients pay their premiums, but also have the ability to receive value in return, should they meet specific criteria (Discovery, 2018: 1). This is prominent in medical insurance with Discovery, but also now being offered as part of Discovery Bank.

2.15. Regulation and standardisation of Islamic finance (AAOIFI and IFSB)

Based on the sources of knowledge, there is no specific text with regards to Islamic finance, and therefore certain texts which need to be applied to the models and context of Islamic finance.

Therefore, ambiguity may be created, and consensus may not be reached by the majority of Muslim scholars, which creates differences of opinion, and non-standardisation of Islamic finance and its application thereof.

In an attempt to offset these differences of opinion, and to create uniformity and standardisation, there are two global organisations which are well known in the Islamic finance spheres. These are the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB).

AAOIFI

AAOIFI was established in 1991, based in Bahrain, and:

is the leading international not-for-profit organisation primarily responsible for development and issuance of standards for the global Islamic finance industry. It has issued a total of 100 standards in the areas of Shari'ah, accounting, auditing, ethics and governance for international Islamic finance (AAOIFI, 2019: 1).

Part of AAOIFI's objectives includes (AAOIFI, 2019: 1):

1. "to Develop accounting, auditing, governance and ethical thought relating to the activities of Islamic financial institutions taking into consideration the international standards and practices which comply with Islamic Shari'ah rules;
2. to Disseminate the accounting, auditing, governance and ethical thought relating to the activities of Islamic financial institutions and its application

through training seminars, publication of periodical newsletters, preparation of reports, research and through other means;

3. Harmonize the accounting policies and procedures adopted by Islamic financial institutions through the preparation and issuance of accounting standards and the interpretations of the same to the said institutions.
4. Improve the quality and uniformity of auditing and governance practices relating to Islamic financial institutions through the preparation and issuance of auditing and governance standards and the interpretation of the same to the said institutions.
5. Promote good ethical practices relating to Islamic financial institutions through the preparation and issuance of codes of ethics to these institutions.
6. Achieve conformity or similarity -to the extent possible- in concepts and applications among the Shari'ah supervisory boards of Islamic financial institutions to avoid contradiction and inconsistency between the fatwas and the applications by these institutions, with a view to activate the role of the Shari'ah supervisory boards of Islamic financial institutions and central banks through the preparation, issuance and interpretations of Shari'ah standards and Shari'ah rules for investment, financing and insurance.
7. To approach the concerned regulatory bodies, Islamic financial institutions, other financial institutions that offer Islamic financial services, and accounting and auditing firms in order to implement the standards, as well as the statements and guidelines that are published by AAOIFI.
8. To offer educational and training programs, including professional development programs on accounting, auditing, ethics, governance, Shari'ah, and other related areas, so as to promote knowledge on, and to encourage greater professionalism in, Islamic banking and finance. Training, examination and certification shall be carried out by AAOIFI itself and/or in coordination with other institutions.
9. To carry out other activities, including certification of compliance of AAOIFI's standards, so as to gain wider awareness and acceptance of AAOIFI's standards on accounting, auditing, ethics, governance, and Shari'ah" (AAOIFI, 2019: 1).

Therefore, AAOIFI currently serves as a self-appointed standard and norms setting and certifying agent. This would help to create standardisation amongst various Islamic institutions, as well as disseminate the same educational values to those participating in the AAOIFI academic programs.

IFSB

The Islamic Financial Services Board is based in Kuala Lumpur and was established in 2002.

Similar to AAOIFI, IFSB seeks to serve as an

international standard-setting body of regulatory and supervisory agencies that have vested interest in ensuring the soundness and stability of the Islamic financial services industry, which is defined broadly to include banking, capital market and insurance. In advancing this mission, the IFSB promotes the development of a prudent and transparent Islamic financial services industry through introducing new, or adapting existing international standards consistent with Sharī'ah principles, and recommend them for adoption (IFSB, 2010: 1).

While the roles of IFSB and AAOIFI may seem to be interrelated, while IFSB offers standards and norms which can be applied globally, is expressly set up for the Malaysian sector, and was granted special recognition and privileges in this regard –

Malaysia, the host country of the IFSB, has enacted a law known as the Islamic Financial Services Board Act 2002, which gives the IFSB the immunities and privileges that are usually granted to international organisations and diplomatic missions (IFSB, 2010: 1).

2.16. Critique of Islamic finance

Asad (2018: 1) cites several issues with the current conventional Islamic finance offerings available, in comparison to the underlying principles in which it is intended to achieve. These issues are as follows (Hayat, 2015: 1; Raza, 2012: 1020):

1. Profit-sharing rates – The “rates” used by Islamic finance institutes are often benchmarked against current prevailing conventional rates, most notably the London Interbank Offered Rate (LIBOR). This is about both the returns offered and fees charged;

2. Collateral – Islamic finance institutes require collateral for the majority of products, thus eliminating the risk from the bank’s perspective. This is in contrary to the risk-sharing principles of Islamic finance;
3. Default – In the event of default, with the Islamic finance institute holding collateral, no risk is shared by the bank and therefore no leniency is extended to the defaulter, which defeats the purpose of the equitable and risk transfer principles;
4. Offerings – As Islamic finance institutions seek to offer clients alternatives to the current conventional offerings, this effectively amounts to a replication of the current offerings, with different terminology given;
5. Efficiency – Islamic finance alternatives are generally inefficient due to the number of contracts needed to be completed to allow for shariah compliance;
6. Standardisation – As there is no one interpretation of rulings, there is no standardisation between products, institutions and countries. Therefore, this allows for leeway in the application of the Shariah principles;
7. Regulatory environment – In most countries, institutions are required to follow the regulatory environment set for conventional finance firms. These are generally not appropriate for Islamic finance institutions and therefore creates “grey” areas from an operational perspective for the Islamic institute; and
8. Founding funds – When setting up Islamic windows within certain conventional institutions, the source of these funds are derived from interest profits, therefore rendering the entire process and offerings haram;

Should Islamic finance firms truly implement Islamic finance offerings, there is a huge potential market for ethical based finance (Hayat, 2015: 1).

It should be noted here that the critiques are intended and directed at the current Islamic finance offerings in their current form, and not on the actual principle of Islamic finance, which is provisioned for in both primary and secondary sources of Islamic finance.

2.17. The returns of Islamic finance compared to conventional finance (from a firm and consumer perspective)

Apart from the structural difference between conventional and Islamic investments, another consideration is the actual returns offered by these Islamic investments, as Islamic investments are not for the exclusive use of Muslims only, and can be considered by others based on the returns and spread of the investments.

Studies in this regard are currently conflicting but will still be analysed for the sake of completeness as this forms an integral part of the choice to make use of Islamic investments, apart from the religious obligation towards this type of investment.

Islamic investments here refer to any type of Shariah-compliant investment, including stock markets, unit trusts and banks.

Khaleequzzaman, Khan, Ishfaq, and Khan (2017: 109) conducted a study in Pakistan and looked at data between 2006 – 2012. Both the risk and returns were analysed, and it was concluded that there was no significant difference between Islamic finance risk and returns versus conventional finance risk and returns.

Another study conducted in Pakistan by Rao, Tauni and Iqbal (2015: 211) was intended to measure the performance and volatility of conventional and Islamic equity funds. The data set used was based on data between 2007 and 2014. Based on the analysis done, it was concluded that there was no significant difference in the ultimate performance of the fund. However, it was noted that the Islamic funds, based on the type of investment profile available, showed significantly less downside risk as opposed to the conventional fund, which had a broader range of investment options and instruments available.

Based on a Malaysian study, Nathan, Al-Mamun, Rafique, Entebang, Rahman and Mansor (2014: 1) looked at the banking sector from 2003 - 2010, comparing Islamic and conventional banking in terms of greater profitability. While they concluded that there was no significant difference in financial performance between Islamic and conventional banking, they did find a significant difference in Islamic banking having a greater level of liquidity.

Athar and Siddiqui (2018: 246) conducted a study with regards to the perspective of Islamic product offerings on shareholder's wealth, and based on Islamic Sukuk's offered by Islamic banks versus conventional banks loans, and concluded that the Islamic Sukuk's contributed to greater profitability for the bank and its shareholders, and also added that this might have been fuelled by the Muslim client's propensity to make use of Islamic products.

In a Jordanian context, research was done by Hamouri, Hamouri and Radaydeh (2014: 58) using data between 2001 – 2010. This study aimed to see whether firms that used Islamic finance products achieved more significant financial benefits than those firms which used conventional financial products, using a set of financial ratios to determine the better outcome. It was concluded that firms using Islamic financial products showed a significantly better financial performance than the firms which did not make use of Islamic financial products.

Additional studies conducted on Islamic banks (IB) compared to conventional banks (CB) can be tabulated as follows (adapted from Cerovic, Suljić, Stella & Maradin, 2017: 241):

	<u>Sample</u>	<u>Methodology</u>	<u>Results</u>
Before the crisis	<ul style="list-style-type: none"> • 44 IBs and 37 CBs • 21 out of 57 countries of OIC • 1990-2005 	Data envelopment analysis (DEA)	<ul style="list-style-type: none"> • No significant difference in cost, profit, and revenue efficiency between CBs and IBs • IBs are more efficient in spending resources than in making a profit
	<ul style="list-style-type: none"> • 21 countries of IOC • 1990-2005 	Stochastic frontier analysis (SFA)	<ul style="list-style-type: none"> • No significant difference in cost and profit efficiency between CBs and IBs

	<ul style="list-style-type: none"> • 82 banks: commercial, investment, IBs etc • Egypt, Bahrain, Jordan, Saudi Arabia • 1992-2000 	SFA	<ul style="list-style-type: none"> • IBs achieve higher cost and profit efficiency than CBs and investment banks
	<ul style="list-style-type: none"> • 43 IBs • 21 Islamic countries • 1995-2001 	DEA	<ul style="list-style-type: none"> • IBs are less efficient than CBs
	<ul style="list-style-type: none"> • Malaysia • 1996-2002 	SFA	<ul style="list-style-type: none"> • IBs and Islamic windows are less cost-efficient than CBs
	<ul style="list-style-type: none"> • 18 IBs • 1997-2000 	DEA	<ul style="list-style-type: none"> • The crisis of 1998-1999 caused the lowering of efficiency of IBs
Before and during the crisis	<ul style="list-style-type: none"> • 6 Arab countries • 2004-2007 	DEA	<ul style="list-style-type: none"> • IBs are less efficient than CBs
	<ul style="list-style-type: none"> • 18 countries with mostly Muslim population • 2004-2009 	DEA	<ul style="list-style-type: none"> • IBs are less efficient than CBs

	<ul style="list-style-type: none"> • 62 IBs • 16 countries of MENA (Middle East and North Africa) • 2004-2010 	SFA	<ul style="list-style-type: none"> • IBs are more efficient in profit-generating than cost control
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Table 3 – Comparison of Islamic banks versus conventional banks (Source: adapted from Cerovic et al., 2017: 241)

While the results comparing conventional and Islamic banks are mixed, it seems to be clear that the volatility of risk and spread of Islamic investments are less than that of conventional investments. From a banking perspective, it would seem that there are no additional profits to be had when using Islamic finance models and offerings. However, there does seem to be some greater banking stability from a liquidity and risk perspective.

With specific reference to Islamic investments, and more notably from an equity perspective, the following studies give some interesting insights:

<u>Study context</u>	<u>Source</u>	<u>Results</u>	<u>Real-world implications?</u>
<ul style="list-style-type: none"> • The study covers the period 2000- 2011 • Compared conventional and Islamic indexes • Broken into three central regions – USA, Europe, and the rest of the world 	Jawadi and Louhichi (2013: 1)	<ol style="list-style-type: none"> 1. While conventional indexes looked attractive, Islamic indexes outperformed them, especially during turbulent times of the 2007/ 2008 sub-prime financial crisis 2. Financial crises seem to have a less significant impact on Islamic indexes when compared to conventional indexes 	<ul style="list-style-type: none"> • Indexes are relative to their portfolios and asset allocation • Global events have impacts on both the conventional and Islamic indexes • Islamic indexes seem to be more insulated during financial crises. They seem to recover faster due to the investment limitations and parameters, as the extremely risky products fall out of the scope of Shariah, of which products seem to create the most volatility in times of crises.
<ul style="list-style-type: none"> • 265 Islamic equity funds analysed • Spanning 20 countries • Period 1990 - 2009 	Hoepner, Rammal and Rezac (2011: 829)	<ol style="list-style-type: none"> 1. Islamic funds seem to display superior learning in more developed Islamic markets 2. Islamic funds in Western nations tend to underperform, relative to its peers, as they seem to have less Islamic assets 3. Investment style somewhat tilted towards growth stocks 4. Small-cap preference 	<ul style="list-style-type: none"> • The more comprehensive asset class, possibly in Muslim majority countries create a more significant asset base for performance • Due to the nature of Islamic investments, growth stocks seem to be preferable • A mixture of Islamic and non-Islamic assets not preferable due to the nature and reactionary properties of these two

		5. Results are consistent over time	categories, specifically concerning risk
<ul style="list-style-type: none"> • Risk measured between conventional and Islamic asset investments • Countries included Muslim majority as well as Muslim minority countries • Period 2008-2011 measured 	Saiti, Bacha and Masih (2014: 196)	<ol style="list-style-type: none"> 1. Both conventional and Islamic compliant asset classes fared well 2. Islamic assets tend to have better/more stable risk in Islamic countries where there are specific regulations and laws regarding Islamic asset classes 	<ul style="list-style-type: none"> • Laws and regulations applicable to asset class assist in the management and risk profile of these classes, as opposed to those without specific Shariah consideration
<ul style="list-style-type: none"> • Period 1996-2016 • Various indexes used in Muslim countries and Western countries 	Rejeb and Arfaoui (2019: 301)	<ol style="list-style-type: none"> 1. Islamic indices are more volatile than their conventional counterparts 2. Islamic indices are however more efficient than their conventional counterparts 	<ul style="list-style-type: none"> • Contrary to other studies, Islamic indexes seem more volatile than conventional • However, Islamic indexes are more efficient

Table 4 – Comparison of Islamic investments (Source: Own)

From an Islamic investment perspective and based on the above studies, it appears that the Islamic investments benefit from a larger pool of assets and asset classes to choose from; having a greater resilience and efficiency in the face of economic crises, and working better in Islamic finance tailored regulatory financial environment. However, there does not seem to be any abnormal profits to be gained when compared to its peers, apart from the differences in risks between conventional and Islamic investments and their relative returns.

It should, however, be noted that the comparison of risk and returns may have their data skewed due to financial crises, as well other dynamic factors such as data sets, periods analysed, countries used and the difference in firms' structure within the studies. These would all play roles in allowing for greater accuracy and perspective in the results presented within the studies.

2.18 Consumer awareness and understanding towards Islamic finance

As part of the study and objectives (to explore the awareness, knowledge, opinions, attitudes, use and drivers of Islamic Investment and banking in South Africa of Muslim individuals.), it is imperative to explore and understand current literature with regards to awareness, usage and drivers of Islamic finance, as this will also direct the data collection tools and specific questions to be asked.

A study was conducted by Gait and Worthington (2008: 1), which undertook to analyse and explore various attitudes towards Islamic finance. As part of this study, several studies were included and summarised in Table 5 below (adapted from Gait and Worthington, 2008: 17). The composition of the studies consists of both Muslim majority and Muslim minority countries, questionnaires and interviews, as well as individual consumers as well as potential corporate users of Islamic finance.

Author(s)	Methodology	Sample	Variables	Technique(s)	Main findings
Naser, Jamal and Al-Khatib (1999)	Self-administered questionnaire	206 Jordanian Islamic banks customers.	Demographic factors, Islamic banking services, reasons for dealing with an Islamic bank, reasons for banking with conventional and Islamic banks and degree of satisfaction with the services of the Islamic bank.	Descriptive analysis.	The most important factors determining attitudes towards Islamic banks were bank reputation then religion. Majority of customers satisfied with Islamic banks' products and services and most had a high level of awareness of at least some Islamic methods of finance. Limited number of respondents used Islamic financing methods elsewhere.
Al-Sultan (1999)	Self-administered questionnaire	385 respondents in Kuwait.	Socioeconomic demographic factors, Islamic bank services and reasons for preference.	Factor analysis.	Adherence to Islamic religion is primary motivation for dealing with Islamic banks, though 52% of respondents prefer to deal with conventional banks because of better services. No difference between Islamic and conventional banks in cost and return to individual customers.
Hamid and Nordin (2001)	Self-administered questionnaire	967 bank customers in Kuala Lumpur.	Demographic factors and knowledge questions.	Descriptive analysis.	Majority of respondents know about the existence of Islamic banks in Malaysia. Approximately 50% of respondents deal with Islamic bank but more than 60% of respondents cannot differentiate between Islamic and conventional banks' products.
Ahmad and Haron (2002)	Self-administered questionnaire	45 financial directors, financial managers and general managers of finance in Malaysia.	Demographic factors, Islamic and conventional banking services, knowledge questions and selected patronage factors by respondent and role.	Descriptive analysis.	Most respondents indicated that economic factors and religion were important factors for selecting bank services. But even though most respondents were non-Muslims, most were aware about Islamic banks as an alternative to conventional banks. Most respondents had a low level of knowledge about Islamic banking products, especially financing. 75% of respondents agreed that Islamic banks in Malaysia need to promote their products and services better.
Metwally (2002)	Telephone interviews.	385 bank customers in Qatar.	Socioeconomic and demographic factors	Multiple discriminant analysis	Females, older people and public servants prefer to deal with Islamic banks. Banked customers with relatively low income and moderate education also prefer Islamic banks. Conventional banks favoured by mature, well-educated male professionals with relatively high incomes. Conventional banks also favoured by young well-educated males working as professionals or public servants.
Bley and Kuehn (2004)	Self-administered questionnaire	667 university business graduates and undergraduates	Perceptions of conventional and Islamic banking products and services, knowledge questions and demographic factors.	Principal components analysis, descriptive analysis and regression techniques	Muslim students prefer Islamic banks' services. High-achieving students have a better level of knowledge of Islamic finance terms and concepts. High-achieving non-Arabic students had the highest level of conventional finance knowledge. Generally, student knowledge of both Islamic and conventional finance methods was relatively low.

Author(s)	Methodology	Sample	Variables	Technique(s)	Main findings
Erol and El-Bdour (1989)	Self-administered questionnaire	434 Jordanian Islamic and conventional bank customers	Demographic factors, bank services and selected patronage factors.	Univariate and multivariate statistical techniques and factor analysis.	Religion is not the primary motivation for customers dealing with Islamic banks. More important factors are a fast and efficient service, the bank's reputation and image, and confidentiality. Relatives and neighbours play a significant role in the awareness of respondents with knowledge of Islamic banking.
Erol, Kaynak and El-Bdour (1990)	Self-administered questionnaire	434 Jordanian Islamic and conventional bank customers	Demographic factors, bank services and selected patronage factors.	Multivariate techniques and factor analysis.	Important factors for those selecting Islamic banks are a fast and efficient service, the bank's reputation and image, and confidentiality. Significant differences between patrons of conventional banks' and those of Islamic banks in their pricing policies. No impact of religion on bank selection criteria.
Omer (1992)	Self-administered questionnaires.	300 Muslims residing in the United Kingdom	Selected patronage factors.	Descriptive analysis.	High level of ignorance among UK Muslims about Islamic finance principles. Religious reasons are the principle motivation for Muslims in the UK dealing with Islamic financial institutions.
Haron, Ahmad and Planisek (1994)	Self-administered questionnaire	301 Muslims and non-Muslims in Malaysia	Demographic factors, bank services, selected patronage factors and knowledge of Islamic finance.	Univariate and multivariate statistical techniques and factor analysis.	Muslims and non-Muslims have similar perceptions in selecting bank services. Religious motivation is not the primary motivation for Muslims in dealing with Islamic banks. Both groups value the provision of fast service and the quality of services highly in their patronage factors. Most respondents have some awareness of Islamic banking but are unaware of specific methods and the differences between conventional and Islamic banks.
Hegazy (1995)	Self-administered questionnaire.	400 Egyptian customers of the Faisal Islamic Bank and the Bank of Commerce and development.	Demographic elements (including sex, age, occupation, education, income level, religion and marital status). Selection criteria (including efficiency of personal, speed of service, ease of access, friendliness of personal, availability of parking, etc.).	Parametric tests and factor analysis.	Most of Islamic bank customers were Muslims choosing to comply with Islamic law. Islamic bank customers also ranked speed of delivering banking services and efficiency at the top of their selection criteria. Conventional bank customers included mix of Christian and Muslims who ranked the rates of offered return highly in their bank selection criteria.
Metwally (1996)	Telephone interviews.	385 respondents each in Kuwait, Saudi Arabia and Egypt	Selected patronage factors, including religion, reputation, staff, statement, hours, profit, cost, easiness, speed, branches, and community.	Factor and correlation analysis.	The most important factors in determining attitudes of Muslims towards Islamic banks are religion, convenience and traditional services. Most Muslims within a dual banking system choose their banks for religious reasons. Islamic banks do not differ from conventional banks in the returns and costs offered to customers. Staff competence and speed of services of Islamic banks same as conventional banks.

Author(s)	Methodology	Sample	Variables	Technique(s)	Main findings
Edris (1997)	Self-administered questionnaire	304 business customers of commercial, specialized and Islamic banks in Kuwait.	Dealing behaviour questions, bank services and selected patronage factors by business firms.	Descriptive analysis and multiple discriminant analysis.	Majority of business firms deal with commercial banks more than specialized or Islamic banks. Islamic banking practices ranked highly among patronage factors. Most business firms in Kuwait are multiple-bank users.
Gerrard and Cunningham (1997)	Self-administered questionnaire	190 respondents in Singapore.	Selected patronage factors by Muslims and non Muslims, basic terms Islamic bank knowledge.	Univariate and multivariate statistical techniques and factor analysis.	Muslims differ from non-Muslims in their attitudes towards Islamic banks concerning religious and profitability motivations, new branches and usefulness of interest-free loans. Fast and efficient services and confidentiality are primary factors in selecting bank services. Muslims more aware of the culture of Islamic banking than non-Muslims.
Metawa and Almosawi (1998)	Self-administered questionnaire	300 Islamic banks customers in Bahrain	Demographic factors, bank services, selected patronage factors of customers and knowledge questions.	Profile analysis and non-parametric statistical tests.	Most Islamic banks' customers in Bahrain satisfied with Islamic banks' services, especially investment accounts. Customers dissatisfied with high costs of services. The most important factors for the use of Islamic bank services is religion then profitability. Most Islamic banking customers were aware of fundamental Islamic terms, excepting more complex financing schemes.
Jalaluddin and Metwally (1999)	Self-administered questionnaire	385 small businesses in Sydney, Australia.	Independent variables including risk sharing, cost of borrowing and profitability linkage, cost variability of finance, motivation for business expansion and management intervention.	Logit and Probit analysis.	Religion is not the only factor that motivates small businesses in Australia to use profit/loss sharing methods of finance. The probability of borrowing funds on a profit/loss sharing basis increases when business risk or interest rates are high. Expected rate of return and degree of intervention in management are considered more than financing in a profit/loss sharing system.
Jalaluddin (1999a)	In-person interview	80 financial institutions in Sydney, Australia	Favoured lending factors and independent variables.	Factor and multiple discriminant analysis.	41.2% of financial institutions indicated their readiness to lend on a profit/loss sharing basis. Business support is the main motivation in motivating financial institutions to apply profit/loss sharing methods of finance. Respondents suggested interest payments sometimes create difficulties for business. Management complication, unfamiliarity and risk sharing with borrowers are the main reasons for financial institutions being not prepared to lend on a profit/loss sharing basis. The growth in the demand for funds is the most significant factor in discriminating between financial firms who were prepared to lend on the basis of profit/loss sharing.
Jalaluddin (1999b)	Self-administered questionnaire	385 small businesses in Sydney, Australia.	Favouring factors, rejecting factors and independent variables.	Factor and multiple discriminant analysis.	59.5% of small business firms interested in using profit/loss sharing methods of finance. Business support is the main motivation in applying profit/loss sharing methods of finance. Terms and some conditions of profit/loss financing are major reasons for the rejection of profit/loss sharing methods of finance. Risk sharing between borrowers and lenders is the most significant factor in discriminating between businesses who agree with profit/loss financing.

Table 5 – A summary of various studies previously done with respect to person preferences and ranking of Islamic finance relative to other motivational factors

(Source: adapted from Gait and Worthington, 2008: 17)

While the results are seemingly mixed, there are specific vital points here which are relevant to the study and would give insight into potential points of reflection and inclusion into the data collections tools. These are broken down by themes and grouped accordingly to allow for a more straightforward interpretation of the data sourced from each study. This will also serve as a good benchmark for the researcher in terms of the results, as to whether these are different to or the same outcomes as per previous studies done in this regard. Of course, the context of the study does also play a part in the outcome of the results in terms of the geographic spread, questions asked and sample polled:

Motives and drivers –

While it can be seen that the religious driver is a factor, this seems not to be the most important and only driver for consumers, as there is an expectation that other factors should also be presents (Naser, Jamal & Al-Khatib, 1999; Ahmad & Haron, 2002; Erol & El-Bdour, 1999; Jalaluddin & Metwally, 1999). Therefore, the religious driver alone would not be sufficient to entice clients to make use of Islamic finance in certain instances, as consumers seem to want Islamic finance, but not at the cost of other services and conveniences which they have come to expect from the conventional finance offerings. Therefore, the other non-religious drivers, combined, seem to be more important than the religious objectives of the client on its own, when compared with the other factors.

Pricing and cost perspective –

Consumers are open to the idea of Islamic finance and its structure, however, the expectations are that this should be in line with the conventional offering, including the costs, as well as the rate of return, as the client benchmarks this to conventional pricing and returns (Jalaluddin 1999a, Jalaluddin 1999b). Therefore, Islamic finance institutions would be expected to be competitive when benchmarked against

conventional financial offerings. However, they are reported to face higher costs as their internal processes are more complicated due to the involvement of a Shariah board, as well as compliance of regulations, which may not be aligned to Islamic finance. Therefore, it seems that religious drivers are not enough to trump financial incentive based on the case studies conducted above. It should also be noted here that the financial institution should not use the interest rates as a pricing benchmark, as this forms part of the critique of the Islamic finance model implementation. Therefore, clients should also not expect this, as this would potentially compromise the permissibility of the products as per the opinion of certain scholars.

Service and reputation –

In line with the fact that religion is not the main and only driver, there is a drive for better service and reputation required by clients, such that their banking experience is not worse off than with a conventional financial institution (Al-Sultan, 1999; Metwally, 1996). Hussain, Shahmoradi and Turk (2016: 1) state that an additional component to the reputation is that of value creation and altruism which needs to be considered.

Awareness and understanding –

Generally, there seems to be a lack of understanding and/or awareness of Islamic finance, its objectives, and offerings (Ahmad & Haron, 2002; Gerard & Cunningham, 1997). This lack possibly is skewed by the non-Muslim respondents. Further literature seems to be emerging to understand this perspective better (Shamsudheen and Chowdhury, 2020: 1)

Therefore, based on all of the above, it would seem that there is limited knowledge and awareness of Islamic finance in specific segments based on table 5 above. Additional recent studies and literature has also been reviewed to supplement and support this table and subsequent information and interpretation of the various studies. However, religion is not the main and only driver, and the same expectations of conventional finance also apply to Islamic finance such as service, reputation, pricing and returns.

2.19. Summary

The literature review chapter sought to set out the history, source, context, principles, and theoretical underpinnings of Islamic finance and conventional finance.

It has therefore been established that Islamic finance does indeed exist, and differences come in with regards to the actual implementation of the Islamic banking and investment models. The source of knowledge with regards to Islamic finance are clear and offer guidelines and to the permissible and impermissible transactions with regards to banking and investments.

Other aspects such as the differences between Islamic finance and conventional finance were discussed, as well as other topical and related issues such as cryptocurrencies, Shariah board, ethical investments and risk and returns between the two models.

This context and framework will set the basis for subsequent chapters as well as the data collection tools and questions, as this forms the base of the study, and is critical to the understanding of further research on this topic.

Chapter 3 - Theoretical framework and construct of conventional and Islamic finance

3.1. Introduction

While the literature review sought to explain and set out the basis of Islamic finance and its credibility and existence within Islam, this chapter seeks to further build onto this construct and go into greater detail to create models based on the theoretical parameters as researched and contained in chapter 2.

Chapter 2, therefore confirmed the existence of Islamic banking and investments, as well as the various parameters which need to be considered with regards to evaluating the permissibility and impermissibility of financial transactions. Therefore, based on this initial foundation set, it would be possible to construct theoretical models which are Shariah-compliant, as well as compare and contrast the Islamic finance and conventional finance models.

Further to this, this chapter seeks to build and analyse the models and frameworks in a global context, as well as within the South African context, with regards to the current offerings, as well as regulatory constraints which may affect the models and its practicality and use globally and locally within South Africa.

The reasoning behind this rationale is to firstly explore the various models available and amalgamate this with the teachings as explored in the literature review. This will then allow for the marriage of the two concepts which will be strictly in conformance to Shariah while utilising existing models currently in use.

3.2. Underpinnings of Islamic financial instruments

Islamic finance is based on the application of principles derived from the interpretation from various sources of knowledge.

The application of these principles can be used to create various instruments and models, which, when applied with the correct principles, would be permissible to be used by Muslims and therefore be accepted within the ambit of Islamic finance.

The basis of these models would be as per the shariah principles, which prohibits the following:

- Paying or charging interest;
- Investing in businesses involved in forbidden industries;
- Speculation; and
- Uncertainty and risk. (Franzoni & Allali, 2018: 3)

As a point of commencement, the current conventional (non-Islamic compliant models) of investments and banking will be analysed. The reasoning behind this is that there are various laws and regulations which need to be complied with, which will be dealt with in greater detail in subsequent literature. Therefore, it would be best to adapt current models, such that the regulatory environment and compliance is adhered to.

3.3. Conventional investment and banking models

Investment firms and banks employ variations of existing models, to suit certain needs and meet the demand for specific products. Generally, these models are based off certain underlying principles, which will be discussed further.

Investment model

The basis of an investment model is to receive funds from internal and/ or external sources, and put these funds to productive use, such that a maximum return is received in this regard. Generally, this return is benchmarked against the risk-free rate of return, or the interest rate offered by a bank, on non-productive funds in a transactional account.

“Investing is putting money to work to start or expand a project - or to purchase an asset or interest - where those funds are then put to work, with the goal of income and increased value over time. The term "investment" can refer to any mechanism used for generating future income” (Chen & Scott, 2020: 1).

As all rational investors seek to maximise returns, generally the funds with the higher returns are more attractive; however, the rate of return is related to risk. Therefore, a higher rate of returns generally requires greater risk on the investments, where the

investment is made into any financial instrument or asset class where a return is expected. Typically, this return is expected to be greater than the current rate of returned offered by a bank which is effectively based on a zero risk. Therefore, as the risk profile of the investment increases, there is an expectation for a greater return relative to the risk.

The above could be illustrated in a simple format as follows:

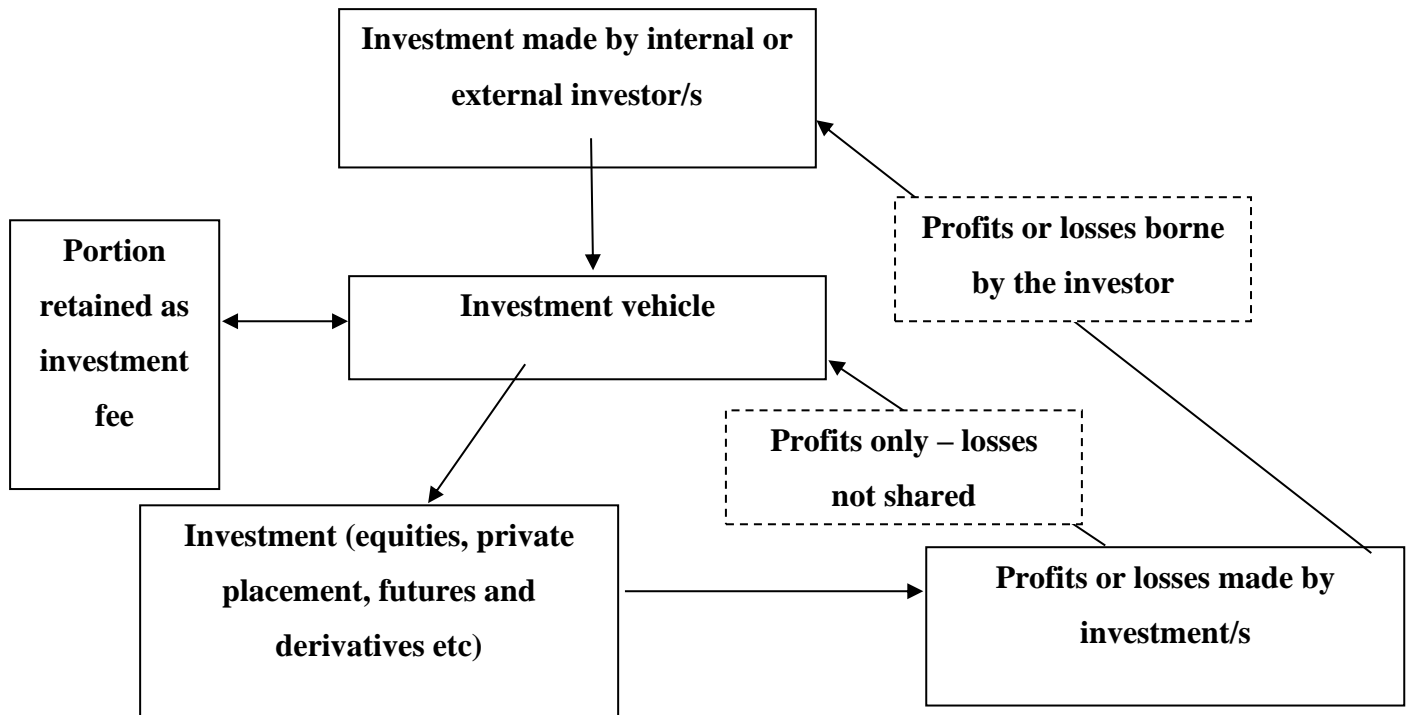


Figure 4 - Conventional investment model (Source: Own)

Depending on the type of investment vehicle, the constituents of the investment portfolio may differ, based on the risk profile of the fund as well as the kind of instruments used for investments into assets such as equities, futures, derivate etc.

Banking model

Banking is referred to as ‘the selling of money’. This works based on deposits received by the depositor into the bank; the bank then lends the same money out at a profit to a lender.

The depositor receives an interest return for depositing funds with the bank, and the lender pays interest on the funds lent. The difference between the two rates is the profit which accrues to the bank as a reward for the risk taken.

Barone (2020: 1) further gives a detailed explanation of banking and its workings: “As financial services providers, they give you a safe place to store your cash. Through a variety of account types such as checking and savings accounts, and certificates of deposit (CDs), you can conduct routine banking transactions like deposits, withdrawals, check writing, and bill payments. You can also save your money and earn interest on your investment. The money stored in most bank accounts is federally insured by the Federal Deposit Insurance Corporation (FDIC).

Banks also provide credit opportunities for people and corporations. The money you deposit at the bank—short-term cash—is used to lend to others for long-term debt such as car loans, credit cards, mortgages, and other debt vehicles. This process helps create liquidity in the market—which creates money and keeps the supply going.

Just like any other business, the goal of a bank is to earn a profit for its owners. For most banks, the owners are their shareholders. Banks do this by charging more interest on the loans and other debt they issue to borrowers than what they pay to people who use their savings vehicles. Using a simple example, a bank that pays 1% interest on savings accounts and charges 6% interest for loans earns a profit of 5% for its owners.”

The above could be illustrated in a simple format as follows:

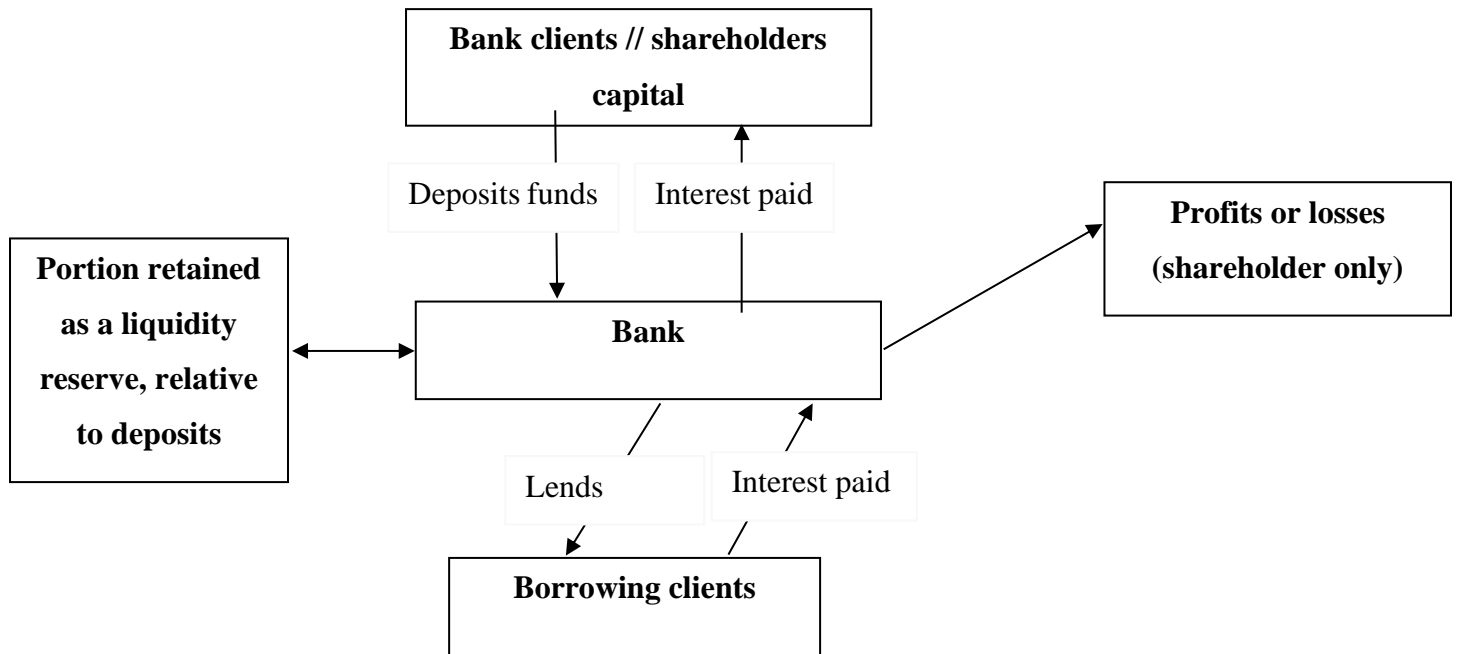


Figure 5 - Conventional banking model (Source: Own)

The returns offered to clients and the interest rate charged is generally based on the rate set by the local reserve bank (ultimate lender of funds), which rate fluctuates from time to time based on the economic activity of the country and world at the time, as the reserve bank rate is used as a lever for economic growth or dampening in certain instances.

3.4. A comparison between conventional and Islamic finance

Before engaging in the Shariah models, the differences between Islamic banking and investment to conventional banking and investment must be understood.

This will set the basis of “building” the Islamic models and testing them within a South African context.

There have been several studies conducted regarding the differences and outcomes of Islamic and conventional finance, and these have been listed below (adapted from Mohanty & Saini, 2014: 6):

	<u>Characteristics</u>	<u>Islamic finance</u>	<u>Conventional finance</u>
1	Guaranteed principal and interest	No guarantee of return and capital invested is always at risk if the market responds adversely	Guarantee of return in the form of fixed interest rate
2	Customer-driven investment in certain areas	Investors can specify their preference	Investors generally have limited options according to the standard portfolios available
3	Market-driven return	Generally, a higher risk is expected to offer higher returns, but with Islamic finance, this is usually done based on the market returns and not to any other benchmark	Risk is generally risk-free at a minimum for fixed-term investments and deposits
4	Security requirement (collateral)	Collateral is required in certain Islamic finance structure types	Collateral is generally required
5	Investment disclosure norms	Investment disclosures are generally made to allow for transparency in advance, before attracting deposits/investments	Disclosures are generally not transparent, and further discussed once investment/deposit made
6	Investment management services	Specialised and tailor-made options available	No special services offered, and general options slightly altered to accommodate Muslim clients

7	The credibility of the project	The credibility of the investment project is as important as the credibility and ability of the client to repay, as per Shariah requirements which prohibit specific projects	The credibility of the client is most important from an ability to repay perspective. Any projects allowed
8	The economic risk to the investor	Yes, based on market forces and management	No, fixed returns on fixed deposits/ investments
9	Scope for growth in the current scenario	Islam as a religion is continuously growing at a fast pace and therefore an increase in demand expected	Still, opportunity from growth as the population grows, however, less population growth as compared to growth in Islam
10	Entrepreneurship	Promotes entrepreneurship through debt and equity financing	Entrepreneurship only promoted through debt
11	Standardisation and uniform practices and norms	No specific norms and standards as yet from a regulatory environment in most countries, however, specific guidelines provided by AAOIFI. Trends expected to emerge and become more defined over time	Strict rules and regulations which are to be adhered to
12	Partnership in case of losses	Agreed to, based on the ratio	No agreement and losses only born by depositor/ investor
13	Risk/ return trade-off	Higher risk compensated with higher returns, and vice versa	Fixed deposits

14	Assessment and management of investment risk	Highly complicated due to compliance with regulations as well as Shariah required	Less complicated, as no Shariah considerations
15	Participative management	In partnership structures, participation is allowed	No participation allowed
16	Promotional measures	Need to educate the public and generate promotions as it is a relatively new concept	No need for extensive education and promotions
17	Returns	Interest not allowed – profit and loss sharing structures	Interest-based on a benchmark set by the reserve bank
18	Economic activity and investments allowed	Must comply with Shariah (prohibition of gambling, alcohol activities etc.)	No restriction on activities
19	Shariah board	Required to offer guidance and rulings on internal activities	Not required
20	Capital and associated activities	The initial and subsequent capital used must be from pure sources, i.e. non-interest or non-compliant activities derived	No restrictions/ parameters

Table 6 – Comparison of Islamic finance versus conventional finance (Source: adapted from Mohanty & Saini, 2014: 6)

Taking a purely financial view of the difference between Islamic finance and conventional finance, the following table describes the balance sheet differences between the two types of finance (Kammer, Norat, Pinon, Prasad, Towe and Zeidane 2015: 10):

<u>The balance sheet of an Islamic financial institution</u>	<u>The balance sheet of a conventional financial institution</u>
Assets	Assets
Cash and cash equivalents Investment in securities Sales receivables Investments in leased assets Investments in real estate Equity/profit sharing financing Investment in subsidiaries Fixed assets Other assets	Cash and cash equivalents Investment in securities Loans and advances Statutory deposits Investment in subsidiaries Fixed assets Other assets
Liabilities	Liabilities
Current accounts Other liabilities	Current accounts Saving and time deposits Other liabilities
Equity of PSIA (Profit sharing investment account)	
PSIA (unrestricted) Profit equalisation reserve Investment risk reserve	

Owners' equity	Owners' equity
PSIA (Restricted) – off-balance sheet/ letters of credit/ guarantee	Off balance sheet/ letters of credit/ guarantee/ derivatives

Table 7 – Balance sheet comparison of Islamic finance versus conventional finance

(Source: adapted from Kammer et al., 2015: 10)

From the above table, the differences in balance sheet items and how these assets or liabilities are treated are highlighted in red. This shows that the Islamic finance institutions treat the assets differently, with different assets included here, whereas the conventional firms include savings and time deposits as liabilities. Also, the owners' equity is restricted to certain items, with conventional firms being able to have unrestricted owners' equity, which also includes derivatives. Derivatives are not allowed in Islam.

With the basis set for the conventional investment and banking models, as well as the differences identified between conventional and Islamic finance, the Islamic finance models and discussion can be had, which will be built onto this base set already.

3.5. Consolidating Shariah into an investment and banking model

In most countries, and within a South African context, there are no regulations specific to Islamic finance. Apart from the norms and standards which are given as guidelines by AAOIFI, Islamic finance firms need to follow the regulations set out by the government. The Shariah compliance would, therefore form part of the internal management and compliance function within the Islamic finance firm.

Islamic investment model (theoretical)

Based on Shariah parameters and the conventional investment model above, changes have been effected to the conventional investment model to ensure that it is compliant with Shariah, as well as the general regulatory environment. These changes have been indicated accordingly using a colour differential:

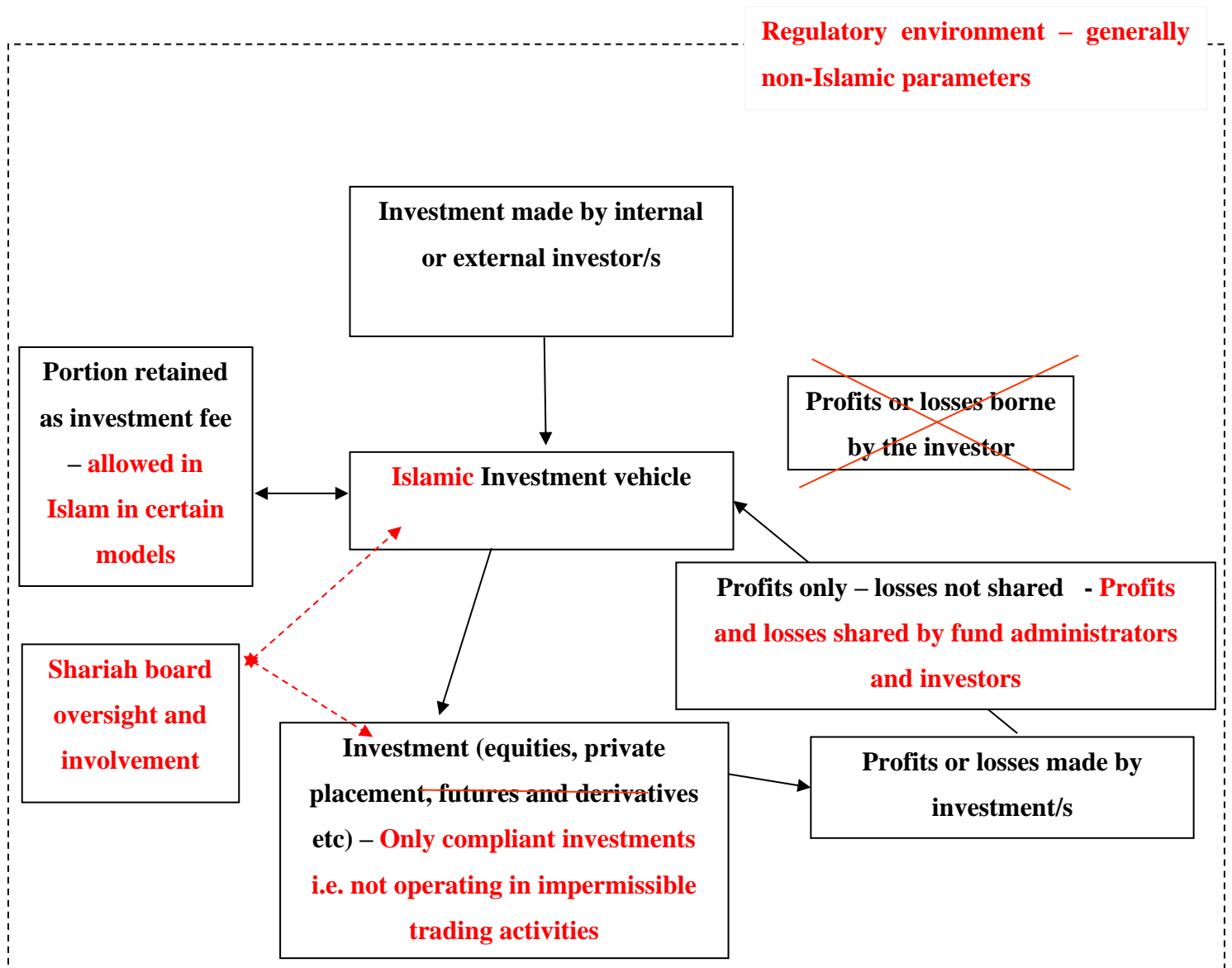


Figure 6 – Islamic compliant (theoretical) investment model (Source: Own)

The main differences between Islamic investment and conventional investment models have been highlighted in red.

The changes made to the conventional investment model are:

1. The investment vehicle/ portfolio would be solely set up for Islamic investments;
2. Depending on the model, the fund/ investment administrators are allowed to retain a portion of the profits/ funds for the administration function;

3. The Shariah board involvement would be required such that religious oversight may be given to all operational matters;
4. Only Islamic compliant investments may be made;
5. The partners would share profits and losses, i.e. the fund administrators and investors, should this structure have been chosen; and
6. All of the above would still need to operate in compliance with the country-specific regulation if applicable.

Therefore, in theory, the above model would constitute one type of Islamic compliant investment model.

From a practical perspective, especially in a non-Islamic economy, the following factors would need to be taken into account when considering various investments and financial instrument options, as certain companies may be engaged in permissible activities as its core business. Still, it may be tainted in another way where the surplus funds are left in interest-bearing accounts, or money has been lent from a bank on an interest repayment principle. There is, therefore, debate around this. Still, the general consensus seems to be as per the views of Usmani (2007: 1), where the following provisos have been given to ensure that all impermissible items have been cleaned from the profits of investment where applicable (Usmani, 2007: 1):

1. The main business of the company must be engaged in permissible activities;
2. If the main business is permissible, but the company is engaged in impermissible activities such as the borrowing of interest money, then the investor/ shareholder must express disapproval over this; and
3. Suppose some portion of the income is derived from impermissible activities such as interest received on surplus money. In that case, this portion must be given away to charity from the dividends/ returns received from this investment.

Therefore, while the above model is theoretically based, there are also some practical issues which must be considered.

Islamic banking model (theoretical)

Similar to the investment model, the Islamic banking model can be overlaid against a traditional banking model.

Therefore, the Islamic parameters have been applied to the model below, which has been derived from the conventional banking principles and model, with the Shariah parameters and changes overlaid to the conventional model:

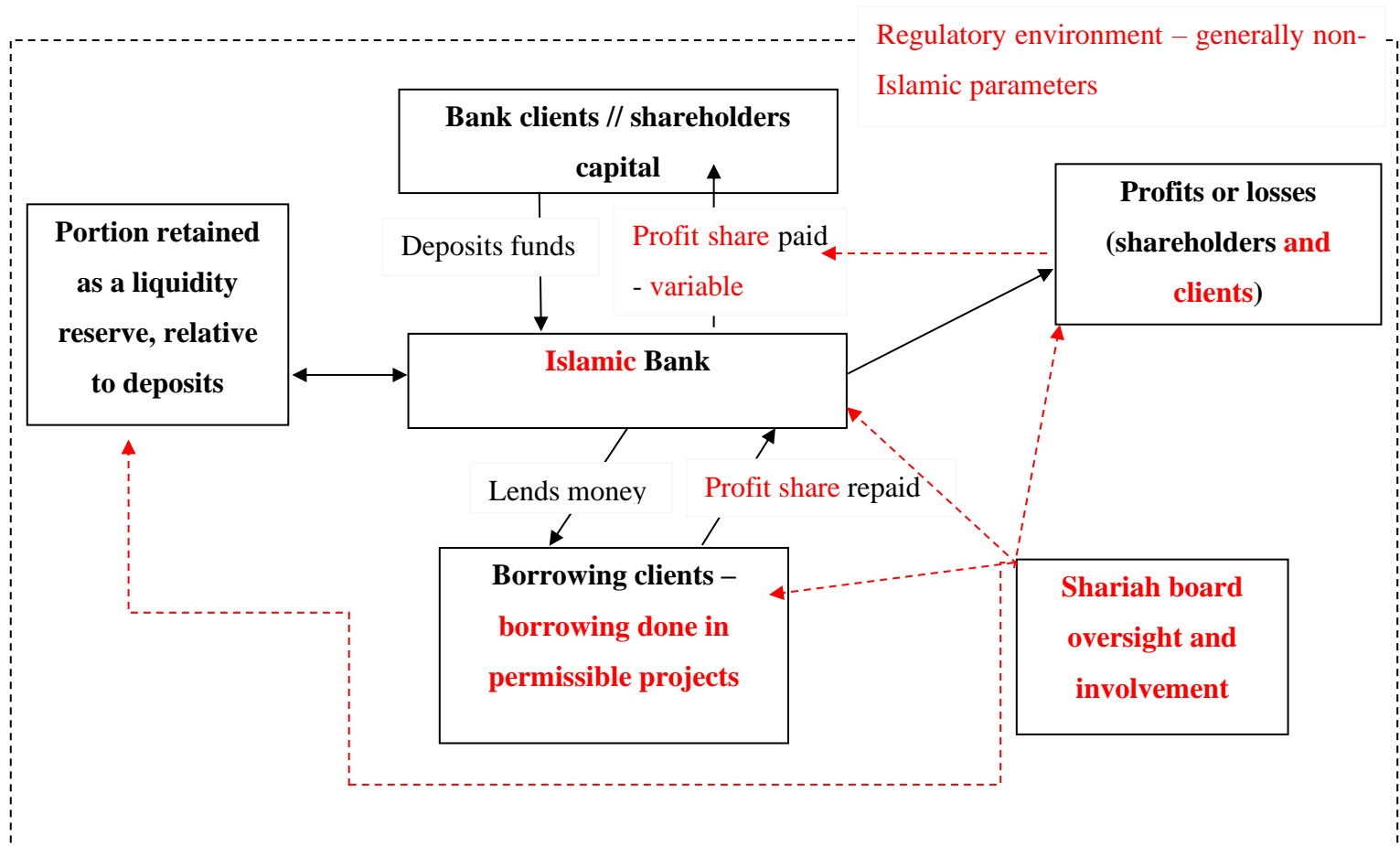


Figure 7 – Islamic compliant (theoretical) banking model (Source: Own)

Based on figure 7, the changes to the conventional model have been highlighted in red and made to comply with the Shariah laws and parameters.

These changes made to the conventional banking model can be summarised as follows:

1. The bank must be an Islamic bank and operate as such;

2. No interest is paid or repaid, but rather profit share, which is not fixed nor benchmarked against the reserve bank rate;
3. Money is borrowed based on Shariah permissible projects;
4. The Shariah board is involved and has oversight of the various internal operational issues; and
5. Profits are shared between the depositors and the investors – partnership.

Therefore, while the outcome may be the same or similar for the depositor or lender, the internal processes and parameters do differ, ensuring Shariah compliance.

Similarly, as with the investment model, the above banking model represents a theoretical model which would operate in an ideal scenario. When looking at the model in a real-world scenario, there are additional considerations which would need to be factored in, especially in the scenario of an Islamic bank operating in a non-Islamic economy, where all other parts of the value chain may or may not be compromised from a Shariah perspective. These considerations include (Usmani, 2007: 20):

1. The importance of “pure” capital investment initially, which will be deemed as a donation to the bank, making it unavailable for those who made this donation to claim at a later stage;
2. The structure of the bank in terms of the internal processes which need to comply with the regulatory environment of the country, as well as Shariah compliance;
3. The interbank deposits and interest receipts and payments need to be monitored and dispensed accordingly, such that this does not “contaminate” the pool of funds/ deposits;

Therefore, while the model may hold up in an ideal scenario, it should be tailored to the country and scenario-specific climate at the time.

3.6. Global banking and investment structures

Globally, there are several Islamic finance institutes which operate mainly in Muslim majority countries, and non-Muslim countries as well.

Islamic finance is estimated currently at about 2.2 trillion USD, spread over 60 countries, with the majority of assets concentrated in a few countries, which are all Muslim majority countries (Domat, 2018: 1).

Approximately 95% of the world's Islamic finance assets are distributed as follows (Domat, 2018: 1):

- | | | |
|-------------------------|---|------|
| 1. Iran | - | 30% |
| 2. Saudi Arabia | - | 24% |
| 3. Malaysia | - | 11% |
| 4. United Arab Emirates | - | 10% |
| 5. Qatar | - | 6% |
| 6. Kuwait | - | 5% |
| 7. Bahrain | - | 4% |
| 8. Bangladesh | - | 1.8% |
| 9. Indonesia | - | 1.6% |
| 10. Pakistan | - | 1% |

The growth of Islamic finance is estimated at 10% - 12% per annum, mainly driven by the above countries, and expected to reach 3.5 trillion USD by 2021.

With specific reference to Islamic banking, the following data is available concerning Islamic banking per country (Domat, 2018: 1):

ISLAMIC BANKING IN 2017 BY COUNTRY		
Country	# of Islamic Banks	Assets (\$ Bil.)
Saudi Arabia	4	157.2
UAE	8	146.6
Qatar	5	97.1

ISLAMIC BANKING IN 2017 BY COUNTRY

Country	# of Islamic Banks	Assets (\$ Bil.)
Kuwait	6	95.2
Bahrain	23	32.3
Sudan	38	25.1
Egypt	4	10.9
Jordan	4	10.8
Iraq	25	6.9
Oman	2	3.3
Algeria	2	2.4
Palestine	3	2.2
Tunisia	3	2.0
Lebanon	5	0.8
Mauritania	6	0.4
Morocco	5	N.A.
Yemen	7	N.A.
Syria	3	N.A.

Table 8 –Islamic banking in 2017 per country (Source: adapted from Domat, 2018:

1)

There are several models and structures in use; however, the researcher is attempting to see which the most popular banking and investment models and structures are globally.

According to Chow (2014: 49), the following table represents a summary of the majority of structures globally (adapted from Chow, 2014: 49):

	<u>Islamic finance model</u>	<u>Features</u>	<u>Countries</u>
1	Islamic only finance system	Only Islamic finance	Iran, Pakistan, Sudan
2	Dual system	Islamic finance system, operating parallel with the conventional finance system	Malaysia, Indonesia
3	“Conventional-plus” system	Predominantly conventional finance, with some Islamic financial institutions operating on the fringes	Saudi Arabia, Bahrain, Bangladesh, Brunei, Egypt, Guinea, Singapore, South Africa
4	“Conventional-only” system	Only conventional banks	Turkey, Albania, Algeria, Benin, Chad, Cameroon, Gabon and Gambia

Table 9 – Spread of Islamic banking models (Source: adapted from Chow, 2014: 49)

Table 9, therefore represents the majority type of infrastructural setups in the various countries globally.

Additionally, Kadri (2017: 1) went further and conducted a study in Malaysia to analyse the actual models used per institution and concluded that the majority of

institutions prefer to offer cost-plus based financing, including Murabahah (cost-plus model). This financing type constituted 83.3% of transactions, with 5.32% represented Musharakah (joint enterprise or partnership model – profits and losses shared) based financing and less than 1% for Mudharabah (profit sharing – silent partner finance) financing.

Oseni, Hassan and Matri (2013: 153) conducted a study in France to look for an alternative method of financing for various businesses that were seemingly failing in Europe due to the economic climate. They concluded that the Musharakah and Mudharabah models would be most appropriate for these types of firms due to the structure and nature of the financing instrument.

With regards to Islamic investment, Hassanzadeh, Roayaei and Baghdadi (2013: 51) conducted a survey with regards to the type of structures used for risk-taking actions, namely investments. They concluded that the majority of these structures were that of the Mudharabah (profit sharing – silent partner finance) and Musharakah (joint enterprise or partnership model – profits and losses shared), Ijara (Islamic leasing), and various combinations and permutations of these in hybrid models. Jaffer (2010: 25) also conducted a study and concur that the Musharakah model for investments in the most appropriate as the profits and losses are shared between the parties in an agreed to ratio.

Therefore, from the above, it would seem that the most appropriate and widely used model for bank financing is the Murabahah and for investment would be the Musharakah.

3.7. Current South African offerings and challenges within the Islamic finance space

South Africa currently has a population of approximately 57 000 000 and has a nett population growth of roughly 1.08% per annum (Country Meters, 2020: 1).

Of the total population, Muslims make up approximately 2% of the population, equating to 1 140 000 Muslims in South Africa. This would therefore make up the size

of the Muslim market, which would, however, include those able to and those unable to engage in Islamic finance (Business Tech, 2016: 1).

From a banking perspective, the first established Islamic bank was that of the Al Baraka bank, which was established in 1989 (Desai, 2014: 1).

Today, several banking institutions are offering Islamic banking, including (The Banking Association of South Africa, 2018: 1):

1. Absa Bank;
2. First National Bank;
3. Standard Bank;
4. Albaraka Bank; and
5. HBZ Bank Limited.

In addition to the Islamic banking offerings, there are 11 Islamic investment offerings, of which Oasis Asset Management currently manages the majority of funds in South Africa (Desai, 2014: 1).

It is estimated that up to 15% of the Muslim population makes use of some form of Islamic finance (Desai, 2014: 1).

However, while the Muslim market in South Africa is growing and does have a demand for Islamic products, several challenges are facing the Islamic finance industry within the country. These include (Desai, 2014: 1):

- Lack of qualified and skilled personnel;
- Lack of awareness and spread of geographic offerings;
- Need to develop more innovative Shariah products;
- Need for government to develop key legislative and regulatory frameworks to ensure a level playing field;
- Absence of complete framework from a Shariah perspective
- Need to develop an Islamic financial market;
- Need to deliver an enhanced relationship-based offering to high net worth individuals; and

- Lack of secondary Islamic capital markets.

While several challenges are facing the Islamic finance industry in South Africa, some solutions to these problems have been offered, which will allow for more significant growth and development in this sector (Desai, 2014: 1):

1. Integrated regulatory framework – A well-established, clear, and robust set of frameworks are required to allow for easier development and uniformity within the Islamic finance space. South Africa can take lessons and implement other frameworks in countries where it is successfully implemented, such as Malaysia and Bahrain.
2. Qualified talent – Human capital would be an essential catalyst for the growth of Islamic finance in South Africa. Therefore, the government would need to implement high-quality qualifications in the mainstream higher learning institutions to allow for growth in this sector.
3. Islamic financial market – For banks to manage their liquidity, a secondary capital market is required such that there is an outlet for the banks to access short and medium terms instruments.
4. Distinctive marketing and promotion program – Many countries such as the UK promote their sector of Islamic finance to foreign investors, such that the destination can be used as a hub to facilitate Islamic finance transactions and investments. Therefore, South Africa should, through the use of the current existing developmental channels, focus and grow this segment through marketing and exposure on the global platform.
5. Central Shariah board and Shariah audits – As there is a lack of government regulation, centralised Shariah boards and audits will allow for uniformity in the sector and deal with the differences amongst Islamic scholars.
6. Islamic economic free zones and hubs – Apart from Islamic finance, there is room for growth within the Halaal segment where other countries have created Halaal zones which would cover specific segments such as food, tourism, and finance.

While South Africa's Islamic finance industry is still in its infancy, there is growth and demand from the Muslim sector. With the correct economic and regulatory climate, this segment can grow at a phenomenal rate.

3.8. Islamic finance client evaluation criteria and impediments as compared to conventional finance

Based on analysis and research done from other studies in the area, it would seem that the issue of infrastructure is one which is hampering growth in this area as well as other perceived areas such as service and the knowledge of the staff. Further research was done, which revealed the following results based on conclusions drawn from other studies:

- Magd and McCoy (2014: 1619) conducted a study within the Sultanate of Oman. This study was intended to ascertain the penetration of Islamic finance within Oman. Although Oman is a Muslim majority country, market penetration has not been as expected. Notwithstanding this, issues surrounding the uptake in Islamic finance was that of a lack of dedicated infrastructure, the pool of qualified individuals, service and uniqueness of product offerings. Therefore, this study concluded that the uptake, while driven somewhat by religious preferences, is outweighed collectively by the other expectations such as dedicated infrastructure, trained and knowledgeable staff, service excellence and a range of product offerings.
- Saini, Bick and Abdulla (2011: 298) conducted a similar study within a South African context. Based on this study, they also concluded that while religion does act as a driving force, it is not the main driver. They further state:

It was found that Muslims are aware of Islamic banks, but their rate of use is low, as Muslim customers regard efficiency, lower bank charges, the availability of automatic teller machines and an extensive branch network as important factors when it comes to choosing a bank, rather than religious motivations for compliance with Islamic conventions. It was concluded that, if Islamic banks wanted to attract and retain customers and remain relevant in the South African context, they would have to develop relevant strategies designed to meet customers' needs (Saini, Bick & Abdulla, 2011: 1).

- Within a Pakistani context, a study was conducted by Butt, Saleem, Ahmed, Altaf, Jaffer and Mahmood (2011: 1) where the objective was to analyse the barriers to adoption of Islamic finance within Pakistan. It should be noted here that Pakistan is a Muslim majority country. The study polled both users of Islamic finance as well as those who use conventional finance. Based on the data, it was concluded that the lack of branch and infrastructure networks, as well as a perception that Islamic financial offerings do not fully comply with Islamic teachings, hampered this penetration in Pakistan.

The above studies were included in this section to highlight the issues facing most Islamic finance institutes, as concluded from other studies also included in the literature review. Therefore, the case of knowledgeable staff, sufficient infrastructure such as branch network and ATMs, skilled personnel, innovative products as well as perception regarding the true authenticity of products create barriers for market penetration of Islamic products.

3.9. The South African regulatory environment

South Africa has a set of rules and regulations. Within the financial sector, this is regulated, administered and enforced by the Financial Sector Conduct Authority (FSCA), formerly known as the Financial Services Board (FSB).

The FSCA acts as the market conduct regulator and oversees all licensed financial institutions including banks, insurers and investment vehicles (FSCA a, 2020: 1).

Part of the regulations include:

- Licensing
- Minimum capital
- Fit and proper requirements for financial key persons
- Regular reporting
- Customer guidelines – treating customers fairly (TCF)
- Cashflow and financial reporting and audits
- Operational activities and monitoring
- Enforcement

Within the context of maintaining sound financial adequacies for the firm, as well as protecting the consumers, the FSCA has evolved over the years, with the most notable evolution being that of the twin peaks approach.

This approach has come into cumulative effect as of 1 April 2018, and sought to create unified authority over all financial firms within South Africa, as well as create a stringent set of rules and regulations which aims to ensure consumer protection, and is lauded as one of the most progressive consumer regimes globally (Schmulow, 2018: 1).

Schmulow (2018: 1) further states that this twin peaks model was previously adopted in Australia approximately two decades ago and is aptly named accordingly as it creates two peak regulatory authorities. One peak is charged with creating and enforcing prudential authority and is termed the “system stability” regulator. The other peak seeks to oversee consumer protection and serves as a deterrent to misconduct within the financial industry. This second peak is what gave rise to the FSCA, previously the FSB.

On this basis, regulators are now effectively unified with clear goals and objectives, where all segments of the financial industry will fall under one umbrella, with two separate but equal Prudential Authority and FSCA mandates to comply with, creating a sound financial environment as well as strong consumer protection objectives (van Heerden, 2018: 1).

A cornerstone of consumer protection is treating customers fairly (TCF). The TCF model is based on the following outcomes and principles, which all financial industry firms need to comply with as part of their commitment to the FSCA in terms of fair treatment to clients from inception, to after-sales support and advice (Masthead, 2020: 1):

Outcomes and principles: (Masthead, 2020: 1)

- Outcome 1: TCF must be at the core of the company culture
 - Principle of Governance and Culture;

- Outcome 2: Products sold must be as per the needs and requirements of the client
 - Principle of Product suitability;
- Outcome 3: All clients must be communicated with correctly and provided with clear information before, during and after the sales/ consultation process
 - Principle of Disclosure;
- Outcome 4: The customer's circumstance must be accounted for, and the advice offered must be tailored to this
 - Principle of Suitable advice;
- Outcome 5: Product performance must be as per the consumers' expectations as set by the advisor, and service must be highly regarded
 - Principle of Performance and service in line with expectations; and
- Outcome 6: Customers must be allowed to amend their decisions, and not face unnecessary hurdles when wanting to do so
 - Principle of Claims, complaints and changes.

Therefore, the twin peaks model, as well as its implications, seem to be the most notable and recent regulations facing the financial industry within South Africa.

Additionally, as part of the FSCA's fit and proper requirements for those engaging in various financial services, there are specific qualifications and assessments to be completed. This includes the class of business assessments and qualifications, as well as the recognised qualification to be obtained. Lastly, a regulatory exam (RE) is to be completed, which content and exam assess the knowledge of the individual with regards to the various financial principles as well as the respective laws regarding the financial sector. Notwithstanding this, there are no specific Islamic finance content or assessments, meaning that this falls out of the scope of the requirements for those in the financial sector, which same individuals are generally those administering and facilitating these Islamic products. (FSCA b, 2020: 1).

While the regulatory framework is quite complex, there is no specific Islamic finance framework. Therefore, any Islamic financial system, would need to operate and comply with the current framework, and then deal with the Shariah component

internally, with reliance placed on the Shariah board to ensure that there is Islamic compliance. This is done with the hope that the general public would trust this board and their credibility due to them serving as an internal function.

3.10. The South African Reserve Bank (SARB) – Lender of last resort

The South African Reserve Bank is the South African reserve bank. “The Reserve Bank is the central bank of the Republic of South Africa. The Bank was established in 1921 as a special Act of Parliament; the Currency and Banking Act, 1920 (Act No. 31 of 1920).

Before the Bank's establishment, commercial banks in South Africa issued banknotes to the public. There was, however, no uniformity in the legislation providing for the issuance of banknotes by commercial banks. The only requirement was that issuing banks were obliged to convert notes held by the public into gold when banknotes were tendered at their branches.

After the First World War (1914 - 1918), the price of gold in the United Kingdom rose above its price in South Africa, and a profit could be made by converting banknotes into gold in South Africa and selling the gold in London. Commercial banks had to buy gold at a higher price in London (for re-import into South Africa to back their banknotes in issue) than the price at which they converted their banknotes into gold. This "obligation to trade at a loss" posed a severe threat to the ability of banks to continue meeting their obligations.

To protect their financial viability, the commercial banks requested the Government to release them from the obligation to convert their banknotes into gold on demand. This led to the Gold Conference of October 1919. Following the recommendations of the Conference, a Select Committee of Parliament recommended the establishment of a central bank to assume, among other responsibilities, responsibility for the issuing of banknotes and for taking over the gold held by commercial banks.

The South African Parliament accepted the recommendation of the Select Committee on the creation of a central bank. It promulgated in December 1920 the Currency and Banking Act, which provided for the establishment of the Bank. Effect was given to

its various provisions in the course of the next six months, and the Reserve Bank opened its doors for business for the first time on 30 June 1921 (South African Reserve Bank a, 2020: 1).

The SARB functions as follows (South African Reserve Bank b, 2020: 1; South African Reserve Bank c, 2020: 1):

- Banker to the government;
- Administration of exchange controls;
- Formulation and implementation of monetary policy;
- Provision of liquidity to banks;
- Banker of other banks;
- Supervision of banks; and
- Settlement of interbank claims.

Therefore, based on the above, the SARB effectively acts as the intermediary between banks, and charges and pays interest rates accordingly.

Additionally, the SARB had an economic stability mandate, which mandate looks at inflation targeting of between 3-6%. This is achieved by any monetary policy measures available, including interest rate adjustments. This interest rate adjustment affects the rate at which banks can borrow, and in turn, affects the interest rate at which consumers pay and/or receive. (South African Reserve Bank d, 2020: 1)

Based on this, it would create a challenge for an Islamic bank within South Africa as this interest rate is invariable, as set out by the SARB. Therefore, it may not be possible to achieve a full Shariah compliance within a non-Islamic economy, due to various facets still involving impermissible components along the value chain.

3.11. An ideal model in a South African context

Literature has been reviewed regarding the various models in use as well as the consumer belief and understanding of Islamic finance. Further to this, specific challenges and regulations were identified.

Therefore, while there are many combinations and permutations of the valid Shariah models that can be used, this section seeks to envision an ideal model, which also overcomes the various challenges and blockages from a consumer perspective.

From a banking perspective, the ideal model seems to be the cost-plus model, and for investment, this seems to be the profit/ loss sharing model.

However, the models and structure thereof has been proposed, and further to this; the regulatory environment needs to be factored in. There are however no Islamic finance specific regulations, and therefore the general regulations need to be complied with.

3.12. A comparison of the theoretical model to current South African offerings

The models and the intricacies thereof form part of the intellectual property of the Islamic financial institution. Therefore this information is not accessible to be analysed in this research paper.

However, based on the available information online and in the marketing material, the current structures closely resemble the models proposed by the researcher.

Considering the offerings available in South Africa, the following tables contain the providers and products that are available in South Africa:

<u>Islamic banking and related offerings</u>				
	Bank	Offering	USP/ Model	Source
1	First National Bank (FNB) Islamic Banking	<ul style="list-style-type: none"> • Islamic personal accounts • Islamic business accounts • Islamic Savings and Investments • Islamic property finance • Islamic vehicle + asset finance • Islamic foreign exchange • Takaful (Islamic) Insurance 	Islamic banking window	FNB (2020: 1)
2	Absa Islamic Banking	<ul style="list-style-type: none"> • Islamic banking • Islamic vehicle finance • Islamic foreign exchange • Islamic term/ dynamic deposit • Islamic savings • Islamic wills 	Islamic banking window	Absa (2020: 1)

3	Standard Bank	<ul style="list-style-type: none"> • Islamic banking • Islamic fixed deposit account 	Islamic window	Standard Bank (2020: 1)
4	HBZ Bank Limited (Subsidiary of Habib Bank AG Zurich)	<ul style="list-style-type: none"> • Islamic banking • Islamic trade finance • Islamic investments • Islamic commercial asset finance • Islamic forward exchange contracts 	Islamic window	HBZ Bank Limited (2020: 1)
5	Al Baraka	<ul style="list-style-type: none"> • Islamic banking • Islamic investments • Islamic home finance • Islamic vehicle finance • Islamic foreign exchange • Islamic will 	Fully-fledged exclusive Islamic offerings	Al Baraka (2020: 1)

Table 10 – Islamic Banking offerings in South Africa (Source: Own)

It seems that there are only a handful of banks which offer some Shariah products. Generally, these are Islamic windows; however, Al Baraka seems to be the only fully-fledged Islamic exclusive Shariah offering available in South Africa.

The following table lists the Shariah investment options available in South Africa. These include the investments/ funds managed by the companies, but also brokers that offer Shariah centric offerings:

<u>Islamic investment offerings</u>				
	Investment firm	Offering	USP/ Model	Source
1	Old Mutual (OM)	<ul style="list-style-type: none"> • OM Albaraka Equity Fund • OM Albaraka Balanced Fund • OM Albaraka Income fund 	Islamic window	Old Mutual (2020: 1)
2	Al-Mabroor Investments	<ul style="list-style-type: none"> • Wildlife breeding fund • Property investment fund 	Fully-fledged Islamic investment schemes Private equity placements	Al-Mabroor (2020: 1)
3	Ammanah IFS	<ul style="list-style-type: none"> • Investment broker • Savings and investment solutions through larger direct funds 	Fully-fledged Islamic investment and insurance broker	Ammanah IFS (2020: 1)

4	Oasis Group Holdings	<ul style="list-style-type: none"> • Crescent range of products offering Shariah/ Islamic offerings • Islamic investment funds • Islamic investment schemes • Tax-free investment account • Close-ended Shariah collective investment scheme 	Islamic and conventional product offerings	Oasis Group Holdings (2020: 1)
5	Melville Douglas (Part of Standard Bank Group)	<ul style="list-style-type: none"> • Islamic investment 	Islamic window	Melville Douglas (2020: 1)
6	Element Investment Managers	<ul style="list-style-type: none"> • Islamic Equity Funds • Islamic Unit Trusts 	Islamic offerings Comply with local and international Shariah norms and standards	Element Investment Managers (2020: 1)
7	Buraaq Capital	<ul style="list-style-type: none"> • Equity fund • Private equity • Real estate fund 	Islamic offerings in the public and private placement Fully-fledged Islamic offerings	Buraaq Capital (2020: 1)

8	Prudential Shariah Section 12J investment	• Section 12J investment	Section 12J investment	FA News (2018: 1)
9	Sanlam	• Shariah investments	Islamic window	Sanlam (2020: 1)
10	Kagiso Asset Management	• Unit trust funds	Islamic windows	Kagiso Asset Management (2020: 1)
11	Anglo Wealth	• Investment broker	Islamic and conventional product offerings	Anglo Wealth (2020: 1)
12	27Four	• Islamic Investments	Islamic and conventional product offerings	27Four (2020: 1)

Table 11 – Islamic investment offerings in South Africa (Source: Own)

When compared to the banking offering, the investment offering seems to be more comprehensive; however, this could also be due to the regulatory hurdles being much higher in banking than in investments.

3.13. Are there other ways and models to achieve an Islamic compliant banking and investment model in South Africa?

Within a South African context, it may be prudent to explore current existing frameworks and structures to evaluate whether Islamic institutions may access the market quicker, without necessitating a total revamp of existing models available, possibly leading to a delay in licensing due to a lack of understanding and framework by the financial regulators and lawmakers.

Therefore, the concept of co-operative and mutual banking structures in South Africa would serve to be the most appropriate “base” for entry into the market.

3.13.1. Cooperative bank

A cooperative bank can be defined as:

A bank that holds deposits, makes loans and provides other financial services to cooperatives and member-owned organisations. Also known as Banks for Cooperatives (Business Dictionary, 2020: 1).

The co-operative financial institute of South Africa (COFISA) further explains the concept of cooperative banking: “According to the Co-operative Banks Act No.40 of 2007 a "co-operative bank" means a co-operative registered as a co-operative bank in terms of this Act whose members—

- are of similar occupation or profession or who are employed by a common employer or who are employed within the same business district; or
- have common membership in an association or organisation, including a business, religious, social, co-operative, labour or educational group; or
- reside within the same defined community or geographical area;” (COFISA, 2020: 1)

The types of cooperative banks include:

- Primary savings cooperative bank;
- Primary loans and savings cooperative bank;
- Secondary cooperative bank; and
- Tertiary cooperative bank (COFISA, 2020: 1).

The differences in the ability to offer services of the above types of cooperative banks can be seen on the below table (COFISA, 2020: 1):

	<u>Type of cooperative</u>		
	Primary	Secondary	Tertiary
Banking services rendered	<ul style="list-style-type: none"> • Solicit and accept deposits from its members • Open savings accounts for its members, in the name of each member, into which that member may deposit or withdraw money and from which that member may instruct the co-operative bank to transfer or pay money • Borrow money from the CBDA and members, other than deposits referred to in paragraph (a), up to a percentage of the assets held by it as prescribed by the Minister • Open a savings account or cheque account in the name of that co-operative bank with any banking institution 	<ul style="list-style-type: none"> • Solicit and accept deposits from its members • Open savings accounts for its members, in the name of each member, into which that member may deposit or withdraw money and from which that member may instruct the co-operative bank to transfer or pay money • Borrow money from the CBDA and members, other than deposits referred to in paragraph (a), up to a percentage of the assets held by it as prescribed by the Minister • Open a savings account or cheque account in the name of that co-operative bank with any banking institution • Make, draw, accept, endorse, or negotiate negotiable instruments that are paid to the order of or made out and 	<ul style="list-style-type: none"> • Solicit and accept deposits from its members • Open savings accounts for its members, in the name of each member, into which that member may deposit or withdraw money and from which that member may instruct the co-operative bank to transfer or pay money • Borrow money from the CBDA and members, other than deposits referred to in paragraph (a), up to a percentage of the assets held by it as prescribed by the Minister • Open a savings account or cheque account in the name of that co-operative bank with any banking institution • Make, draw, accept, endorse, or negotiate

	<ul style="list-style-type: none"> • Make, draw, accept, endorse, or negotiate negotiable instruments that are paid to the order of or made out and endorsed by that co-operative bank; • Provide trust or custody services to members • Conduct any additional banking services as may be prescribed by the Minister • Invest money deposited with it in investments 	<p>endorsed by that co-operative bank;</p> <ul style="list-style-type: none"> • Provide trust or custody services to members • Conduct any additional banking services as may be prescribed by the Minister • Invest money deposited with it in investments • Trading financial instruments on behalf of its members; • Open an account with a bank registered under the Banks Act to facilitate foreign currency transactions; • Conduct such additional banking services and invest money deposited with it in any investments prescribed by the Minister, in addition to those prescribed above. 	<p>negotiable instruments that are paid to the order of or made out and endorsed by that co-operative bank;</p> <ul style="list-style-type: none"> • Provide trust or custody services to members • Conduct any additional banking services as may be prescribed by the Minister • Invest money deposited with it in investments • Conduct such additional banking services and invest money deposited with it in any investments prescribed by the Minister
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Table 12 – Cooperative banking types and available services to be rendered (Source: adapted from COFISA, 020: 1)

The concept of a cooperative bank is generally where the member pays for a share in the bank, with membership generally limited to 1 share, making all shareholders equal. Therefore the bank would be owned by those participating in it (Mndawe, 2017: 1).

The Shariah aspect comes in where the profits and losses are distributed amongst the shareholders, who participate in the bank as well, creating the correct climate for the mutual risk and reward Shariah-compliant model. Apart from the interest charged and paid, which can be amended to be done as a profit share, this model could work well as an option for market access as an Islamic banking financial institute.

3.13.2. Mutual bank

Masondo (2016: 1) defines and describes mutual banks as follows:

Unlike commercial banks such as FNB, Absa, Nedbank, Capitec and Standard Bank, mutual banks are much smaller and do not offer a full bouquet of banking services. Mutual banks, which are regulated by the South African Reserve Bank through the Mutual Bank's Act of 1993, are aimed at encouraging a culture of savings. The biggest difference between commercial banks and mutual banks is that depositors who save in the latter become shareholders with voting rights during annual general meetings.

Cronje (1999: 1) further explains that:

before 1993, all banking institutions in South Africa were deposit-taking institutions based on corporate membership only. However, the Registrar of Banks identified a need for banks not based on corporate membership. This gave rise to the principle of Mutual Banks in South Africa.

Cronje (1999: 1)

explained that the primary difference between a Mutual Bank and an ordinary public company bank lies in its ownership. An ordinary public company bank is owned by the persons who have invested in its share capital, represented by freely transferable equity shares. Mutual banks can be said to be owned by its members. Shareholders in ordinary banks share in the profits through dividends. In contrast, members of mutual banks receive returns on their investments in the form of interest payable on the specific type of share in which they have invested. There are different types of shares issued by mutual banks; however, only the permanent interest-bearing shares (PIBS) are freely transferable and have been transferred between persons. Nevertheless, PIBS are not listed or traded on the JSE.

Therefore, the difference between a mutual bank and a cooperative bank is regarding how the shareholding is handled. In a cooperative bank, it is limited to one share per

participant, but with a mutual bank, it is based on the number of deposits with the bank. Therefore larger deposits will result in larger shareholding.

In terms of the structure, the mutual bank structure is similar in principle to that of the cooperative bank, apart from the shareholding. This then equates to a somewhat Shariah-compliant banking structure where participants share in the profits and losses because this is one of the cornerstones of Islamic finance.

It could be said that the mutual banking structure may be more Islamic than that of the cooperative bank structure since the shareholding is proportionate to the participation in terms of deposits, and therefore more equitable from a sharing of commensurate risk and reward. This statement is made excluding internal financial structures such as interest/ profit share payments.

In South Africa, the following constitute Mutual banking institutions (Business Tech, 2018: 1):

#	Bank	Assets (R Million)	Growth
1.	VBS Mutual Bank	2 401	+55,6%
2.	Finbond Mutual Bank	1 603	-3,03%
3.	GBS Mutual Bank	1 376	+12,27%

Table 13 – Mutual Banking institutions within South Africa (Source: adapted from Business Tech, 2018: 1)

It should be noted here that due to specific allegations of impropriety on the part of VBS Mutual Bank, the bank has subsequently been declared insolvent and bankrupt and has been placed under the curatorship as of the 13th of November 2018 as declared by the North Gauteng High Court (VBS Mutual Bank, 2020: 1).

3.14. Islamic finance academic offerings in South Africa

While there may be limited Islamic finance product offerings available in South Africa, it would be critical to consider the level of education and expertise available as

well in this regard. To do so would require an investigation into the available academic offerings, as these would feed additional candidates into this field, as well as indicate the demand and appetite for knowledge in this sector. The supply and demand of skills are correlated, and the lack of skills in this regard may hamper growth and innovation in the area. The surplus of skills may lead to a greater level of education, understanding, innovation and awareness from within the institutions themselves.

Rajgopaul (2018: 1) talks specifically to this issue and confirms that Regent Business School has been the first to launch South Africa's postgraduate diploma in Islamic finance.

This was done on the back of increasing demand by professionals for this type of course and qualification, where extensive research was done by Regent Business School, which confirmed this appetite and demand for knowledge in this growing field.

Regent (2018) states "The launch is in light of the growing global demand for skilled Islamic Finance and Banking professionals. The qualification launched in both Johannesburg and Durban recently and will launch in Africa shortly. Students who complete the Postgraduate Diploma in Islamic Finance and Banking (PG Dip IFB) will be adequately equipped to make a significant contribution to the rapidly growing Islamic finance sector worldwide.

According to industry research, the industry urgently requires 50 000 skilled professionals. The sector has grown at an average of 10 – 12% over the past decade. It is estimated to be worth approximately 4 trillion Dollars by 2022. The demand for skilled employees in this discipline is estimated to grow exponentially by this time."

The coursework outline for this specific course includes the following modules:

- Islamic Principles of Economics and Finance
- Islamic Commercial Law and Contracts
- Interest-Free Banking and Corporate Social Responsibility
- Islamic Financial Markets
- Corporate Governance, Risk and Regulatory Environment

- Research Project

On completion of this qualification, candidates will be able to (Regent, 2018: 1):

- “Demonstrate the ability to critically analyse the fundamentals of Islamic Finance and Banking
- Critically evaluate the existing Islamic Finance and Banking products and services vis a vis conventional banking
- Analyse and evaluate the social responsibility features of the interest-free banking system
- Differentiate between Interest-free Capital Markets, Islamic Venture Capital and Islamic financial instruments
- Apply the techniques, methodologies and theories pertaining to Islamic product development issues
- Assess the importance of corporate governance, regulation and supervision in the field of Islamic Finance and Banking
- Demonstrate a comprehensive and systematic knowledge base of Islamic Finance and Banking.”

With increased knowledge and skills in this area, additional innovation and a larger talent pool can be had for Islamic finance products and offerings, which could lead to additional offerings due to the skill set available.

Tether, Mina, Consoli and Gagliardi (2005: 9) conducted a study which looks at the relationship between innovation and skills. They concluded that increased skills do have a positive effect on innovation and productivity, and innovation requires increased skills to expand and grow. Evangelista and Savona (2003: 1) also add that academic centres and branches are critical for growth within an organisation.

Therefore, based on the above, it appears that firms would need to make a conscious decision to invest in internal knowledge centres where these branches can lead to innovation of products as well as cost savings, which in turn would drive demand for skills in this niche area, and create this continuous cycle of skills and innovation being positively correlated and linked to each other.

3.15. Summary

After the literature review chapter, which set out the basis and history of Islamic finance, this chapter served to delve deeper into the inner workings of the conventional and Islamic finance models available. Additionally, an Islamic compliant investment and banking model was proposed, which would satisfy the Shariah requirements, and operate within the South African regulatory environment and set out and monitored by the Financial Sector Conduct Authority.

The differences between Islamic finance and conventional finance models were discussed, and the models differentiated from each other. This differentiation was undertaken by firstly explaining the conventional investment model, as well as the conventional banking model. Subsequently, these models were illustrated and overlaid with the Islamic finance parameters, such that “new” Islamic models could prevail and be illustrated.

Further to this, insight was sought in terms of how Islamic finance is dealt with and operated within other countries, and then within a South African context with regards to regulation, as well as the current economic offerings and challenges. Here, the South African Reserve Bank (SARB), as well as the Financial Sector Conduct Authority (FSCA), was considered in terms of their mandate as well as the potential role they may play within the Islamic finance space within South Africa. However, as there is no specific Islamic finance rules or regulation, the SARB/ FSCA does not play any significant role here, apart from the standard compliance checks, as would be the case with conventional finance.

Skills specific to Islamic finance were discussed, as this is currently limited within a South African context, which may stifle growth and innovation in this sector. The academic offerings are, however growing, which is encouraging.

Solutions were also provided to the current Islamic finance challenges, which would allow for growth within the Islamic finance sector.

Additionally, alternatives were reviewed in terms of current structural offerings within a South African context. This included cooperative and mutual banking structures

which allow for depositors to be shareholders within the entity, creating a de facto somewhat Islamic compliant framework externally.

Chapter 2 and chapter 3, therefore achieves certain aims and objectives as set out, with subsequent chapters focusing on the data collection method, tool and outcomes, to address the balance of the aims and objectives.

Chapter 4 – Research design and methodology

4.1. Introduction

The research design and methodology chapter seeks to set out answering the research question, with the research design setting out the plan of answering the question, and the research design addressing the implementation of the plan (Virginia Tech, 2018: 1).

According to Shuttleworth and Wilson (2020: 1) “research includes any formal gathering of data, information, and the facts for the advancement of knowledge”. Additionally, they state that the research covers the researcher’s purpose, intention and paradigm that they are operating within.

Therefore, this chapter seeks to systematically explain the research design, research philosophy, research approach, population, sampling framework, data collection, validity, reliability and ethical considerations in a clear and coherent format. This is done such that the data may be correctly gathered and analysed, with the research question being answered.

The context of this chapter and the guiding principles are based on the intended outcomes regarding data collected by the researcher. As the researcher would like to understand, amongst others, the attitudes, awareness and understanding of and towards Islamic finance, suitable research methods would need to be chosen, which talk to these outcomes and research objectives.

The rationale behind the methods chosen will be explained as well as the suitability of the selected method to best and most efficiently achieve the respective outcomes.

4.2. Research philosophy

Dudovskiy (2019: 1) cites research philosophy as dealing “with the source, nature and development of knowledge. In simple terms, a research philosophy is a belief about the ways in which data about a phenomenon should be collected, analysed and used.” From a philosophical perspective, there are four types of options available, which would be based on the outcome and objective intended to achieve. Within these four types of philosophies, they can be evaluated based on ontology (nature of being);

epistemology; (what constitutes acceptable knowledge); axiology (role of values) and typical methods for gathering data. These four philosophy types can be classified using the following table (adapted from Saunders, Lewis & Thornhill, 2009: 136; Zukauskas, Vveinhardt & Andriukaitiene, 2018: 1):

	Ontology	Epistemology	Axiology	Typical methods	Terminology often used	Basic methods	Data collection
Positivist	<ul style="list-style-type: none"> • Real, external, independent • One true reality 	<ul style="list-style-type: none"> • Scientific method • Observable and measurable facts 	<ul style="list-style-type: none"> • Value-free research • Researcher detached and independent 	Deductive, structured, large sample	Experimental, determination, regulatory	Quantitative	Tests, scales, experiments
Interpretivist	Complex, rich, multiple meanings	Theories and concepts too simplistic, focus on narratives	Value-bound research, researcher interpretation is key	Typically inductive, small samples, qualitative methods	Naturalistic, interpretivist, ethnographic	Qualitative methods dominate	Interview, observation, documents study
Realism	Layered, external, independent	Knowledge historically situated and transient	Value-laden research, the researcher, acknowledges bias	Reproductive	-Critical theory focused on	Qualitative, quantitative and mixed methods	A broad spectrum of measures

Pragmatist	Complex, external, the reality is the practical consequences of ideas	The practical meaning of knowledge, focus on problems, problem-solving	Value-driven research, researcher reflexive	Following the research problem and questions, range of methods	Action consequences, pluralist	Qualitative and/or quantitative methods can be used	Use measures from positivist or interpretivist paradigm
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Table 14 – Paradigm Summary (Source: adapted from Saunders et al., 2009: 136; Zukauskas et al., 2018: 1)

Based on Table 14, and the objective to be achieved (To explore the awareness, knowledge, opinions, attitudes, use and drivers of Islamic Investment and banking in South Africa of Muslim individuals), the positivist approach is most appropriate due to the data collection method (quantitative) that is well-structured and can be done via a questionnaire, and can be real, independent and form part of a scientific approach.

Positivism has also had an incredibly successful association with the physical and natural sciences. The reality is based on a positivist approach in obtaining a better understanding of the phenomena being investigated.

4.3. Research Paradigm

Guba and Lincoln (1994: 105) suggest that the objective of research is to examine and critically build onto the known assumed reality. The paradigm is a guiding belief that sets the parameters for the future course of action. Within the study, the paradigm chosen is that of a positivist and interpretive paradigm. The word paradigm based on Kivunja and Kuyini (2017: 26) is:

to mean a philosophical way of thinking. The word has its aetiology in Greek where it means pattern. In educational research, the term paradigm is used to describe a researcher's 'worldview' (Mackenzie & Knipe, 2006). This worldview is the perspective, or thinking, or school of thought, or set of shared beliefs, that informs the meaning or interpretation of research data.

Since the researcher would like to explore the awareness, knowledge, opinions, attitudes, use and drivers of Islamic Investment and banking in South Africa of Muslim individuals, an appropriate method would be that of using quantitative analysis which outcomes will be discerned from the questionnaires of which the results will yield specific quantitative data.

The research methodology, therefore adopted in this study is that of mono methodology study, adopting a positivist and interpretive paradigm, making use of convenience sampling. Mono methods research can be defined by the process of collection, analysis and a combination of quantitative or qualitative data to understand

the research problem more holistically (Cresswell & Clark, 2011). This method can also include a combination of focused and probability sampling and closed-ended data collection techniques with narrative analyses that can be used together (Zefeiti & Mohamed, 2015). These paradigms rely on the fact that science or knowledge creation should be restricted to what can be observed and measured, combines a deductive approach with a precise measurement of quantitative data so that researchers can identify the causal laws to help predict human behaviour (Struwig & Stead, 2013: 5) and on naturalistic methods which involve engagement with others to “construct a meaningful reality” (Cohen & Crabtree, 2006: 1), based on the information received.

Regarding the quantitative data collection, the questionnaire contained closed questions, for uniformity purposes, and assisted with the reliability and validity of the process through segmentation variables and qualifiers, as well as the quantitative data results. One data collection tool was used and included close-ended questions to provide quantitative data.

4.4. Research design

It is the blueprint for conducting the study that maximises control over factors that could interfere with the validity of the findings. Designing a study helps the researcher to plan and implement the study. In this way, the researcher will be able to obtain intended results, thus increasing the chances of getting information that could be associated with the real situation (Burns & Grove, 2001: 223).

Kirshenblatt-Gimblett (2006: 1) further states that research design:

Refers to the overall strategy that you choose to integrate the different components of the study in a coherent and logical way, thereby, ensuring you will effectively address the research problem; it constitutes the blueprint for the collection, measurement, and analysis of data.

4.5. Approach

The study followed a mono-method research approach, using the quantitative approach, which data will be administered using one collection tool. The desktop study included the use of reports, surveys, online theses, conference proceedings etc. The data was collected from 750 participants (who meet the criteria as set out), of which

all were polled using a questionnaire, which was administered electronically using Survey Monkey to distribute and collect the data. This was done by distributing the link to the survey through various social media platforms and chat groups such as WhatsApp groups as well as e-mail distribution.

The results of the questionnaire were harnessed to give statistical data, such that data can be assessed independently and variables in conjunction with each other.

The participants were selected from the following four major cities within South Africa:

1. Johannesburg
2. Durban
3. Cape Town
4. Port Elizabeth

The geographic locations were chosen considering that a large percentage of Muslims reside in these major cities, relative to other parts of South Africa.

The Muslim participants in each city were identified using the local communal Mosques (places of worship) which are geographically spread within the major cities (the mosques provided lists of the regular local attendees), where the potential participants were identified, with the questionnaires being distributed electronically. Permission was obtained at the onset of the questionnaire, by the participant confirming that they are prepared to undertake the survey and consent to the results being used.

The parameters of selecting the participants have been elaborated on further below.

4.6. Population

A population is defined or conceptualised in research as the entire group being investigated as specified by the primary objectives of the study. Polit and Hungler (1999: 37) refer to the population as an aggregate or totality of all the objects, subjects or members that conform to a set of specifications. According to Brassington and Pettitt (2000: 1), a larger sample size implies greater confidence about the population

of interest. The population concerned in this study involves a perception survey about Islamic Finance of consumer groups in the major cities of South Africa, being Johannesburg, Cape Town, Durban and Port Elizabeth.

For this study, the recommended sample size would be at least 385 participants based on the following variables (Raosoft, 2020: 1):

- The margin of error: 5%
- Level of confidence: 95%
- Population size: 2 000 000 (increased estimate based on previous data)
- Response distribution: 50%

These variables also give rise to alternate scenarios:

Sample size	Margin of error
100	9.80%
200	6.93%
300	5.66%
<hr/>	
Confidence level	Sample size
90	271
95	385
99	664

According to Raosoft (2020: 1), based on these variables, the following is explained:

If 50% of all the people in a population of 20000 people drink coffee in the morning, and if you were repeat the survey of 377 people ("Did you drink coffee this morning?") many times, then 95% of the time, your survey would find that between 45% and 55% of the people in your sample answered "Yes".

The remaining 5% of the time, or for 1 in 20 survey questions, you would expect the survey response to more than the margin of error away from the true answer.

When you survey a sample of the population, you don't know that you've found the correct answer, but you do know that there's a 95% chance that you're within the margin of error of the correct answer.

Try changing your sample size and watch what happens to the alternate scenarios. That tells you what happens if you don't use the recommended sample size, and how M.O.E and confidence level (that 95%) are related.

About Response distribution: If you ask a random sample of 10 people if they like donuts, and 9 of them say, "Yes", then the prediction that you make about the general population is different than it would be if 5 had said, "Yes", and 5 had said, "No". Setting the response distribution to 50% is the most conservative assumption.

4.7. Sampling techniques

The researcher used a questionnaire guide to construct the questionnaires (Babbie, 2011: 415). The participants were chosen through convenience sampling, which entails selecting specific participants (cases) that meet the criteria of the study (non-sampling method) and enable the researcher to draw relevant data for the study, as elaborated on below (Terre Blanche et al., 2006: 1). The participants needed to confirm that they meet the criteria at the onset of the study, after consenting to participate. Additionally, by the researcher targeting certain distribution channels and mediums such as Mosques and relevant online media platforms, the likelihood that the appropriate participants would respond were strong, in addition to them confirming that they met the criteria. Mosque committees have databases consisting of information about the congregants, funders and partners. Many mosque committees are also linked to social media platforms such as Facebook, Twitter, LinkedIn and WhatsApp.

The participants were chosen through convenience sampling, which entails selecting specific participants (cases) that meet the criteria of the study (non-sampling method) and is a non-probability technique based on the convenience of the researcher, and which further segments the sample for the specific questions and purposes of the data to be gathered.

While purposive sampling was considered for the study, because it encompassed a select group of participants, according to specific parameters, is a cost and time-effective method, in this case, it was not selected. This is because it would have the disadvantage of possibly leading to higher levels of bias, creating the inability to generalise from the study and may have created a vulnerability in judgement for the researcher (Dudovskiy, 2017: 1).

Sampling criteria

The research participants for the study included a cross-section of Muslim participants which may consist of individuals and/or companies who seek an alternative banking product offering in South Africa, being in this case, an Islamic/ ethical financial offering. The criteria for selecting the sample was based on the following:

1. The participant must be a Muslim;
2. The participant must have a basic understanding of finance;
3. The participant can be of any race and either gender;
4. The participant must reside within South Africa;
5. The participant must be 18 years or older; and
6. The participant must be willing to participate.

A pilot study was undertaken before the full study being done. This will be elaborated on further below.

4.8. Data collection methods

The researcher chose a quantitative approach, such that the mono method research approach was used to achieve the objectives as set out by the researcher. The questionnaire, formed the quantitative data collection instrument, as surveys and questionnaires are mainly used to gather this type of information.

For purposes of the study, both primary and secondary data sources were used and/ or consulted.

The questionnaire formed the basis of the primary data collection tool, of which the questions were structured such that primary quantitative data is received for further analysis.

The secondary data constituted the desktop study and research for purposes of creating an Islamic banking and investment model. Examples of secondary data include government statistical reports, economic indicators, companies' share prices and annual reports, as well as other similar information that is available from accredited academic journals. Additionally, concerning the Islamic specific product offerings

within South Africa, data was collected from the respective banking websites and product specification sheets from institutions such as Albarakah Bank, First National Bank, Standard Bank, ABSA bank, Oasis, of which all currently offer Islamic financial product offerings.

As indicated, the initial data was obtained through quantitative data collection. This means that the research instrument involved close-ended questions. The research instrument (quantitative) was used to collect data on the feelings and attitudes of participants towards the current Islamic finance offerings, as well as their opinion as to whether these offerings truly constitute an Islamic compliant framework, based on their understanding of Islamic law.

A covering letter was included to explain the purpose of the study, the background to this study, contact details for the researcher and supervisor, as well as the value this study would have for the researcher.

A Likert scale was employed as the rating tool as this is the most commonly understood scale, where each question was accompanied with a rating tool, with the respondent choosing a value or option between the two extremes (Halperin & Heath, 2012: 261).

To ensure validity and reliability of the study, a pilot study (pre-testing) was conducted, constituting 60 participants, which was undertaken with 15 participants in each major city, to ensure that the research collection tool was not ambiguous in any way. These 15 participants per city were surveyed for practicality purposes, such that the testing was spread equally to detect any potential issues in the particular city chosen as well as with the data collection tool. Additionally, the full process was tested, including the covering letter, distribution medium, and data collection. Should any errors or ambiguities exist, they would have been rectified and pre-tested again to the same group of participants. This would be done to ensure that the necessary corrections were made and that reliability and validity were accounted for before the full data collection process being undertaken. Therefore, based on this testing, no adjustments were necessary, and the results were not reported on separately, as these pre-testing results were not to form part of the main study and were in any event similar to the

results as stated in chapter 4. The write up was further done in a manner which was integrated.

4.9. Piloting

To ensure the integrity of the questionnaire within the study, a pilot study (pre-testing) was undertaken with participants to ensure that the research collection tool was not ambiguous in any way. These participants were surveyed in the respective areas. Additionally, the full process was tested, including the covering letter, distribution medium, and data collection. In the event of any errors or ambiguities that arose, the questionnaire was rectified and adjusted to the same group of participants.

4.10. Reliability and validity

As stated by Treiman (2009: 242), an indicator is only effective if it explains the underlying data/ concept effectively.

Validity entails constructing an appropriate theoretical link between the concept and the indicator. Reliability can be described as the repeatability and consistency in the measurement of a test (Shuttleworth, 2009: 1).

Therefore, to ensure validity and reliability, the pilot study will remove any errors and will ensure accuracy and consistency, implying that the results are predictable and that the data intended to measure is done so accordingly.

For quantitative studies, it is referred to as validity and reliability. This was achieved through SPSS 24. During the pilot phase, various constructs were subjected to validity and reliability testing to ensure the trustworthiness of the data. The data gave rise to form constructs that were used in the quantitative analysis process (Alshenqueeti, 2014). To ensure the trustworthiness of the data, the constructs were subjected to robust reliability and validity of statistical testing. To provide an acceptable level of trustworthiness, the researcher adhered to best practice standards.

However, in qualitative studies, this concept is more obscure because it is put in different terms. Since qualitative researchers do not use instruments with established metrics about validity and reliability, it is pertinent to address how qualitative

researchers establish that the research study's findings are credible, transferable, confirmable, and dependable. Therefore, the researcher engaged in quantitative analysis and drew information from the responses received.

More specifically, regarding reliability, the data collection tool used was that of a structured questionnaire, which was constructed using various theoretical concepts from the relevant literature, and in consultation with multiple experts in the field—this structured tool assisted with reliability.

Regarding validity, this was undertaken and verified through the use of SPSS. The constructs that were used in the quantitative research instrument were set up in Excel and exported into SPSS at a later stage. After the codebook was established and the data was cleaned, the statistical tests included - descriptive statistics (frequencies, means etc.), correlation and partial statistical analysis as well as statistical regression analysis. The use of descriptive statistics was used to establish the sample descriptor. Correlation and partial correlation was used to determine secondary effects between independent and dependent variables. Finally, regression was used to establish a robust theoretical model. On this basis, I was able to determine the interactive effects between the independent variables and the dependent variable in the study.

According to Said et al. (2011: 1099), construct validity testing of an instrument is rarely carried out among students but is often done to test the validity of the criteria. However, the use of scales used in past empirical studies often serves as a yardstick for scale validation. The principal factors that typically threaten the validity of the research findings (for example, subject selection, testing, mortality, ambiguity about causal direction, etc.) were addressed during the research design phase as well as during the development of the research instrument phase.

Notwithstanding the above, all attempts were made such that validity was accounted for and achieved, considering the structure of the primary tool, being the questionnaire, as well as the inclusion of various theory and feedback received from the pilot study.

4.11. Data analysis

Data analysis in the study was through categorising the data of the closed-ended questions. Drawing from this technique, the researcher generated categories from the data using the constant comparison technique (Babbie, 2011: 394). The researcher engaged in member-check to verify the proposed findings and framework generated (Denzin & Lincoln, 1994).

Through the various categories, conclusions and inferences were drawn and discussed further.

The results were further analysed with the findings presented in the form of discussions, tables, and graphical illustrations.

Due to the ease of use and reliability, the quantitative data was processed through SPSS, and the services of a statistician were utilised.

Data analysis in the study was analysed from the responses received in writing through the Survey Monkey tool. The researcher generated meaningful data using various techniques (Babbie, 2011: 394, Denzin & Lincoln, 1994: 1).

To analyse and present the findings, the quantitative data collected was processed and analysed in an integrated manner such that the results were analysed accordingly, to give rise to meaningful data.

4.12. Ethical considerations and trustworthiness

From an ethical perspective, ethics were considered by ensuring anonymity of participants; informed consent was received from the participants, as well as confidentiality assurance from the researcher not to divulge any information which may contravene the ethical or confidential standards set for this study. Other factors such as transferability, credibility dependability and confirmability were also accounted for within the study.

The specifics of this were:

1. Data collection tool (questionnaire) – The questions were framed and included in a manner which gave the participant a level of comfort, such that responding to the question did not compromise the participant in any way; and
2. Researcher – All responses elicited will be kept confidential by the researcher, and the researcher will retain only the data necessary for record purposes. No personal information will be saved and/or divulged, as the surveys will be conducted anonymously. Additionally, to reinforce the integrity of the data, the services of a trained statistician will be used such that the data sets and results will be correctly inputted, analysed and interpreted accordingly.

4.13. Delimitations and limitations

Delimitations

Delimitation typically refers to the choices that would influence control of the study by the researcher (Reference, 2016: 1).

For the study, the following would constitute delimitations:

- Limited variables – Due to the nature of the study and factoring in the unlimited number of possible variables, only a few variables were tested against. This may therefore exclude other contributing factors to the data which may not have been accounted for;
- There was a pilot study – This study only covered a specific locality, being Port Elizabeth, and therefore there may be geographic bias to the pilot study; and
- A cross-section of the population was polled – The scope and limitation of the sample population is restricted to four cities.

Limitations

Limitation in research typically refers to “those characteristics that impacted the interpretation of the findings from the research” (USC Libraries, 2016: 1).

For the study, the following would constitute limitations:

- Limited geographic scope - Only four cities have been covered due to the sizable Muslim communities within these cities – Johannesburg, Cape Town, Durban, and Port Elizabeth. Therefore, views from other geographic locations will not be taken into consideration, although, the principles would be applicable from an Islamic perspective; and
- Only covers a sector/ religious grouping of South African society – Due to the nature of the study, only Muslims were polled; however, these products are available to the general South African market.

4.14 Summary

This chapter has set out how the research undertaken was designed as well as the methodology and implementation thereof. The chosen methodologies seem to be the most appropriate for the researcher to achieve the aims and objectives as envisioned at the commencement of the study.

To summarise the research conducted, the research onion has been used as an illustration, working from the outer layer inwards (Saunders, Lewis & Thornhill, 2003: 83):

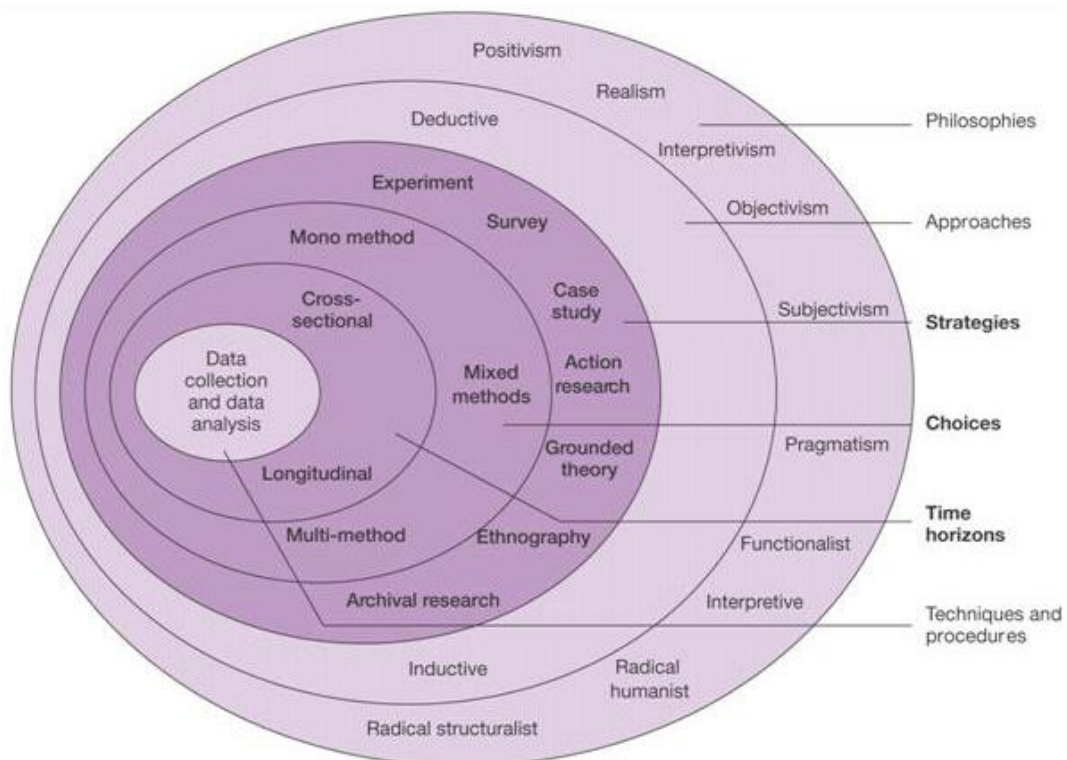


Figure 8 – Research onion (Source: Saunders et al., 2003: 83)

Philosophy - As the study followed a quantitative research approach, the philosophy followed was that of a positivist philosophy;

Approach – The study is based on specific data which needed to be collected and collated. Opinion and theory were then based on the results of this data. Therefore, the approach was that of an inductive approach, where the theory evolves as a result of the research;

Strategy – The research was conducted with certain respondents using convenience sampling. Therefore, respondents were polled using a structured questionnaire, and thus the strategy used was that of a survey strategy;

Choice – A quantitative approach was used, and therefore the choice was a mono method;

Time horizon – The study analysed data collected from a sample and therefore constituted a cross-sectional study;

Technique and procedure – The method and approach used was a structured questionnaire to analyse the data.

Category	Type chosen
1. Philosophy	Positivist
2. Approach	Inductive approach
3. Strategy	Convenience sampling
4. Choice	Mono method – quantitative approach
5. Time horizon	Cross-sectional study
6. Technique and procedure	Structured questionnaire

Table 15 – Research approach summary (Source: Own)

Therefore, the above chapter describes in detail how the research was conducted. It also explains the soundness of the research results, through the researcher adhering to the norms and standards of research. The following chapter will set out the data received from the questionnaire and will analyse any significant results received, such that this can be subsequently discussed and lead to meaningful and coherent data and conclusions.

Chapter 5 – Results, discussions, and interpretation of findings

5.1. Introduction

The results chapter seeks to set out the various responses and data as received from the data collection tool, being the questionnaire. This questionnaire was administered electronically using Survey Monkey and distributed through multiple platforms, including WhatsApp as well as other social media platforms such as Facebook and Instagram. The total number of responses received was 743, which include both fully and partially completed responses. Not all responses were used in the data analysis process, as indicated below.

The questionnaire was used as a tool to answer the research goal –

- “To explore the awareness, knowledge, opinions, attitudes, use and drivers of Islamic Investment and banking in South Africa of Muslim individuals”.

The electronic questionnaire was circulated amongst residents of the major cities in South Africa as follows:

1. Port Elizabeth
2. Johannesburg
3. Cape Town
4. Durban

The data reporting has been done as per the sub-sections of the questionnaire as follows:

- Section 1 - Demographics;
- Section 2 - Awareness of Islamic banking, investment and providers;
- Section 3 - Knowledge of Islamic banking, investment and providers;
- Section 4 - Attitudes towards Islamic investment and banking;
- Section 5 - Opinions about Islamic finance;
- Section 6 - Use of Islamic product offerings;

- Section 7 - Use of non-Islamic product offerings; and
- Section 8 - Drivers in adopting Islamic finance.

This chapter, therefore, will set out the data as per the responses received, and subsequent chapters will offer more in-depth analysis and interpretation of this data.

The data collected from the responses were analysed with SPSS version 26.0.

The results will present the descriptive statistics in the form of graphs, cross-tabulations and other figures for the quantitative data that was collected.

Inferential techniques include the use of correlations and chi-square test values, which are interpreted using the p-values. The traditional approach to reporting a result requires a statement of statistical significance. A p-value is generated from a test statistic. A significant result is indicated with " $p < 0.05$ ".

5.2. Sample size

The Sample

In total, 743 questionnaires were despatched, and 619 were returned and completed in full, which gave an 83% response rate.

Cleaning the data

In the original data that was captured by the e-platform, there were 743 respondents. Of these, 53 did not fill in any of the questions – thus leaving 690 fully or partially completed questionnaires.

A further 64 only completed Section 1 (demographics) and section 2 (awareness), and they were considered not to add any value to the study. For this reason, these were omitted (626 responses remaining after excluding these 64).

A final number of 619 were retained for the study, after eliminating seven which had outliers. Of these 619 remaining responses, 508 submitted complete questionnaires, while the remaining 111 partly filled it in.

The analysis shows that, compared to those who fully completed the questionnaire, and amongst those who partially completed it, a significant number have some or all schooling as their highest education; and/or come from the lower-income brackets; and/or are unemployed.

These partial questionnaires are retained to give a fuller picture as they may represent a specific sector of the Muslim population, and their responses are considered to add value.

The sample consisted of respondents from four major cities in South Africa.

5.3. The Research Instrument

The research instrument consisted of 75 items, with a level of measurement at a nominal or an ordinal level. The questionnaire was divided into 17 sections which measured various themes as illustrated below:

Biographical data

- q11 Knowledge of Islamic banking, investment and providers
- q13 Attitudes towards Islamic investment and banking
- q14 Opinions about Islamic finance
- q15 Use of Islamic product offerings
- q16 Use of non-Islamic product offerings
- q17 Drivers in adopting Islamic finance

5.4. Analysis models used and the reasoning thereof (methodology of data analysis)

For purposes of the data analysis, the software tool SPSS was used such that several tests can be used in the analysis and interpretation of the data.

The tests that were applied to the data as part of the analysis were as follows:

- Descriptive statistics, including means and standard deviations, where applicable.

- Frequencies are represented in tables or graphs.
- Cronbach's Alpha test: Testing the coefficient of reliability and the relatedness of a group of variables.
- Kaiser-Meyer-Olkin (KMO): This is a tool to ascertain how relevant the data is for Factor Analysis.
- Bartlett's Test: This test is used to test if the samples have equal variances.
- Rotated Component Matrix: As part of the outcome of Principal Components Analysis, the rotated component matrix contains estimations of the correlations between each of the variables.
- Chi-square goodness-of-fit-test: A univariate test, used on a categorical variable to test whether any of the response options are selected significantly more/less often than the others. Under the null hypothesis, it is assumed that all responses are equally selected.
- Chi-square test of independence: Used on cross-tabulations to see whether a significant relationship exists between the two variables represented in the cross-tabulation. When conditions are not met, Fisher's exact test is used.
- ANOVA: A test for several independent samples that compares two or more groups of cases in one variable.
- Binomial test: Tests whether a significant proportion of respondents select one of a possible two responses. This can be extended when data with more than two response options are split into two distinct groups.
- Pearson's and Spearman's correlation: Spearman's correlations measure how ordinal variables or rank orders are related. Pearson's correlation coefficient is a measure of linear association.
- One sample t-test: Tests whether a mean score is significantly different from a scalar value.
- Independent samples t-test: A test that compares two independent groups of cases.

The above was used in the analysis as the researcher believed these to be the most appropriate tests for analysis purposes, such that meaningful data can be received and the data thoroughly interrogated.

5.5. Reliability Statistics

The two most important aspects of precision are reliability and validity. Reliability is computed by taking several measurements on the same subjects. A reliability coefficient of 0.60 or higher is considered as “acceptable” for a newly developed construct.

The table below reflects the Cronbach’s alpha score for all the items that constituted the questionnaire.

	Section	Number of Items	Cronbach's Alpha
q11	Knowledge of Islamic banking, investment and providers	4	0.910
q13	Attitudes towards Islamic investment and banking	3	0.606
q14	Opinions about Islamic finance	16	0.550
q15	Use of Islamic product offerings	8	0.897
q16	Use of non-Islamic product offerings	6	0.683
q17	Drivers in adopting Islamic finance	11	0.917

Table 16 – Cronbach’s alpha score for all the items that constituted the questionnaire

The reliability scores for all sections exceed or approximate the recommended Cronbach’s alpha value. This indicates a degree of acceptable, consistent scoring for these sections of the research.

Question 14 has a slightly lower value. This is mainly due to the bidirectional nature of statements within this question.

5.6. Factor Analysis

5.6.1. Why is factor analysis important?

Factor analysis is a statistical technique whose primary goal is data reduction. A typical use of factor analysis is in survey research, where a researcher wishes to represent several questions with a small number of hypothetical factors. For example, as part of a national survey on political opinions, participants may answer three separate

questions regarding environmental policy, reflecting issues at the local, state and national level. Each question, by itself, would be an inadequate measure of attitude towards environmental policy, but *together* they may provide a better measure of the attitude.

Factor analysis can be used to establish whether the three measures do measure the same thing. If so, they can then be combined to create a new variable, a factor score variable that contains a score for each respondent on the factor. Factor techniques apply to a variety of situations.

A researcher may want to know if the skills required to be a decathlete are as varied as the ten events, or if a small number of core skills are needed to be successful in a decathlon. You need not believe that factors exist to perform a factor analysis, but in practice, the elements are usually interpreted, given names, and spoken of as real things.

The matrix tables are preceded by a summarised table that reflects the results of KMO and Bartlett's Test. The requirement is that the Kaiser-Meyer-Olkin Measure of Sampling Adequacy should be greater than 0.50 and Bartlett's Test of Sphericity less than 0.05. In all instances, the conditions are satisfied, which allows for the factor analysis procedure.

Factor analysis is done only for the Likert scale items. Specific components divided into finer components. This is explained below in the rotated component matrix.

5.6.2. KMO and Bartlett's Test

	Section	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	Bartlett's Test of Sphericity		
			Approx. Chi-Square	df	Sig.
q11	Knowledge of Islamic banking, investment and providers	0.825	1686.159	6	0.000
q13	Attitudes towards Islamic investment and banking	0.621	208.208	3	0.000
q14	Opinions about Islamic finance	0.684	882.329	66	0.000
q15.2	Use of Islamic product offerings	0.880	1060.795	28	0.000
q16	Use of non-Islamic product offerings	0.730	350.827	15	0.000
q17	Drivers in adopting Islamic finance	0.922	3383.288	55	0.000

Table 17 – KMO and Bartlett's Test

All of the conditions are satisfied for factor analysis.

That is, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy value should be greater than 0.500 and Bartlett's Test of Sphericity sig. the value should be less than 0.05.

Rotated Component Matrix

Component Matrix

q11	Component
	1
The basic principles and objectives of Islamic finance	0.904
The retail and Islamic finance offerings that are available from relevant institutions	0.900
The Shariah terms and meanings	0.872
The role of the Shariah board	0.874

Extraction Method: Principal Component Analysis.

a. 1 component extracted.

Table 18 – Component matrix for data set A

Component Matrix^a

q13	Component
	1
It is a religious obligation to follow and support Islamic compliant products	0.769
All of my financial activities should be Shariah-compliant, irrespective of the circumstances	0.801
The amount of returns gained through Islamic compliant products is not relevant (relative to conventional returns as a benchmark) as long as the returns are Shariah-compliant	0.679

Extraction Method: Principal Component Analysis.

a. 1 component extracted.

Table 19 – Component matrix for data set B

Rotated Component Matrix^a

q14	Component			
	1	2	3	4
Islamic retail products are more costly than conventional retail products	-0.013	-0.113	0.228	0.745
Islamic finance is readily available in South Africa	0.733	0.016	0.084	0.072
Islamic finance creates the opportunity to consolidate religious objectives and commercial objectives	0.143	0.718	-0.031	-0.056
Participation in Islamic finance is more beneficial (religiously and financially) than participation in conventional finance	-0.087	0.818	0.189	-0.179
The use of technical and foreign terms (e.g. Arabic words) makes it challenging to understand Islamic finance	-0.087	0.015	-0.108	0.570
Conventional finance firms that offer Islamic products have staff that are adequately trained to answer any questions regarding the Islamic products	0.741	-0.069	0.040	-0.096
There are suitable Islamic finance offerings available in South Africa that meet my religious requirements/ preferences	0.829	0.132	0.052	-0.105
The current Islamic finance offerings available are the same as conventional finance offerings	0.179	-0.073	0.501	0.049

I should do my own research that the products meet the Shariah requirements	-0.007	0.021	0.701	-0.217
Trust should be placed in the Shariah board and those who developed the product, that it is indeed Shariah-compliant	0.202	0.545	-0.202	0.318
Islamic windows (conventional banks offering Islamic compliant products) are fully Shariah-compliant	0.679	0.273	-0.200	-0.030
Any links to conventional finance tarnishes the Islamic products	-0.190	0.090	0.690	0.228

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalisation.
 a. Rotation converged in 5 iterations.

Table 20 – Component matrix for data set C

Component Matrix^a

q15.2	Component
	1
They were more readily available to me	0.783
They were easier to understand	0.814
They were offered by my current financial provider	0.639
They met my financial goals	0.772
They were offered at the same or a lower cost than conventional products	0.791
The financial institution had staff that were able to answer my questions and concerns	0.817
The Shariah board of my potential financial provider was constituted of different individuals	0.746
The product provider had more advanced user platforms, making it easier to use and transact	0.777

Extraction Method: Principal Component Analysis.
 a. 1 component extracted.

Table 21 – Component matrix for data set D

Rotated Component Matrix^a

q16	Component	
	1	2
I am not aware of alternative Islamic products	-0.105	0.783
I do not believe that the alternative Islamic products are in fact compliant	0.758	0.263
The alternative Islamic products are more expensive	0.732	0.063
I believe that the end result of both the Islamic and conventional products are the same	0.743	0.081
I do not understand the Islamic alternatives and prefer to use what I understand	0.262	0.673
My institution cannot give me sufficient information on the alternatives to make an informed decision	0.300	0.722

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalisation.

a. Rotation converged in 3 iterations.

Table 22 – Component matrix for data set E

Component Matrix^a

q17	Component
	1
Financial reputation and image of the Islamic institution	0.678
Your knowledge and understanding of what Islamic finance entails	0.647
The extent of the visibility/ presence of the Islamic bank/ branch	0.703
The purpose of the savings (religious or other)	0.614
The quality of customer service at the institution	0.818
The knowledge of the staff at the institution	0.809
The convenience of the institution	0.802
The knowledge base of the Shariah supervisory board	0.852
The credibility of the Shariah supervisory board	0.835
The ease of accessing banking and investment services	0.802
Your religious obligation	0.595

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Table 23 – Component matrix for data set F

Factor analysis is a statistical technique whose primary goal is data reduction. A typical use of factor analysis is in survey research, where a researcher wishes to represent several questions with a small number of hypothetical factors. Concerning the table above:

1. The principal component analysis was used as the extraction method, and the rotation method was Varimax with Kaiser Normalisation. This is an orthogonal rotation method that minimises the number of variables that have high loadings on each factor. It simplifies the interpretation of the factors.
2. Factor analysis/loading show inter-correlations between variables. Items of questions that loaded similarly imply measurement along a similar factor. An examination of the content of items loading at or above 0.5 (and using the higher or highest loading in instances where items cross-loaded at greater than this value) effectively measured along the various components.
3. The statements that constituted questions 11, 13, 15.2 and 17 loaded perfectly along a single component. This implies that the statements that formed these sections perfectly measured what it set out to measure.

It is noted that the variables that constituted question 14 loaded along four components (sub-themes) and question 16 loaded along two components (sub-themes). This means that respondents identified different trends within the section. Within the section, the splits are colour coded. The codes given correlate with the colours as per code yellow, code green, code blue and code peach.

Subsequent sections of this chapter seek to set out the results as received and explain and offer some insight into the responses, such that it may be translated into meaningful data, within the context of the study as well as obtain the goals and aims of the researcher.

5.7. Data results

5.7.1. Demographics

For the demographic data, the data was drawn from a total number of 619 responses, which fully completed this section, excluded the outliers, and was deemed to add value to the study.

5.7.1.1. Location

The location of the respondent's seemed to be relatively evenly split with a range of Durban (15, =2%), to Cape Town (29,2%). Port Elizabeth respondents made up 27,8% of the total and Johannesburg respondents made up 27,8%, from a total of 619 responses received for this section.

5.7.1.2. Gender

The split of male and female was tilted towards males, making up 62,4% (386 respondents) of the respondents, with females making up 37,6% (233 respondents).

5.7.1.3. Age

The majority of respondents fell into the age group of 41-49 years of age (26%, 161 respondents), followed closely by the 31-39 year age group (25%, 155 respondents) and 51-59 year age group (18,3%, 113 respondents). These three categories make up 69,3% of all of the respondents. The other age categories ranged from 70+ category with 2,7% (17 respondents) to 11,6% (72 respondents) for the 61-69 age category.

5.7.1.4. Education

With regards to education, it seems that the majority of respondents have a post-graduate degree (26,2%, 162 respondents), with the majority of 91,6% (567 respondents) having a matric or higher qualification, making the respondents to this survey relatively well educated from a secular education perspective.

5.7.1.5. Marital status

The smallest category with 12 respondents was widowed (1,9%), with the majority of 77,1% (477 respondents) being married. Single respondents made up 15,7% (97 respondents) and divorced/ separated made up 5,3% (33 respondents).

5.7.1.6. Religious education

Low religious education (50,4%, 312 respondents) was the majority, in comparison to the high secular education and qualifications as per the education question. Other categories included no religious education with 2,9% (18 respondents), medium religious education with 34,6% (214 respondents) and high religious education with 12,1% (75 respondents). This specific question was included as this would affect the respondent's understanding of subsequent questions and in turn, their response to these questions, which are a preference, religious and understanding based on Islam.

5.7.1.7. Income

The income spread seemed to be broad and relatively evenly spread with the majority earning between R10 001 – R25 000 (20,5%, 127 respondents).

A relatively high percentage of 17% (105 respondents) are those who earn R75 000 per month or more.

5.7.1.8. Employment

Those that are employed make up 86,9% (538 respondents) of the total categories.

The majority of those employed are in the private sector, with 39,7% (246 respondents), followed closely by those self-employed with 37,2% (230 respondents).

Those unemployed represent 13,1% (81 respondents), which is lower than expected when compared to the unemployment rate of South Africa.

5.7.1.9. Demographic data summary

The following table summarises all of the demographic data and the respective response percentages and frequency, based on a total of 619 responses:

Q.	Demographic characteristic	Demographic sub-groups	Frequency (N)	Percentage
1	Location	Johannesburg	172	27.8%
		Durban	94	15.2%
		Cape Town	181	29.2%
		Port Elizabeth	172	27.8%

2	Gender	Male	386	62.4%
		Female	233	37.6%
3	Age	18-25	40	6.5%
		26-30	61	9.9%
		31-39	155	25.0%
		41-49	161	26.0%
		51-59	113	18.3%
		61-69	72	11.6%
		70+	17	2.7%
4	Education	No formal schooling	8	1.3%
		Some schooling	44	7.1%
		Matric	130	21.0%
		Diploma/Certificate	127	20.5%
		Degree	148	23.9%
		Postgraduate degree	162	26.2%
5	Marital status	Single	97	15.7%
		Married	477	77.1%
		Divorced/Separated	33	5.3%
		Widowed	12	1.9%
6	Religious education	None	18	2.9%
		Low	312	50.4%
		Medium	214	34.6%
		High	75	12.1%
7	Income	No income	88	14.2%
		R3 501 - R10 000	65	10.5%
		R10 001 - R25 000	127	20.5%
		R25 001 - R40 000	112	18.1%
		R40 001 - R74 999	122	19.7%
		R75 000+	105	17.0%
8	Employment	Unemployed	81	13.1%
		Self-employed	230	37.2%
		Employed in the Private sector	246	39.7%
		Employed in the Public sector	62	10.0%

Table 24 – Demographic data summary (Source: Own)

There are several interesting points/ highlights to note from the table and sectional responses above:

1. The geographic spread is relatively good and not overly skewed to one particular location;
2. The majority of respondents are male, but not so much as to render the female responses irrelevant;
3. Secular education is very high with the majority having post-graduate degrees;
4. The majority are married;
5. The level of religious education is not as high as secular education with the majority being of a low level of religious education;
6. The income brackets are relatively high and evenly spread across the various subcategories; and
7. The majority are employed in the private sector and self-employed.

Additionally, the table below describes the overall gender distribution by age.

Age		Gender		Total
		Male	Female	
18-25	Count	21	19	40
	% within Age	52.5%	47.5%	100.0%
	% within Gender	5.4%	8.2%	6.5%
	% of Total	3.4%	3.1%	6.5%
26-30	Count	31	30	61
	% within Age	50.8%	49.2%	100.0%
	% within Gender	8.0%	12.9%	9.9%
	% of Total	5.0%	4.8%	9.9%
31-39	Count	94	61	155
	% within Age	60.6%	39.4%	100.0%
	% within Gender	24.4%	26.2%	25.0%
	% of Total	15.2%	9.9%	25.0%
41-49	Count	114	47	161
	% within Age	70.8%	29.2%	100.0%
	% within Gender	29.5%	20.2%	26.0%
	% of Total	18.4%	7.6%	26.0%
51-59	Count	67	46	113

	% within Age	59.3%	40.7%	100.0%
	% within Gender	17.4%	19.7%	18.3%
	% of Total	10.8%	7.4%	18.3%
61-69	Count	48	24	72
	% within Age	66.7%	33.3%	100.0%
	% within Gender	12.4%	10.3%	11.6%
	% of Total	7.8%	3.9%	11.6%
70+	Count	11	6	17
	% within Age	64.7%	35.3%	100.0%
	% within Gender	2.8%	2.6%	2.7%
	% of Total	1.8%	1.0%	2.7%
Total	Count	386	233	619
	% within Age	62.4%	37.6%	100.0%
	% within Gender	100.0%	100.0%	100.0%
	% of Total	62.4%	37.6%	100.0%

Table 25 – Gender distribution by age (Source: Own)

Overall, the ratio of males to females is approximately 3:2 (62,4%: 37,6%) ($P < 0.001$).

Within the age category of 41 to 49 years, 70,8% were male. Within the category of males (only), 29,5% were between the ages of 41 to 49 years. This category of males between the ages of 41 to 49 years formed 18,4% of the total sample.

Additionally, the 18-25 age category consisted of 3,4% (male) and 3,1% (female) of the total distribution. This would possibly indicate that the majority of respondents were currently in the economy, with this 18-25 category, perhaps not making use of certain products as they may not need for them at this stage.

The age distributions are not similar, as there are more respondents younger than 40 years ($p < 0.001$).

5.7.2. Section Analysis

The section that follows analyses the scoring patterns of the respondents per variable per section.

The results are first presented using summarised percentages for the variables that constitute each section.

Results are then further analysed according to the importance of the statements.

Any significant results and outcomes will be pointed out, but further explained and elaborated upon in subsequent chapters.

5.7.2.1. Section 2 Awareness of Islamic banking, investment, and providers

From an awareness perspective, this was dealt with in finding out whether there is awareness of Islamic finance offerings in the respondent's area from any institution, as well as whether the respondent's current conventional provider offers Islamic finance offerings.

The results were as follows:

- **Is there an Islamic financial institution in your area that is offering services?**

	Frequency	Percent
Yes	396	64.0
No	102	16.5
I do not know	121	19.5
Total	619	100.0

Table 26 – Result summary for whether the respondent is aware of an Islamic financial offering in their area (Source: Own)

Significantly, nearly two-thirds of the respondents (64,0%) indicated that there was an Islamic institution that offered financial services ($p < 0.001$). The remaining options had similar (and lower) levels of scoring.

In SPSS a p-value given as .000 is very small and reported as $p < .0005$; a p-value of, e.g. .017 is reported as $p = .017$

This value $< .0005$ is not to be confused with the standard alpha level of .05 that is used to show significance.

Additionally, quite a large number of 121 respondents (19,5%) stated that they do not know whether there is an Islamic finance offering in their area.

- **Does your current conventional provider (e.g. Bank) offer Islamic financial services?**

	Frequency	Percent
Yes	459	74.2
No	86	13.9
I do not know	46	7.4
I do not use any form of conventional financial services	28	4.5
Total	619	100.0

Table 27 – Result summary for whether the respondent’s current financial provider offers Islamic financial services (Source: Own)

Significantly, approximately three-quarters of the respondents (74,2%) indicated that the conventional banks do offer Islamic financial services ($p < 0.001$).

It should, however, be noted here that 28 respondents (4,5%) do not use any form of conventional financial services, which indicates a gap in the market, once it can be ascertained as to what the reason is for this.

5.7.2.2. Section 3 Knowledge of Islamic banking, investment, and providers

This section of the questionnaire employed a scale of 1-10 to rate the respondent’s knowledge, as well as a subsequent section of statements which can be answered as true, false or unsure.

The figure below indicates the weighted means that refer to the ranked level of familiarity with each of the statements below.

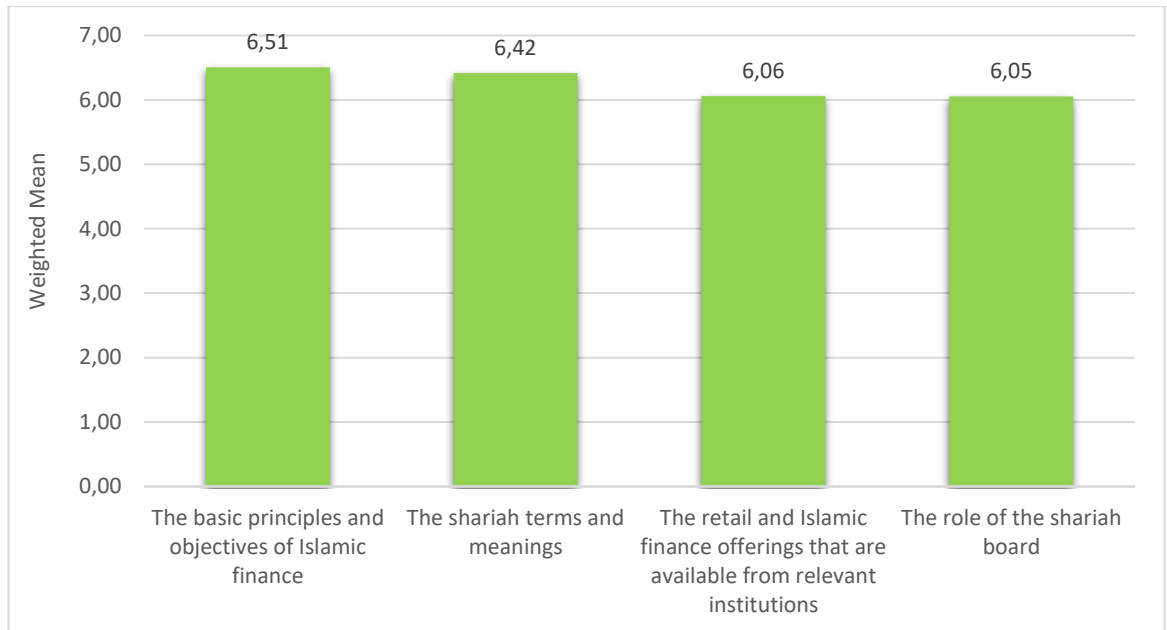


Figure 9 – Result summary of weighted means of the respondent’s knowledge of Islamic banking investment and providers (Source: Own)

There is no significant difference between the first two statements; there is also no significant difference between the last two statements ($p > 0.05$). However, the first compared to the previous two, and the second also compared to the previous two do show significant differences ($p < 0.05$).

(Note: weighted means are used when analysing rank data. We cannot use the standard mean)

The figure below indicates the actual scoring patterns for the four ranking statements. The one-sample chi-square test indicates that the scoring patterns are not similar for all statements ($p < 0.001$).

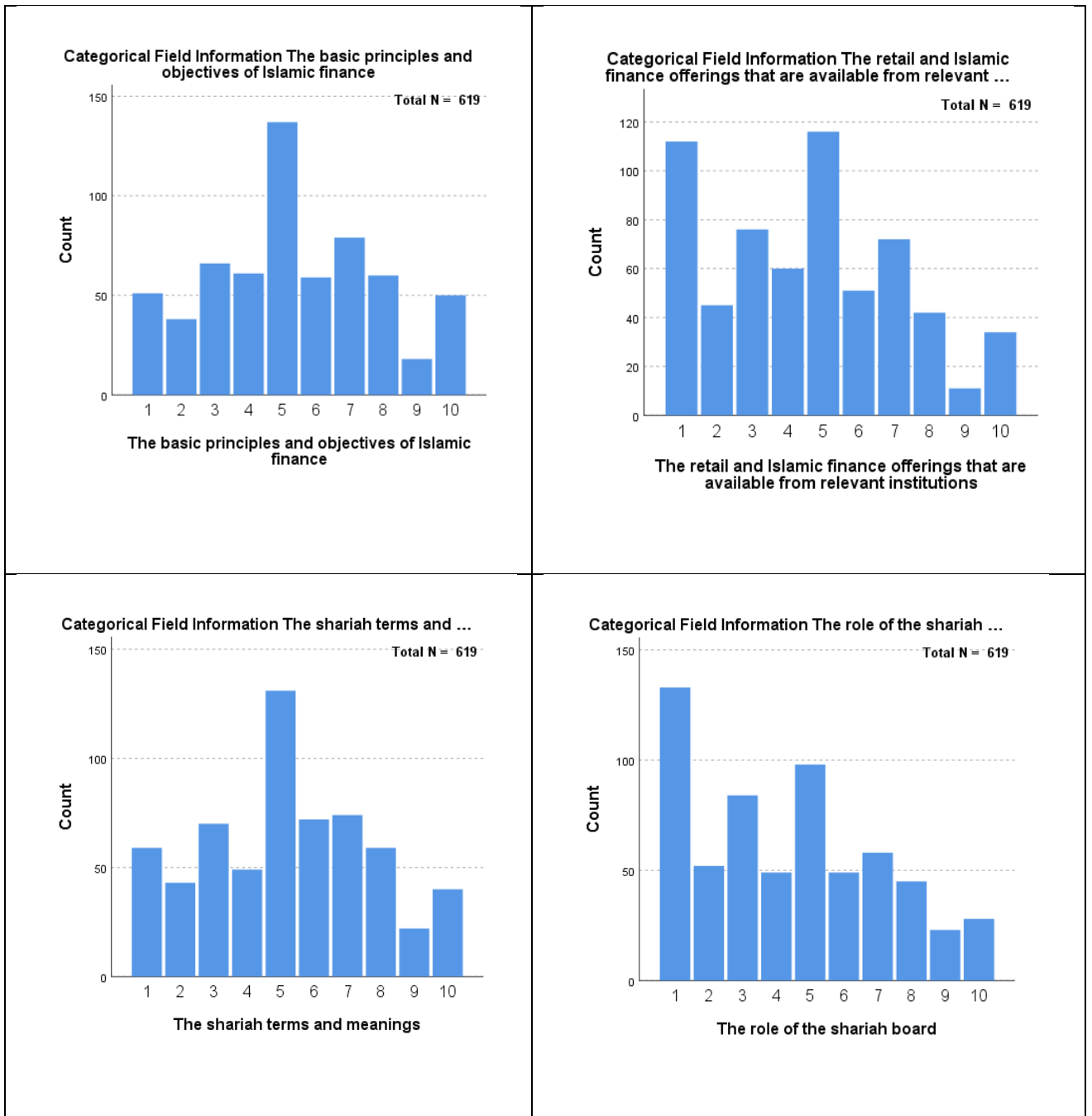


Figure 10 – Actual scoring patterns for the four ranking statements (Source: Own)

With regards to the section using a rating tool of 1 – 10, a binomial test was used to ascertain whether a significant number of respondents rated above or below a certain score.

Upon conducting the binomial test, the results show that a significant number of people rated their knowledge at most “5”, based on the questions asked (N = 626).

Binomial Test

	Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
Q11.1 The basic principles and objectives of Islamic finance	Group 1 <= 5	355	.57	.50	.001 ^a
	Group 2 > 5	271	.43		
	Total	626	1.00		
Q11.2 The retail and Islamic finance offerings that are available from relevant institutions	Group 1 <= 5	412	.66	.50	.000 ^a
	Group 2 > 5	214	.34		
	Total	626	1.00		
Q11.3 The Shariah terms and meanings	Group 1 <= 5	355	.57	.50	.001 ^a
	Group 2 > 5	271	.43		
	Total	626	1.00		
Q11.4 The role of the Shariah board	Group 1 <= 5	420	.67	.50	.000 ^a
	Group 2 > 5	206	.33		
	Total	626	1.00		

a. Based on Z Approximation.

Table 28 – Binomial test summary (Source: Own)

From the binomial test based on the Z approximation, it shows that 57% rated the first item <=5 (p=.001); 66% rated the second one <=5 (p<.0005), 57% rated the third one <=5 (p<.001) and 67% rated the fourth one <=5 (p<.0005). This, therefore, shows the significance of the majority of the responses as to their knowledge of the questions asked.

Considering the mean value per question, the graph below shows this data, indicating that the majority of people are unfamiliar with these questions/ terms, and the mean is slightly above and below the midpoint.

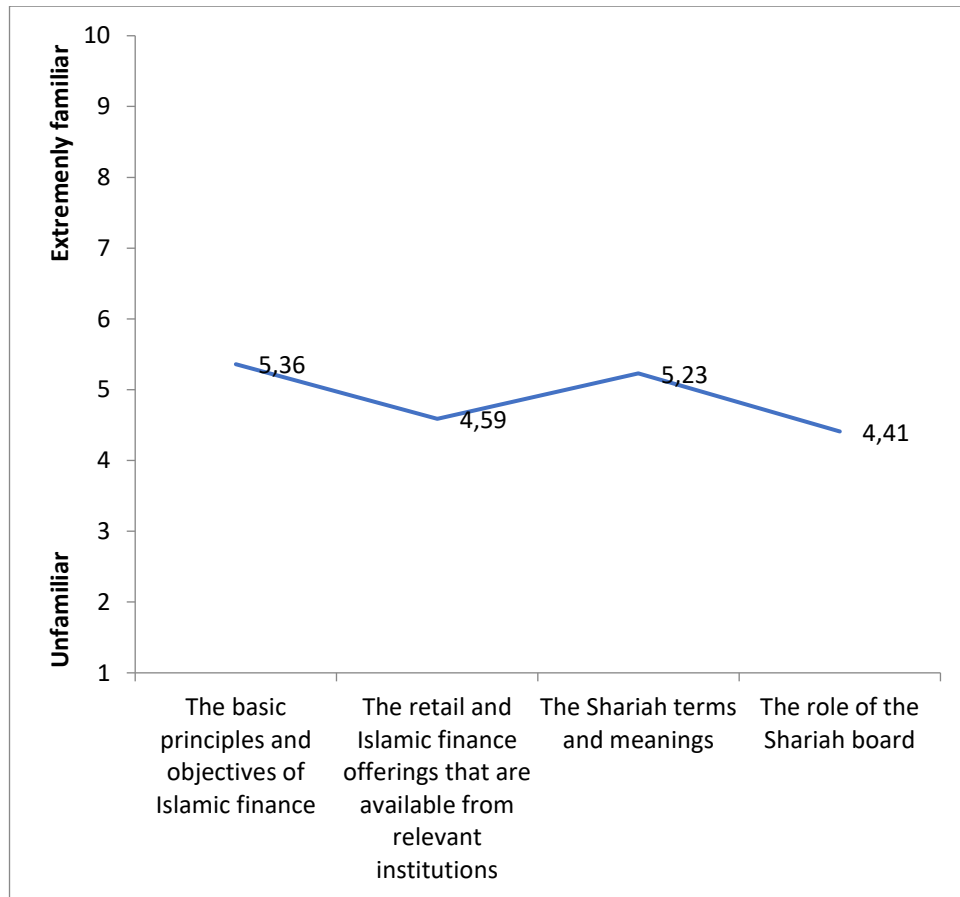


Figure 11 – Mean graph of ranking statements (Source: Own)

The researcher subsequently used the data and took it one step further by segmenting the results based on the different demographic segments.

This was done using analysis of variance (ANOVA), where the demographic segments such as gender, marital status and employment categories were used, as well as Spearman’s correlation, to check and test the impact/ significance/ correlations with age, education level, income and religious education.

ANOVA - Employment

1. There is a significant difference in familiarity with the basic principles and objectives of Islamic finance across employment status, $F(3, 622) = 4.654$, $p = .003$. In particular, those employed in the private sector and self-employed ($M = 5.55$) are more familiar with this than those who are unemployed ($M = 4.52$).

2. There is a significant difference in familiarity with the retail and Islamic finance offerings that are available from relevant institutions across employment status, $F(3, 622) = 5.712, p=.001$. In particular, those employed in the private sector and self-employed ($M=4.80$) are more familiar with this than those who are unemployed ($M=3.58$).
3. There is a significant difference in familiarity with the role of the Shariah board across employment status, $F(3, 622) = 3.755, p=.011$. In particular, those employed in the private sector ($M=4.72$) are more familiar with this than those who are unemployed ($M=3.65$).

ANOVA – Marital status

1. There is a significant difference in familiarity with the basic principles and objectives of Islamic finance across marital status, $F(3, 622) = 7.270, p=.000$. In particular, those married ($M=5.56$) are more familiar with this than those who are single ($M=4.30$).
2. There is a significant difference in familiarity with the retail and Islamic finance offerings that are available from relevant institutions across marital status, $F(3, 622) = 5.230, p=.001$. In particular, those married ($M=4.80$) are more familiar with this than those who are single ($M=3.69$).

ANOVA - Gender

1. There is a significant difference in familiarity with the basic principles and objectives of Islamic finance across gender, $F(3, 622) = 21.490, p=.000$. In particular, those males ($M=5.71$) are more familiar with this than those who are female ($M=4.77$).
2. There is a significant difference in familiarity with the retail and Islamic finance offerings that are available from relevant institutions across gender, $F(3, 622) = 20.498, p=.000$. In particular, males ($M=4.95$) are more familiar with this than those who are female ($M=3.99$).
3. There is a significant difference in familiarity with the Shariah terms and its meanings across gender, $F(3, 622) = 7.644, p=.006$. In particular, those males ($M=5.45$) are more familiar with this than those who are female ($M=4.88$).

4. There is a significant difference in familiarity with the role of the Shariah board across gender, $F(3, 622) = 10.432, p=.001$. In particular, those males ($M=4.68$) are more familiar with this than those who are female ($M=3.96$).

5.7.3. Correlation of variables

Education

- There is a weak but significant positive correlation between education and the basic principles and objectives of Islamic finance. $Rho = .181, p=.000$.
- There is a weak but significant positive correlation between education and the retail and Islamic finance offerings that are available from relevant institutions. $Rho = .237, p=.000$.
- There is a weak but significant positive correlation between education and familiarity with the role of the Shariah board. $Rho = .122, p=.002$.

Religious education

- There is a weak but significant positive correlation between religious education and the basic principles and objectives of Islamic finance. $Rho = .262, p=.000$.
- There is a weak but significant positive correlation between religious education and the retail and Islamic finance offerings that are available from relevant institutions. $Rho = .175, p=.000$.
- There is a weak but significant positive correlation between religious education and the retail and Islamic finance offerings that are available from relevant institutions. $Rho = .290, p=.000$.
- There is a weak but significant positive correlation between religious education and familiarity with the role of the Shariah board. $Rho = .204, p=.000$.

Income

- There is a weak but significant positive correlation between income and the basic principles and objectives of Islamic finance. $Rho = .213, p=.000$.

- There is a weak but significant positive correlation between income and the retail and Islamic finance offerings that are available from relevant institutions. Rho = .271, p=.000.
- There is a weak but significant positive correlation between income and familiarity with the role of the Shariah board. Rho = .113, p=.005.

The table below was used to evaluate the strength of the relationship:

Value of ρ	Strength of relationship
-1.0 to -0.5 or 1.0 to 0.5	Strong
-0.5 to -0.3 or 0.3 to 0.5	Moderate
-0.3 to -0.1 or 0.1 to 0.3	Weak
-0.1 to 0.1	None or very weak

Question 12

The table below summarises the scoring patterns regarding the knowledge statements.

	True		False		Unsure		Chi-Square p-value
	Count	Row N %	Count	Row N %	Count	Row N %	
The profit share paid on deposits by Islamic banks is similar (in principle) to the interest paid by conventional banks	195	31.5%	219	35.4%	205	33.1%	0.494
An Islamic bank's methods of finance are interest-free and in accordance with Shariah law	408	65.9%	63	10.2%	148	23.9%	< 0.001
It is permissible to receive or charge interest in Islam	32	5.2%	558	90.1%	29	4.7%	< 0.001
Islamic retail products are more costly than conventional retail products	234	37.8%	143	23.1%	242	39.1%	< 0.001
As a Muslim, I am permitted to invest in any type of project, irrespective of the trading and funding activities	20	3.2%	552	89.2%	47	7.6%	< 0.001
The South African government currently offers incentives for Islamic orientated products	51	8.2%	202	32.6%	366	59.1%	< 0.001
It is permissible to use Islamic windows (conventional banks offering Islamic compliant products)	356	57.5%	44	7.1%	219	35.4%	< 0.001

Table 29 – Tabular summary of the scoring patterns

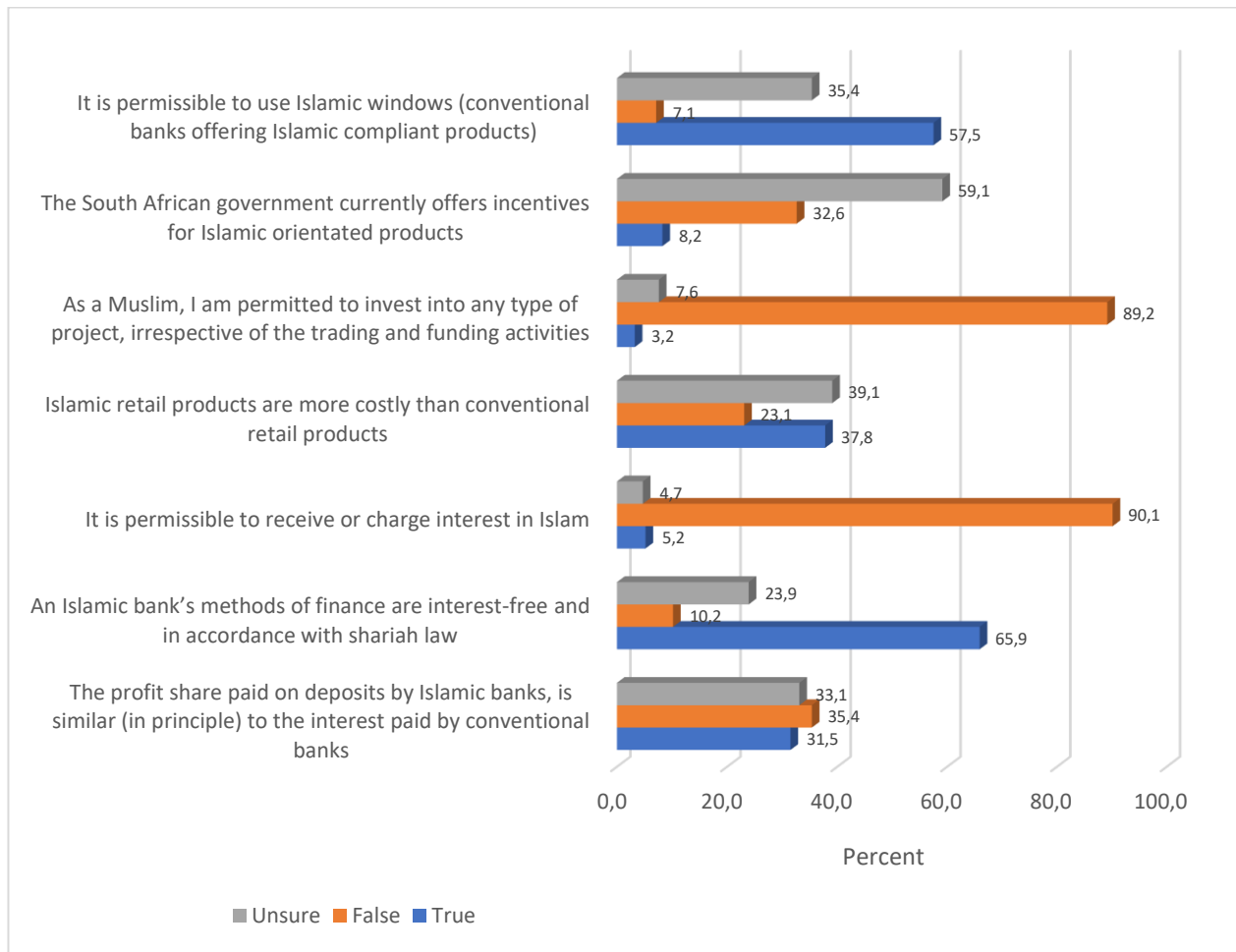


Figure 12 – Illustration of responses (Source: Own)

The following patterns are observed:

- Two statements show (significantly) higher levels of True, with there being two statements each showing higher levels of False (with the fourth statement only marginally), and two other statements showing higher levels of uncertainty (Unsure);
- The first statement (The profit share paid on deposits by Islamic banks, is similar (in principle) to the interest paid by conventional banks) has similar scoring patterns; and
- The significance of the differences is tested and shown in the table.

To determine whether the scoring patterns per statement were significantly different per option, a chi-square test was done. The null hypothesis claims that similar numbers of respondents scored across each option for each statement (one statement at a time). The alternate states that there is a significant difference between the levels of agreement and disagreement.

The results are shown in the table.

The highlighted sig. values (p-values) are less than 0.05 (the level of significance); it implies that the distributions were not similar. That is, the differences between the way respondents scored (agree, uncertain, disagree) were significant.

Commenting on the statements individually, the following can be concluded based on the results and expectations as set from the literature:

1. The first (“It is permissible to use Islamic windows (conventional banks offering Islamic compliant products)”) and sixth statement (“An Islamic bank’s methods of finance are interest-free and in accordance with Shariah law”) scored significant true responses. This would indicate agreement with dual product providers, offering both conventional and Islamic offerings, as well as the belief and trust in the providers that the Islamic considerations and principles are adhered to.
2. Conversely, the third (“As a Muslim, I am permitted to invest into any type project, irrespective of the trading and funding activities”) and fifth (“It is permissible to charge and receive interest in Islam”) statement shows a low agreement (high disagreement/ false) rate indicating that the Muslim respondents are somewhat aware of the laws and regulations about interest impermissibility in Islam as well as the consciousness of normal business activities and investments needing to comply with Shariah principles.
3. There is, however, high uncertainty over the South African’s governments support and initiatives regarding Islamic finance.
4. Additionally, it would seem that Islamic finance could be likened to conventional finance based on the underlying principles of profit share payments as well as monthly payments to the institution by the user.

5. From a cost perspective, the results are somewhat split between agreement, disagreement and uncertainty over whether Islamic finance is more costly than conventional finance. Possibly there needs to be some education and cost transparency here to educate clients and potential clients.

ANOVA analysis across demographics:

There is no significant difference across:

- Gender
- Marital status
- Employment

5.7.4. Section 4 Attitudes towards Islamic investment and banking

This section of the questionnaire was measured using a strongly disagree to strongly agree scale (1-7), with questions posed to gauge the respondent's religious preferences, understanding and their willingness and consciousness to comply with their beliefs and principles.

		Strongly disagree		Disagree		Slightly disagree		Slightly agree		Agree		Strongly agree		Chi-Square
		Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	p-values
It is a religious obligation to follow and support Islamic compliant products	q13.1	20	3.3 %	47	7.8%	43	7.1 %	92	15.2%	241	39.8%	163	26.9 %	< 0.001
All of my financial activities should be Shariah compliant, irrespective of the circumstances	q13.2	14	2.3 %	27	4.5%	31	5.1 %	57	9.4%	236	38.9%	241	39.8 %	< 0.001
The amount of returns gained through Islamic compliant products is not relevant (relative to conventional returns as a benchmark) as long as the returns are Shariah compliant	q13.3	23	3.8 %	68	11.2%	38	6.3 %	96	15.8%	240	39.6%	141	23.3 %	< 0.001

Table 30 – Summary of responses to question 13 (Source: Own)

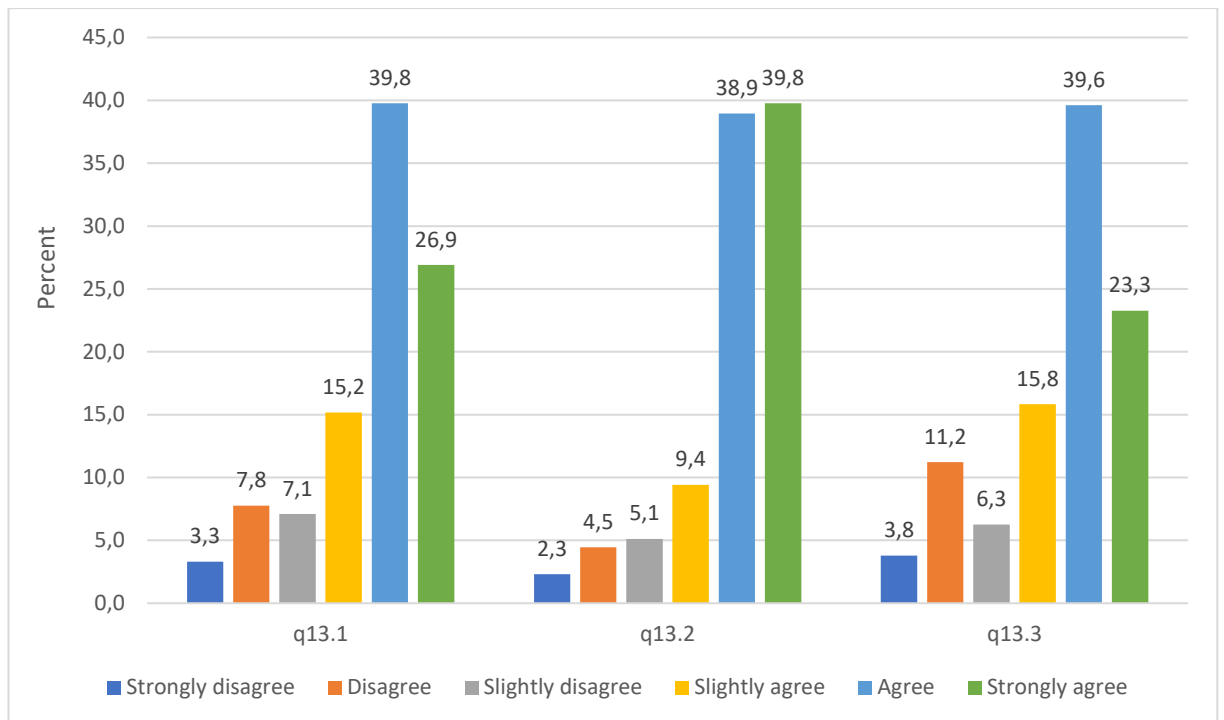


Figure 13 – Illustration of responses to question 13 (Source: Own)

It is noted that all of the statements have significantly higher levels of agreement ($p < 0.001$).

Question 13.2 has a stronger level of agreement than the other two statements, which are lower and similar.

However, all three statements have the majority of respondents agreeing with the statements, as these statements talk to the core beliefs of Islam and Shariah considerations.

Therefore, it is expected that there would be a significant agreement with regards to the fact that:

- Islamic products should be supported and utilised where possible and practical;
- Financial activities should be Shariah-compliant; and
- The value of returns should not be benchmarked and compared to conventional finance, as long as the returns are Islamic and in compliance with Shariah.

For further analysis, the one-sample t-test was used, which will allow testing for significant agreement/disagreement.

As the scale was based on a total of 7, the average agreement score is tested against the central score on the Likert scale of 3.5.

Using the one-sample t-test, the results were as follows:

1. Question:

- a. It is a religious obligation to follow and support Islamic compliant products
 - i. There is significant agreement with this statement ($M=4.59$), $t(612) = 19.926$, $p < .0005$;
- b. All of my financial activities should be Shariah-compliant, irrespective of the circumstances
 - i. There is a significant agreement with this statement ($M=4.97$), $t(612) = 29.722$, $p < .0005$; and
- c. The amount of returns gained through Islamic compliant products is not relevant (relative to conventional returns as a benchmark) as long as the returns are Shariah-compliant
 - i. There is significant agreement with this statement ($M=4.46$), $t(612) = 16.987$, $p < .0005$;

Based on the average of 3.5, significance was determined as to a mean score of >3.5 indicating significant agreement and a mean score of <3.5 as significant disagreement.

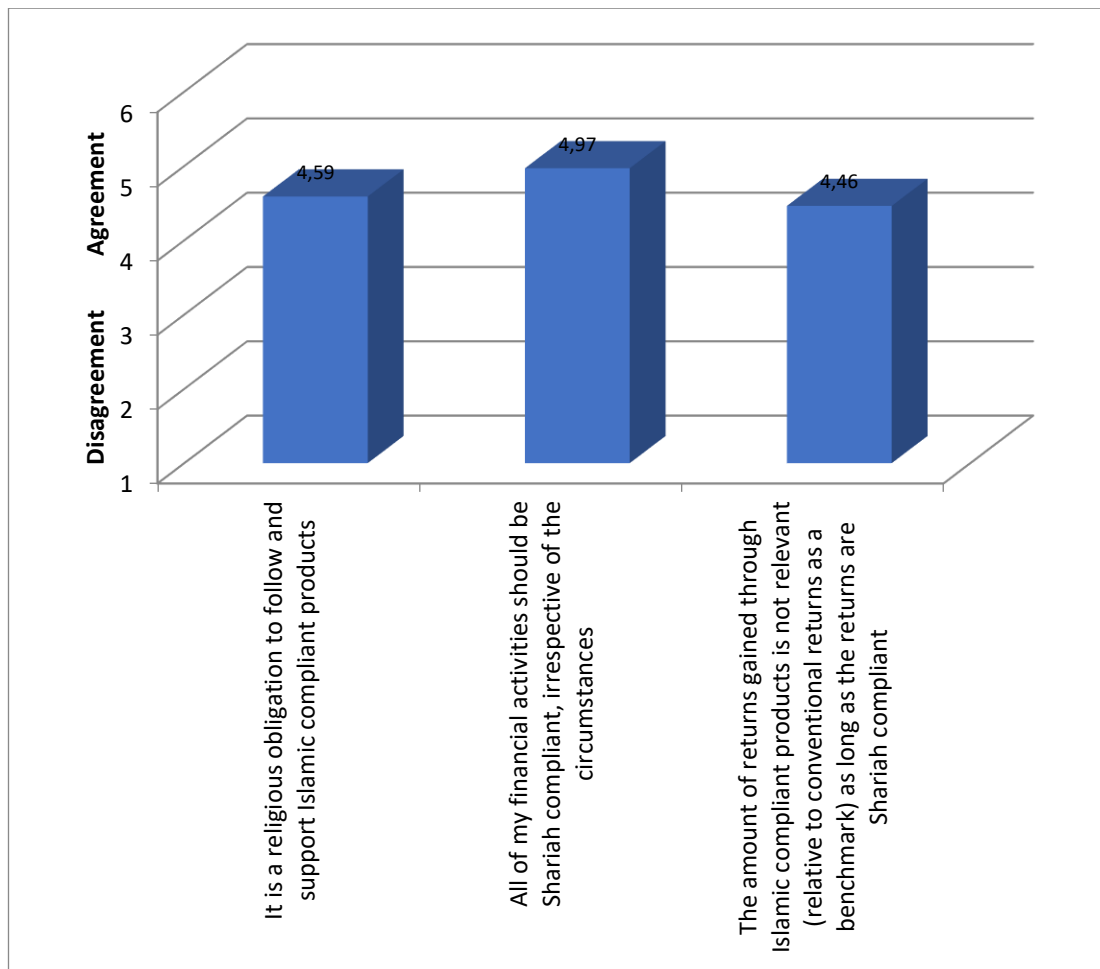


Figure 14 – Illustration of mean responses (Source: Own)

When combining these scores to ascertain the overall score for attitude, to check the reliability, the Cronbach's Alpha test was used, which normally indicates that a score over or equal to .7 is considered reliable. However, in this scenario, the alpha measured .603, which is slightly lower than the average indicated/ expected measure for reliability. However, due to the lower number of questions tested, the slight norm deficit will be accepted and proceeded to obtain an overall attitude score.

Using the one-sample t-test, the result shows that the overall attitude score is significantly positive, between slight agreement and agreement ($M=4.67$), $t(612) = 29.299$, $p < .0005$;

ANOVA analysis across demographics:

There is no significant difference across:

- Gender
- Marital status
- Employment

When considering the correlation, there is a slight (but weak) **NEGATIVE** correlation between attitude and education, $\rho = -.131$, $p=.001$.

This result effectively means that those with lower education are associated with a higher attitude level towards Islamic banking and vice versa.

5.7.5. Section 5 Opinions about Islamic finance

Similar to the attitude, the opinions section of the questionnaire focused on opinion related questions, which do have some root in the beliefs and Shariah guidance.

This section comprised of 16 questions and relied on a scale of 6 distinct options for respondents to choose from, ranging from strongly disagree to strongly agree.

		Strongly disagree		Disagree		Slightly disagree		Slightly agree		Agree		Strongly agree		Chi-Square
		Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	p-values
Islamic retail products are more costly than conventional retail products	q14.1	24	4.4%	98	18.0%	63	11.6%	138	25.4%	173	31.9%	47	8.7%	< 0.001
Islamic finance is readily available in South Africa	q14.2	25	4.6%	74	13.6%	39	7.2%	151	27.8%	211	38.9%	43	7.9%	< 0.001
Islamic finance creates the opportunity to consolidate religious objectives and commercial objectives	q14.3	13	2.4%	24	4.4%	19	3.5%	104	19.2%	302	55.6%	81	14.9%	< 0.001

Participation in Islamic finance is more beneficial (religiously and financially) than participation in conventional finance	q14.4	6	1.1%	31	5.7%	26	4.8%	98	18.0%	238	43.8%	144	26.5%	< 0.001
I know enough about Islamic finance to make an informed decision about it	q14.5	18	3.3%	109	20.1%	62	11.4%	164	30.2%	150	27.6%	40	7.4%	< 0.001
The use of technical and foreign terms (e.g. Arabic words) makes it challenging to understand Islamic finance	q14.6	16	2.9%	84	15.5%	79	14.5%	182	33.5%	154	28.4%	28	5.2%	< 0.001

Conventional finance firms that offer Islamic products have staff that are adequately trained to answer any questions regarding the Islamic products	q14.7	45	8.3%	113	20.8%	78	14.4%	155	28.5%	135	24.9%	17	3.1%	< 0.001
There are suitable Islamic finance offerings available in South Africa that meet my religious requirements/preferences	q14.8	27	5.0%	99	18.2%	77	14.2%	147	27.1%	163	30.0%	30	5.5%	< 0.001
The current Islamic finance offerings available are the same as conventional finance offerings	q14.9	34	6.3%	151	27.8%	103	19.0%	148	27.3%	91	16.8%	16	2.9%	< 0.001

I should do my own research that the products meet the Shariah requirements	q14.10	12	2.2%	57	10.5%	33	6.1%	79	14.5%	253	46.6%	109	20.1%	< 0.001
The composition of individuals on the Shariah board should not affect my decision as to whether the products offered are Shariah-compliant	q14.11	48	8.8%	104	19.2%	86	15.8%	73	13.4%	179	33.0%	53	9.8%	< 0.001

Trust should be placed in the Shariah board and those who developed the product, that it is indeed Shariah compliant	q14.1 2	12	2.2%	24	4.4%	25	4.6%	84	15.5%	264	48.6%	134	24.7%	< 0.001
Islamic windows (conventional banks offering Islamic compliant products) are fully Shariah compliant	q14.1 3	27	5.0%	80	14.7%	87	16.0%	171	31.5%	148	27.3%	30	5.5%	< 0.001
Any links to conventional finance tarnish the Islamic products	q14.1 4	12	2.2%	96	17.7%	90	16.6%	139	25.6%	146	26.9%	60	11.0%	< 0.001

I trust financial institutions that the funds used to initiate and fund the Islamic products are not tainted, even if I do not know where they are coming from	q14.1 5	46	8.5%	112	20.6%	87	16.0%	129	23.8%	145	26.7%	24	4.4%	< 0.001
Due to my understanding of Shariah compliance, I believe that self-banking/ investing/ insuring is preferable to both the current Shariah and conventional offerings	q14.1 6	36	6.6%	93	17.1%	76	14.0%	138	25.4%	176	32.4%	24	4.4%	< 0.001

Table 31 – Summary of responses to question 14 (Source: Own)

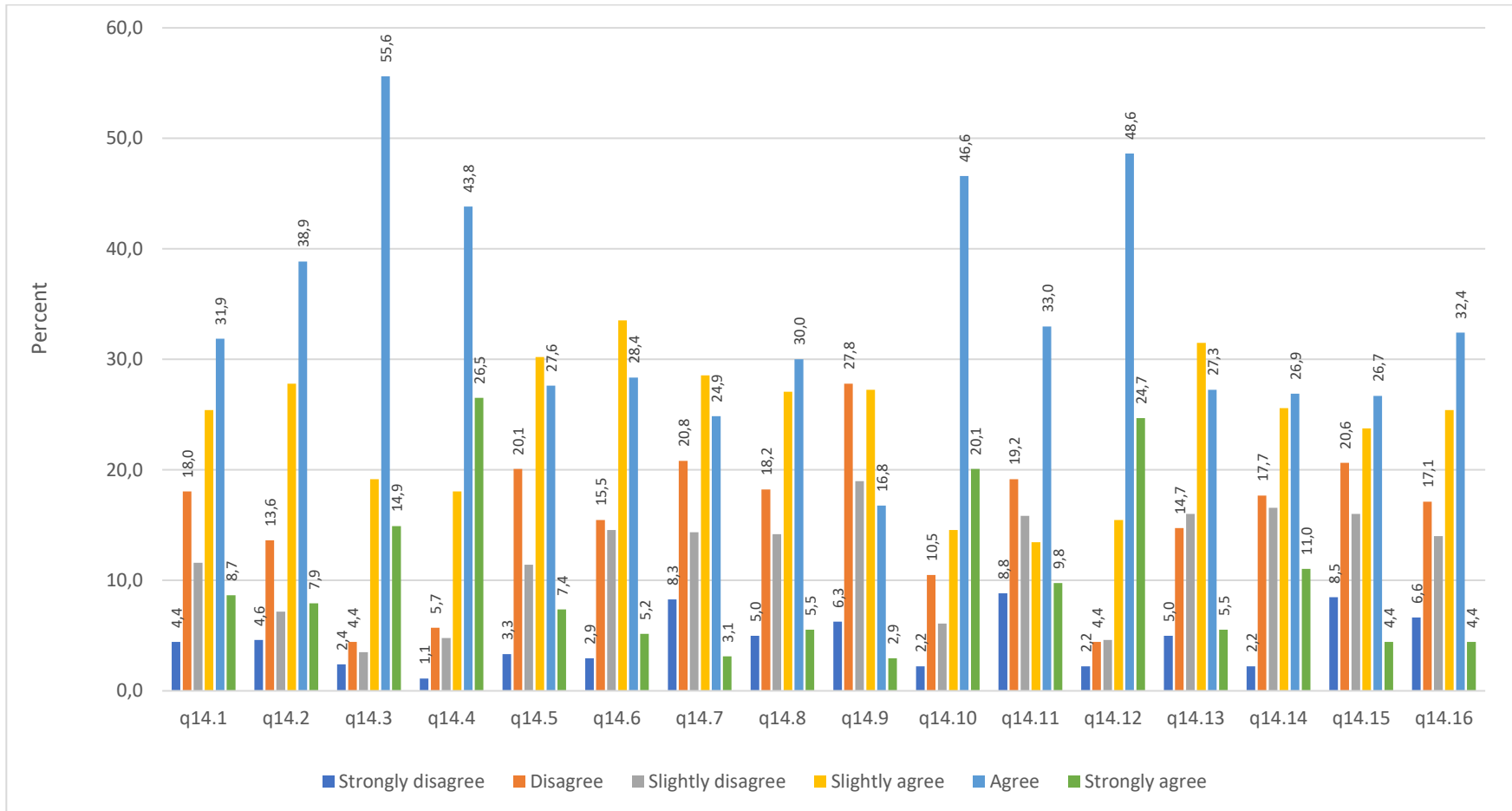


Figure 15 – Illustration of responses to question 14 (Source: Own)

All of the statements have more respondents who agreed than disagreed, except for q14.9, which had a higher level of disagreement.

Factor analysis indicates that there are four sub-themes in this question, (excluding negative loading statements). One sub-theme is made up of the following two statements: “Islamic retail products are more costly than conventional retail products” and “The use of technical and foreign terms (e.g. Arabic words) makes it difficult to understand Islamic finance”. These statements relate to Cost and Understanding (code peach).

Additional sub-themes include:

- Conventional and Islamic paradigm
 - Coded Blue:
 - “The current Islamic finance offerings available are the same as conventional finance offerings”;
 - “I should do my own research that the products meet the Shariah requirements”; and
 - “Any links to conventional finance tarnish the Islamic products”.
 - The commonality here could be due to the variables which seem to align with the conventional versus Islamic principles and beliefs.
- Belief and letting go
 - Coded green:
 - “Islamic finance creates the opportunity to consolidate religious objectives and commercial objectives”;
 - “Participation in Islamic finance is more beneficial (religiously and financially) than participation in conventional finance”; and

- “Trust should be placed in the Shariah board and those who developed the product, that it is indeed Shariah-compliant”.
 - The commonality here would seem to be the trust and knowledge factors which come into play once models become technical and foreign to the layperson.
 - Accessibility
 - Coded yellow:
 - “Islamic finance is readily available in South Africa”;
 - “Conventional finance firms that offer Islamic products have staff that are adequately trained to answer any questions regarding the Islamic products”;
 - “There are suitable Islamic finance offerings available in South Africa that meet my religious requirements/preferences”; and
 - “Islamic windows (conventional banks offering Islamic compliant products) are fully Shariah-compliant”.
 - This sub-theme seems to have emanated due to the common factor of accessibility currently offered by firms.

Similar to the attitude, the respective additional tests were done when checking on the opinions of the respondents.

Using the one-sample t-test, the significance and summary of the responses are listed below:

Statements	Significance	M	T (550) =	p
14.1 Islamic retail products are more costly than conventional retail products	Significant agreement	3.89	6.623	<.0005
14.2 Islamic finance is readily available in South Africa	Significant agreement	4.07	10.18 1	<.0005
14.3 Islamic finance creates the opportunity to consolidate religious objectives and commercial objectives	Significant agreement	4.64	24.29 7	<.0005
14.4 Participation in Islamic finance is more beneficial (religiously and financially) than participation in conventional finance	Significant agreement	4.76	25.70 2	<.0005

14.5 I know enough about Islamic finance to make an informed decision about it	Significant agreement	3.82	5.654	<.0005
14.6 The use of technical and foreign terms (e.g. Arabic words) makes it challenging to understand Islamic finance	Significant agreement	3.85	6.659	<.0005
14.7 Conventional finance firms that offer Islamic products have staff that are adequately trained to answer any questions regarding the Islamic products	No significance	3.50	.031	.975
14.8 There are suitable Islamic finance offerings available in South Africa that meet my religious requirements/ preferences	Significant agreement	3.75	4.365	<.0005
14.9 The current Islamic finance offerings available are the same as conventional finance offerings	Significant agreement	3.30	-3.688	<.0005
14.10 I should do my own research that the products meet the Shariah requirements	Significant agreement	4.54	18.96 4	<.0005
14.11 The composition of individuals on the Shariah board should not affect my decision as to whether the products offered are Shariah-compliant	Significant agreement	3.71	3.252	.001

14.12 Trust should be placed in the Shariah board and those who developed the product, that it is indeed Shariah compliant	Significant agreement	4.76	25.63 1	<.0005
14.13 Islamic windows (conventional banks offering Islamic compliant products) are fully Shariah-compliant	Significant agreement	3.77	4.852	<.0005
14.14 Any links to conventional finance tarnish the Islamic products	Significant agreement	3.90	7.042	<.0005
14.15 I trust financial institutions that the funds used to initiate and fund the Islamic products are not tainted, even if I do not know where they are coming from	No significance	3.52	.361	.718
14.16 Due to my understanding of Shariah compliance, I believe that self-banking/ investing/ insuring is preferable to both the current Shariah and conventional offerings	Significant agreement	3.73	3.989	<.0005

Table 32 – One sample t-test data summary (Source: Own)

There is a significant agreement with the majority of the statements.

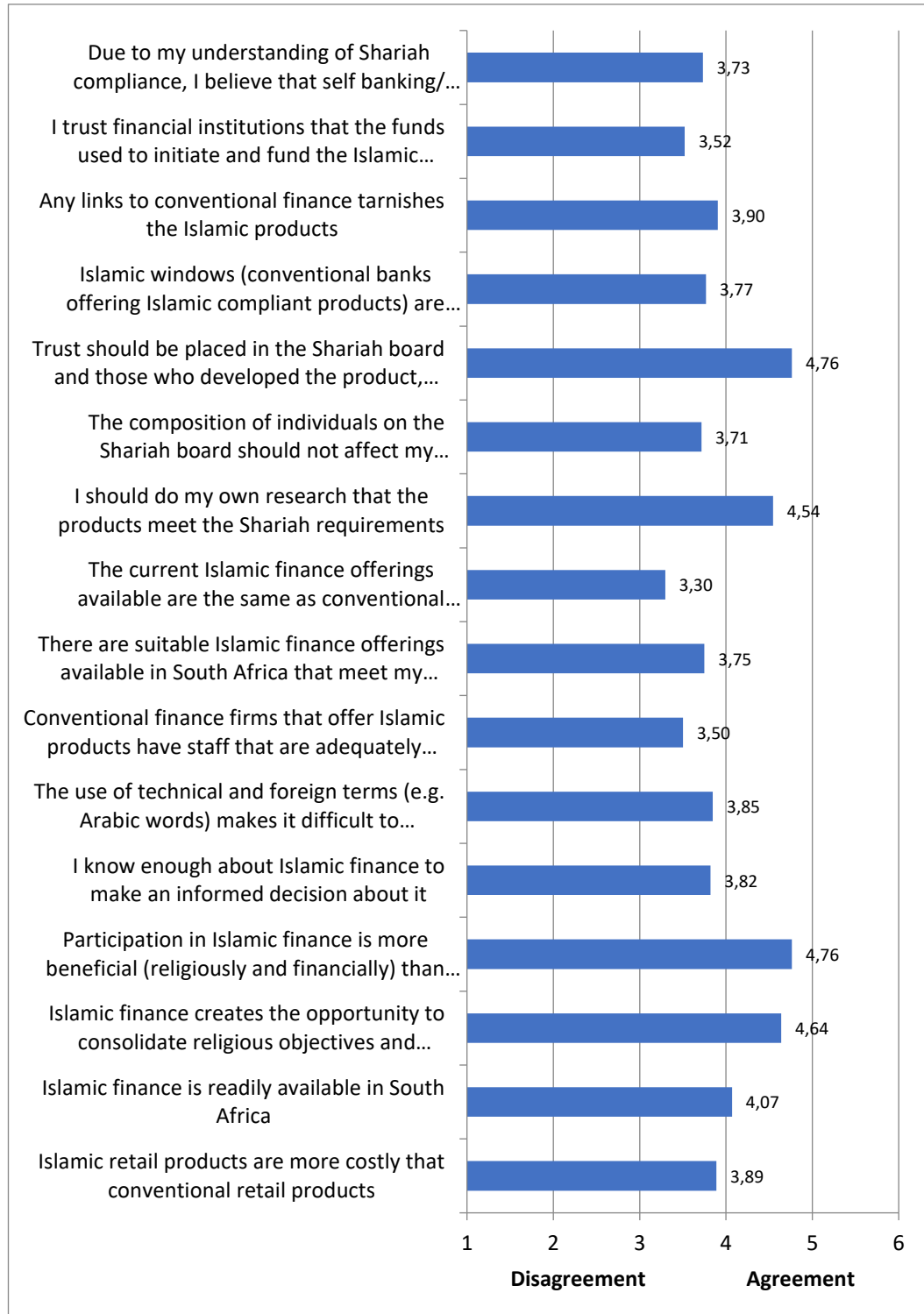


Figure 16 – Illustration of mean responses to question 14 (Source: Own)

ANOVA analysis across demographics:

- Gender

1. There is a significant difference in familiarity with the statement “I know enough about Islamic finance to make an informed decision about it” across gender, $F(3, 550) = 4.571, p=.000$. In particular, those males ($M=4.01$) are more in agreement with this than those who are female ($M=3.48$).

2. There is a significant difference with the statement “There are suitable Islamic finance offerings available in South Africa that meet my religious requirements/preferences” across gender, $F(3, 550) = -2.229, p=.026$. In particular, those females ($M=3.92$) are more in agreement with this than those who are male ($M=3.65$).

3. There is a significant difference in familiarity with the statement “Trust should be placed in the Shariah board and those who developed the product, that it is indeed Shariah-compliant” across gender, $F(3, 550) = -2.973, p=.003$. In particular, those females ($M=4.94$) are more in agreement with this than those who are male ($M=4.66$).

4. There is a significant difference in familiarity with the statement “Any links to conventional finance tarnishes the Islamic products” across gender, $F(3, 550) = 4.721, p=.000$. In particular, those males ($M=4.10$) are more in agreement with this than those who are female ($M=3.55$).

5. There is a significant difference in familiarity with the statement “I trust financial institutions that the funds used to initiate and fund the Islamic products are not tainted, even if I do not know where they are coming from” across gender, $F(3, 550) = -2.409, p=.016$. In particular, those females ($M=3.72$) are more in agreement with this than those who are male ($M=3.41$).

- Marital status

1. There is a significant difference in familiarity with the statement “I know enough about Islamic finance to make an informed decision about it” across marital status, $F(3, 550) = 7.006, p=.007$. In particular, those married ($M=3.92$) are more in agreement with this than those who are single ($M=3.38$).

- Employment

1. There is a significant difference in familiarity with the statement “Islamic retail products are more costly than conventional retail products” across employment, $F(3, 550) = 7.163, p=.010$. In particular, those employed by public and private sector ($M=4.08$) are more in agreement with this than those who are unemployed ($M=3.42$).

2. There is a significant difference with the statement “I know enough about Islamic finance to make an informed decision about it” across employment, $F(3, 550) = 5.557, p=.023$. In particular, those self-employed ($M=4.01$) are more in agreement with this than those who are unemployed ($M=3.52$).

3. There is a significant difference in familiarity with the statement “The use of technical and foreign terms (e.g. Arabic words) makes it difficult to understand Islamic finance” across employment, $F(3, 546) = 3.635, p=.014$. In particular, those employed by the public sector ($M=4.23$) are more in agreement with this than those who are self-employed ($M=3.69$).

4. There is a significant difference in familiarity with the statement “The current Islamic finance offerings available are the same as conventional finance offerings” across employment, $F(3, 546) = 3.154, p=.026$. In particular, those self-employed ($M=3.44$) are more in agreement with this than those who are unemployed ($M=2.94$).

5. There is a significant difference in familiarity with the statement “Trust should be placed in the Shariah board and those who developed the product, that it is indeed Shariah-compliant” across employment, $F(3, 546) = 5.192, p=.002$. In particular, those unemployed ($M=5.14$) are more in agreement with this than those who are employed ($M=4.68$).

6. There is a significant difference in familiarity with the statement “Any links to conventional finance tarnishes the Islamic products” across employment, $F(3, 546) = 8.890, p=.002$. In particular, those employed by the public sector and self-employed ($M=4.05$) are more in agreement with this than those who are unemployed ($M=3.38$).

7. There is a significant difference in familiarity with the statement “Due to my understanding of Shariah compliance, I believe that self-banking/ investing/ insuring is preferable to both the current Shariah and conventional offerings” across employment, $F(3, 546) = 5.357, p=.035$. In particular, those self-employed ($M=3.89$) are more in agreement with this than those who are employed by the public sector ($M=3.51$).

Correlations

- There is a weak but significant positive correlation between income and the basic principles and objectives of Islamic finance. $Rho = .213, p=.000$.
- There is a weak but significant positive correlation between income and the retail and Islamic finance offerings that are available from relevant institutions. $Rho = .271, p=.000$.
- There is a weak but significant positive correlation between income and familiarity with the role of the Shariah board. $Rho = .113, p=.005$.

5.7.6. Section 6 Use of Islamic product offerings

This section of the questionnaire looked at the usage of various product offerings, including non-Islamic as well as Islamic offerings. Specifically, the type of Islamic finance used as well as the reasons and drivers.

Question 15.1

	Frequency	Percent
I don't use Islamic finance products/ services	245	39.6
Islamic banking	223	36.0
Islamic investments	164	26.5
Islamic financial broker	49	7.9
Islamic insurance	18	2.9

Table 33 – Summary of responses to question 15.1

From this, the majority (39,6%, 245 respondents) do not make use of Islamic finance whatsoever.

The balance of 60,4% is split mainly between Islamic banking (36%, 223 respondents) and Islamic investments (26,5%, 164 respondents), with a small number using an Islamic financial broker (7,9%, 49 respondents) or Islamic insurance (2,9%, 18 respondents).

It would seem counterintuitive that Islamic insurance is so seldom used, as this would form a significant financial component to potential users. Possibly this would be because there may not be as many Islamic insurance providers available as there are Islamic banking providers. 31 respondents used the “other” option, and feedback includes, amongst others:

- “Unable to open a bank account”;
- “Asset/ bond finance”;
- “Equity instruments”;
- “Foreign exchange”; and
- “Retirement products”.

Question 15.2

This follow up question explores the reasoning and driver behind the initial response in questions 15.1., including why the respondent does not make use of any form of Islamic finance.

		Strongly disagree		Disagree		Slightly disagree		Slightly agree		Agree		Strongly agree		Chi-Square p-values
		Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	
They were more readily available to me	q15.2.1	4	1.6%	10	4.1%	5	2.1%	43	17.7%	108	44.4%	73	30.0%	< 0.001
They were easier to understand	q15.2.2	3	1.2%	13	5.3%	4	1.6%	34	14.0%	127	52.3%	62	25.5%	< 0.001
They were offered by my current financial provider	q15.2.3	7	2.9%	22	9.1%	12	4.9%	40	16.5%	104	42.8%	58	23.9%	< 0.001
They met my financial goals	q15.2.4	3	1.2%	12	4.9%	5	2.1%	32	13.2%	120	49.4%	71	29.2%	< 0.001
They were offered at the same or a lower cost than conventional products	q15.2.5	4	1.6%	10	4.1%	8	3.3%	24	9.9%	113	46.5%	84	34.6%	< 0.001
The financial institution had staff that were able to answer my questions and concerns	q15.2.6	4	1.6%	9	3.7%	10	4.1%	25	10.3%	119	49.0%	76	31.3%	< 0.001

The Shariah board of my potential financial provider was constituted of different individuals	q15.2.7	3	1.2%	19	7.8%	18	7.4%	39	16.0%	114	46.9%	50	20.6%	< 0.001
The product provider had more advanced user platforms, making it easier to use and transact	q15.2.8	5	2.1%	13	5.3%	11	4.5%	29	11.9%	112	46.1%	73	30.0%	< 0.001

Table 34 – Summary of responses to question 15.2

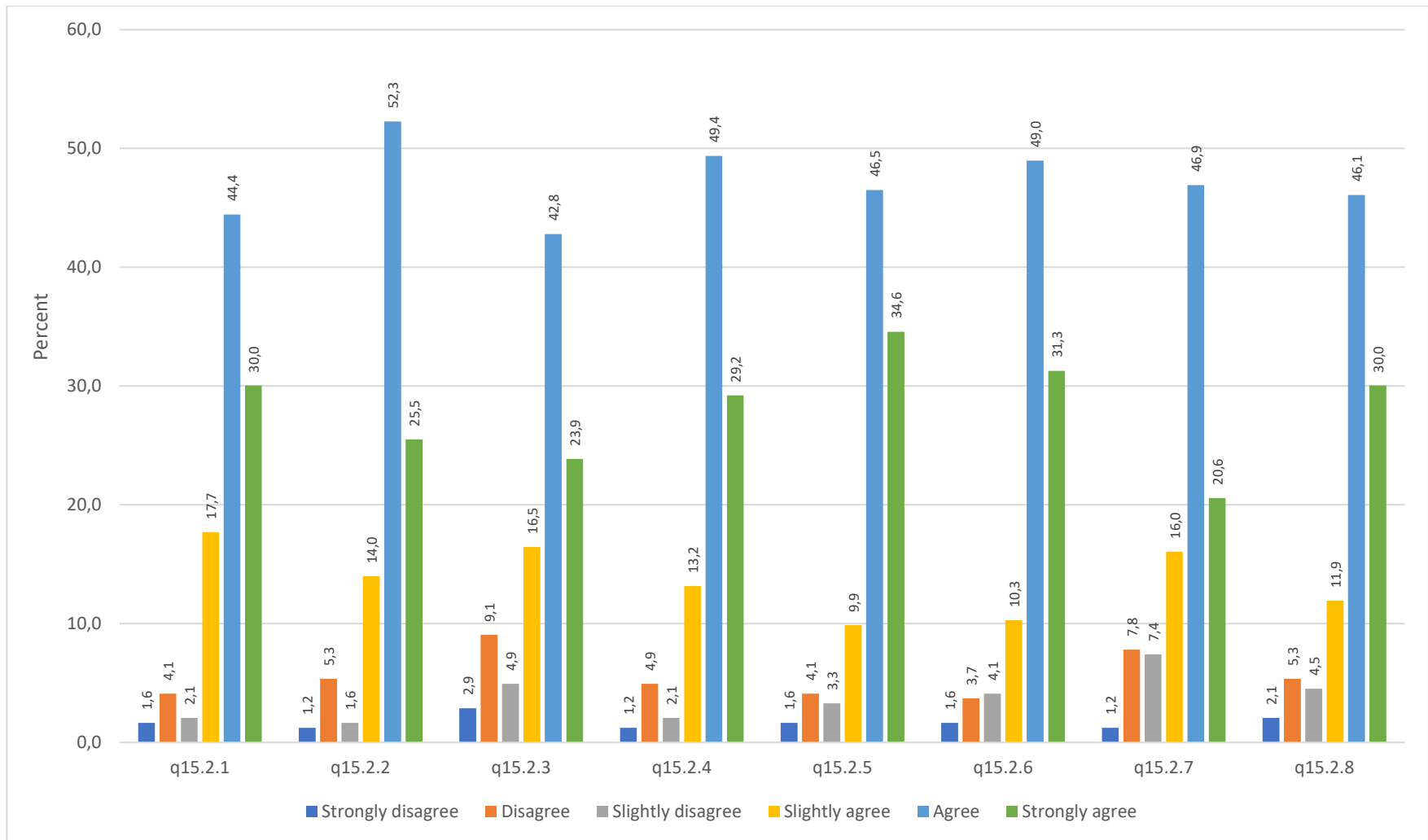


Figure 17 – Illustration of responses to question 15.2 (Source: Own)

Based on the data, it seems that all statements have a high level of significance with regards to the agreement. This would mean that all of the core variables asked in these statements are of importance and will possibly attract those who are currently not using Islamic finance.

These variables for consideration include:

- Accessibility to products;
- Easier to understand;
- Offered by the current provider;
- Met financial goals;
- Pricing of products;
- Staff able to assist;
- Shariah board composition; and
- Advanced user platforms.

5.7.7. Section 7 Use of non-Islamic product offerings

In this section, based on the response received, the questions were aimed at understanding why or why not the respondent's made the choices which they did, and what factor/s played a part in this decision.

- **Do you use any conventional (Non-Islamic) finance products?**

	Frequency	Percent
Yes	381	70.7
No	158	29.3
Total	539	100.0

Table 35 – Summary of responses to section 7

Significantly more respondents (70,7%) indicated that they did use conventional finance products ($p < 0.001$).

Significantly more of those who work in the public sector do use these products (conventional products), $p=.001$.

Significantly more of those who work in the public sector do use these products (conventional products), $p=.001$.

Question 16

This question looks at why the respondent makes use of conventional finance, by offering several statements, in the hope that the results will offer a reflection on the driving force behind the decision not to use Islamic finance, and instead make use of conventional finance.

		Strongly disagree		Disagree		Slightly disagree		Slightly agree		Agree		Strongly agree		Chi-Square
		Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	p-values
I am not aware of alternative Islamic products	q16.1.1	37	10.0%	115	31.0%	47	12.7%	55	14.8%	97	26.1%	20	5.4%	< 0.001
I do not believe that the alternative Islamic products are in fact compliant	q16.1.2	26	7.0%	110	29.6%	58	15.6%	92	24.8%	68	18.3%	17	4.6%	< 0.001
The alternative Islamic products are more expensive	q16.1.3	19	5.1%	76	20.5%	57	15.4%	96	25.9%	95	25.6%	28	7.5%	< 0.001
I believe that the end result of both the Islamic and conventional products are the same	q16.1.4	41	11.1%	109	29.4%	68	18.3%	73	19.7%	65	17.5%	15	4.0%	< 0.001
I do not understand the Islamic alternatives and prefer to use what I understand	q16.1.5	30	8.1%	95	25.6%	44	11.9%	79	21.3%	110	29.6%	13	3.5%	< 0.001
My institution cannot give me sufficient information on the alternatives to make an informed decision	q16.1.6	17	4.6%	80	21.6%	41	11.1%	75	20.2%	126	34.0%	32	8.6%	< 0.001

Table 36 – Summary of responses to question 16

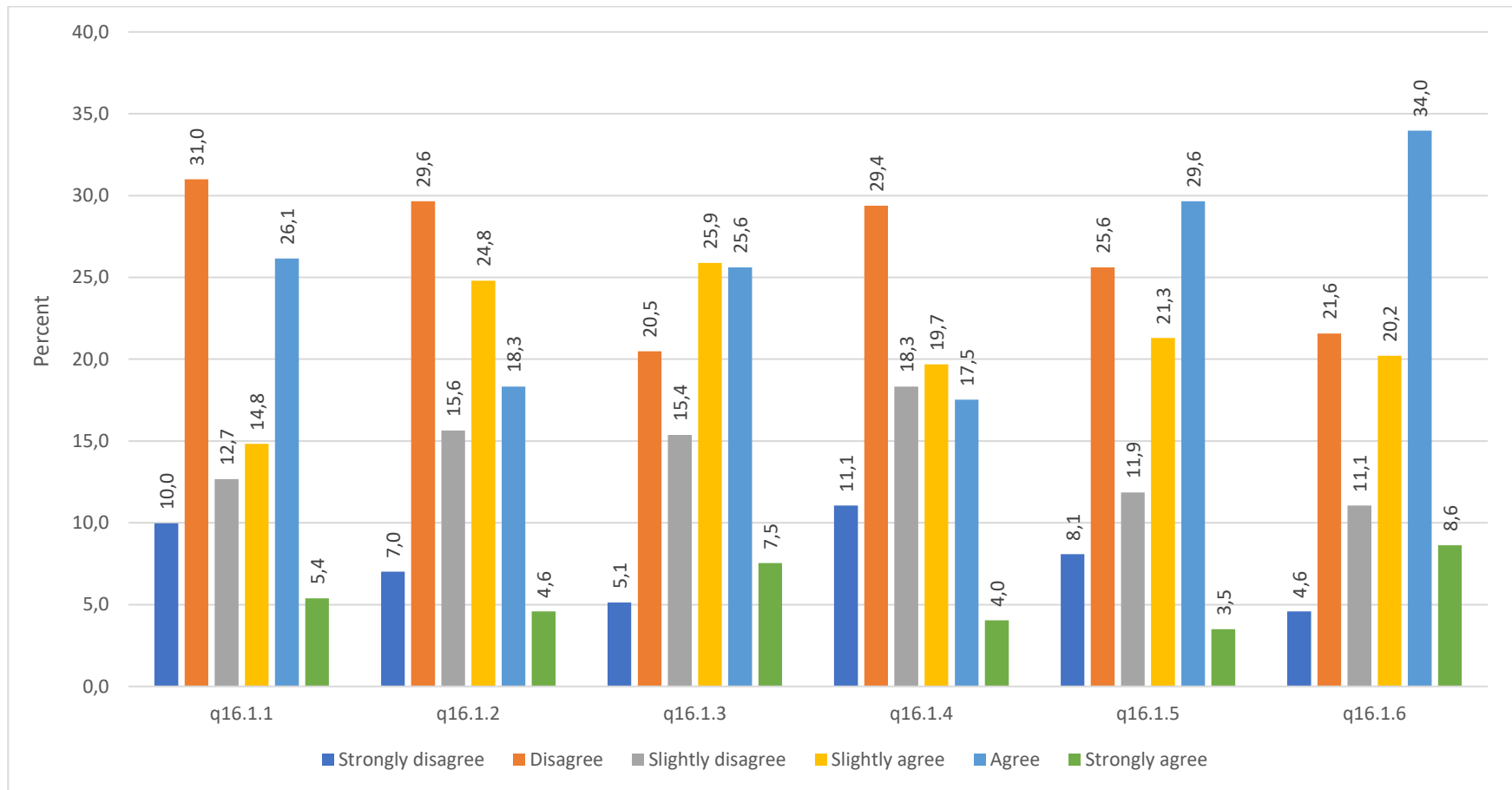


Figure 18 – Illustration of responses to question 16

There is significant disagreement with:

- “I am not aware of alternative Islamic products.”
- “I do not believe that the alternative Islamic products are in fact, compliant.”
- “I believe that the end result of both the Islamic and conventional products are the same”

There is a significant agreement with:

- “The alternative Islamic products are more expensive.”
- “I do not understand Islamic alternatives and prefer to use what I understand.”
- “My institution cannot give me sufficient information on the alternatives to make an informed decision.”

Based on the agreement and disagreement split, it could be inferred that:

1. Awareness and compliance are not motivating factors, as there seems to be trust in this regard; and
2. Cost, understanding, and more importantly, access via the current conventional provider seems to be limiting factors in respondents making use of Islamic finance products.

5.7.8. Section 8 Drivers in adopting Islamic finance

The questions of this section were aimed to understand what aspects are most expected and required, which act as a driver in the choice and purchasing decision of the respondents.

		Strongly disagree		Disagree		Slightly disagree		Slightly agree		Agree		Strongly agree		Chi-Square
		Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	p-values
Financial reputation and image of the Islamic institution	q17.1	6	1.2%	15	3.0%	13	2.6%	45	8.9%	247	48.6%	182	35.8%	< 0.001
Your knowledge and understanding of what Islamic finance entails	q17.2	1	0.2%	9	1.8%	12	2.4%	71	14.0%	275	54.1%	140	27.6%	< 0.001
The extent of the visibility/ presence of the Islamic bank/ branch	q17.3	3	0.6%	23	4.5%	22	4.3%	76	15.0%	258	50.8%	126	24.8%	< 0.001
The purpose of the savings (religious or other)	q17.4	5	1.0%	32	6.3%	19	3.7%	62	12.2%	273	53.7%	117	23.0%	< 0.001
The quality of customer service at the institution	q17.5	3	0.6%	16	3.1%	13	2.6%	43	8.5%	243	47.8%	190	37.4%	< 0.001

The knowledge of the staff at the institution	q17.6	2	0.4%	18	3.5%	13	2.6%	39	7.7%	239	47.0%	197	38.8%	< 0.001
The convenience of the institution	q17.7	1	0.2%	12	2.4%	10	2.0%	53	10.4%	241	47.4%	191	37.6%	< 0.001
The knowledge base of the Shariah supervisory board	q17.8	2	0.4%	17	3.3%	13	2.6%	36	7.1%	204	40.2%	236	46.5%	< 0.001
The credibility of the Shariah supervisory board	q17.9	2	0.4%	16	3.1%	7	1.4%	36	7.1%	194	38.2%	253	49.8%	< 0.001
The ease of accessing the banking and investment services	q17.10	1	0.2%	11	2.2%	9	1.8%	35	6.9%	241	47.4%	211	41.5%	< 0.001
Your religious obligation	q17.11	0	0.0%	8	1.6%	10	2.0%	34	6.7%	195	38.4%	261	51.4%	< 0.001

Table 37 – Summary of responses to question 17 (Source: Own)

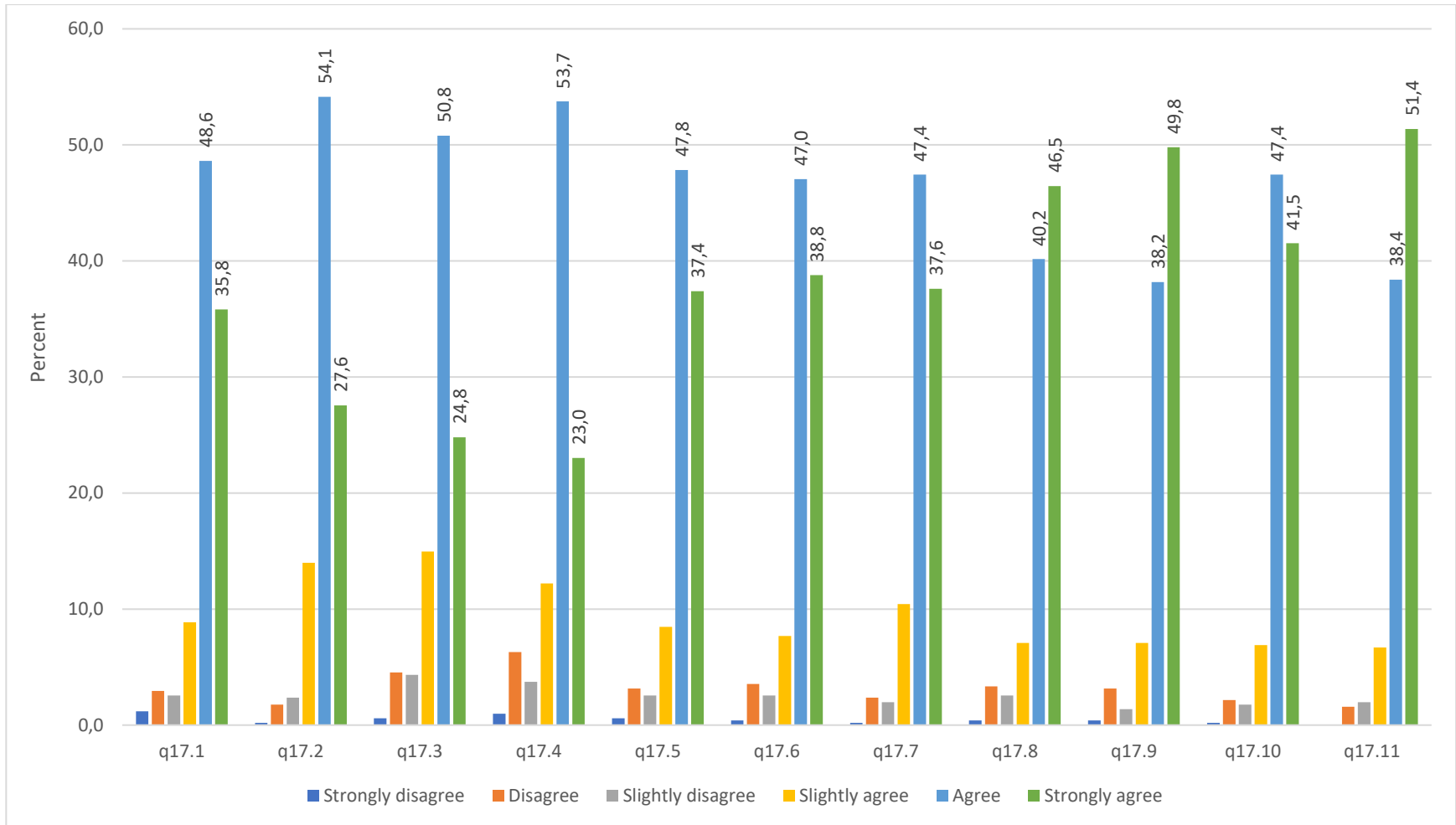


Figure 19 – Illustration of responses to question 17

There is a significant agreement with all of these statements, indicating that all of these factors lead to motivation and requirements from respondents when making use and/or considering the use of Islamic finance products.

These core components include:

- Reputation;
- Knowledge;
- Presence;
- Purpose of the savings;
- Customer service;
- Knowledge of the staff;
- Convenience;
- The knowledge base of the Shariah board;
- The credibility of the Shariah supervisory board;
- Ease of accessing the banking and investment services; and
- Religious obligation.

5.7.9. Cross tabulations

A second Chi-square test (test of independence) was performed to determine whether there was a statistically significant relationship between the variables (rows vs columns).

The null hypothesis states that there is no association between the two. The alternate hypothesis indicates that there is an association.

The table summarises the results of the chi-square tests.

The p-value between “Employment” and “Location” is 0.016. This means that there is a significant relationship between the variables highlighted in yellow. That is, the location of the respondent did play a significant role in terms of the type of employment that respondents had.

More respondents were self-employed from Durban (51.1%) compared to the other cities. More respondents from Johannesburg (41.9%) and Cape Town (42.5%) were employed in the private sector.

The p-value between “Religious education” and “Location” is 0.005. This means that there is a significant relationship between the variables highlighted in yellow. That is, the location of the respondent did play a significant role in terms of the type of income that respondents had.

The p-value between “Income” and “Location” is 0.016. This means that there is a significant relationship between the variables highlighted in yellow. That is, the location of the respondent did play a significant role in terms of the type of employment that respondents had.

All p-values more than 0.05 do not have a significant relationship.

The p-value between “Education” and “All of my financial activities should be Shariah-compliant, irrespective of the circumstances” is 0.019. This means that there is a significant relationship between the variables highlighted in yellow. That is, the education level of the respondent did play a significant role in terms of the respondent’s belief that all financial activities should be Shariah-compliant.

The frequency table indicates the following:

It is observed that the more educated respondents agreed to a lower level that all activities should be Shariah-compliant.

This could be due to the higher level of education, allowing for a better understanding of finance and the impact and interrelatedness of this and Islam and the Shariah.

5.7.10. Correlations

Bivariate correlation was also performed on the (ordinal) data. The results are found in the appendix.

The results indicate the following patterns:

Positive values indicate a directly proportional relationship between the variables, and a negative value indicates an inverse relationship. All significant relationships are characterised by a * or **.

For example, the correlation value between “The role of the Shariah board” and “I know enough about Islamic finance to make an informed decision about it” is 0.450. This is a directly related proportionality. Respondents indicate that the more significant the role of the Shariah board, the greater the level of Islamic finance knowledge, and vice versa.

Other positive values include:

1. Correlation value between “The retail and Islamic finance offerings that are available from relevant institutions” and “Islamic finance is readily available in South Africa” is 0.170. This is a directly related proportionality. Respondents indicate that the greater the Islamic offerings, the greater the level of Islamic finance availability in South Africa, and vice versa.
2. Correlation value between “I trust financial institutions that the funds used to initiate and fund the Islamic products are not tainted, even if I do not know where they are coming from” and “The role of the Shariah board” is 0.092. This is a directly related proportionality. Respondents indicate that the greater the trust in financial institutions, the more significant the role of the Shariah board, and vice versa.
3. Correlation value between “Islamic retail products are more costly than conventional retail products” and “Any links to conventional finance tarnishes the Islamic products” is 0.161. This is a directly related proportionality. Respondents indicate that the greater the cost of Islamic products, the greater the level of linkage tarnishing Islamic products, and vice versa.

Negative values imply an inverse relationship. That is, the variables have an opposite effect on each other.

For example, the correlation value between “The Shariah terms and meanings” and “The use of technical and foreign terms (e.g. Arabic words) makes it difficult to

understand Islamic finance” is -0.257 . That is, the better the respondent’s understanding of Shariah terms and meanings, and the less complicated technical and foreign terms would be.

Other negative values include:

1. Correlation value between “The composition of individuals on the Shariah board should not affect my decision as to whether the products offered are Shariah-compliant” and “The basic principles and objectives of Islamic finance” are -0.111 . That is, the better the composition of Shariah terms and meanings, the less concern placed on the basic Islamic principles.
2. Correlation value between “The amount of returns gained through Islamic compliant products is not relevant (relative to conventional returns as a benchmark) as long as the returns are Shariah-compliant” and “The composition of individuals on the Shariah board should not affect my decision as to whether the products offered are Shariah-compliant” is -0.007 . That is, the greater the irrelevance of returns, the less the Shariah board composition should affect the respondent’s decision.
3. Correlation value between “I should do my own research that the products meet the Shariah requirements” and “Islamic windows (conventional banks offering Islamic compliant products) are fully Shariah-compliant” is -0.095 . That is, the more is done on Shariah compliance, the less the Islamic windows seem to be fully Shariah-compliant.

There are several additional positive and negative correlations, which can be found annexed to this document. These can all be interpreted as per the above positive and negative correlation examples.

5.8. Conclusion of the statistics

The questionnaire was dispersed electronically and allowed for a wider reach, which achieved the minimum required numbers to allow for meaningful data.

While several responses were achieved, not all respondents completed the questionnaires. However, the data was included, where applicable and where it would add value to the study. This was measured and evaluated per section.

Most notably, the majority of respondents were educated and possessed a lower level of religious education. Also, the earning power of the respondents was relatively high, with age showing a somewhat peak towards the mean.

From an awareness perspective, there seems to be a relatively good level of awareness of the Islamic and Shariah laws and teachings, with however some uncertainty with regards to the model complexities between conventional and Islamic finance. This could be due to the generally lower religious education.

Attitudes towards Islamic bank further show an understanding and awareness of the core Islamic values and principles, with the majority of respondents agreeing with the statements regarding these core values as a benchmark.

From the opinion, section emanated a reliance on the Shariah board where trust would be placed in this board due to the higher level of religious knowledge which this board is deemed to have.

Usage shows that the majority of respondents make use of conventional finance as opposed to Islamic finance. This could be due to several reasons, which all had a high significance rate, including accessibility to these Islamic products from the respondent's conventional provider. From those who did make use of Islamic finance, the majority of these made use of Islamic banking. This could be attributed to the fact that Islamic banking currently makes up the most comprehensive offering in South Africa, with Islamic insurance showing a minimal penetration rate, again, possibly due to the current lower offering and availability within South Africa.

Notwithstanding these above factors, conventional or not, respondents still expect specific competencies in places such as accessibility, service, understanding and competitive pricing, showing that religious obligation alone does not seem to be the primary and/or only motivating factor as per the respondents.

5.9. Model Construction

Structural Equation Model (SEM)

Structural equation modelling is a multivariate statistical analysis technique that is used to analyse structural relationships. This technique is the combination of factor analysis and multiple regression analysis, and it is used to analyse the structural relationship between measured variables and latent constructs. The researcher prefers this method because it estimates the multiple and interrelated dependence in a single analysis. In this analysis, two types of variables are used endogenous variables and exogenous variables. Endogenous variables are equivalent to dependent variables and are equal to the independent variable (Statistics Solutions, 2020: 1).

The SEM was carried out using the following data and assumptions/ exclusions:

Multivariate Normal Distribution	The method used and assumed here is the maximum likelihood method for multivariate normal distribution
Linearity	There is an assumption of a linear relationship between exogenous and endogenous variables
Outlier	The outliers have been removed, and outliers affect the significance of the model
Sequence	The relationship must be one of a cause and effect relationship where it is expected that a cause must occur before an event
Non-spurious relationship	The observed covariance should be true
Model identification	Either equation should be larger than the estimated parameters or models should be greater identified or equal identified
Sample size	This would generally range between 200 – 400 with about 10-20 indicators
Uncorrelated error terms	There is an assumption that the error terms are not correlated with the variable error terms
Data	The interval data set was used

Table 38 – SEM Model information (Source: Adapted from Statistics Solutions, 2020: 1)

An attempt was made to generate an SEM, even though the model was not specified in the original study. The path diagram is shown below, and the variance indices are explained below.

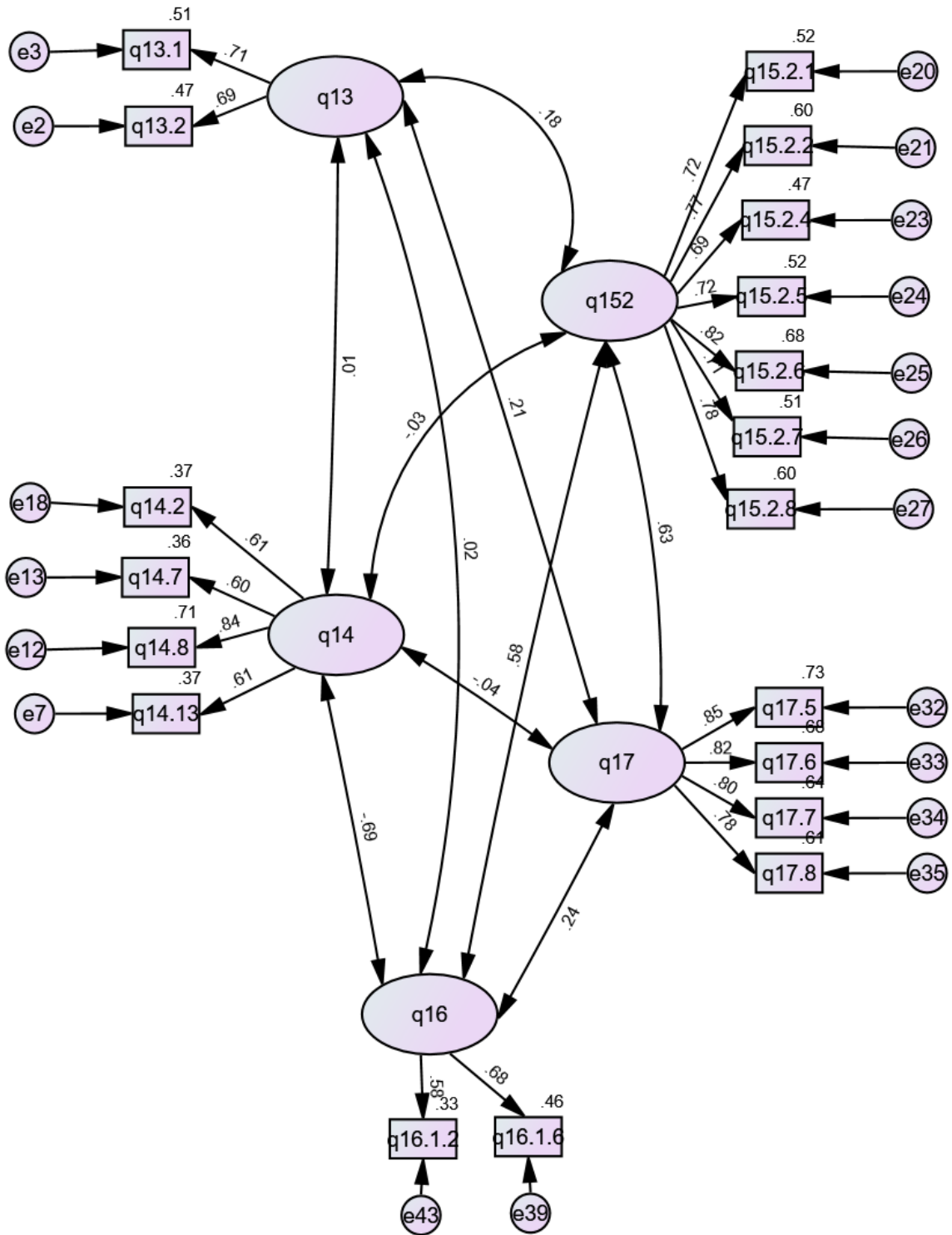


Figure 20 – Generated SEM (Source: Own)

The model above is a multivariate statistical result that was obtained using structural relationships, applying a combination of factor analysis and multiple regression analysis techniques. It is used to analyse the structural relationship between measured variables and latent constructs. (The key to the measured and latent variables can be found in Appendix A) (AMOS also identified the latent constructs as F1 to F5.)

Result (Default model)

- Minimum was achieved
- Chi-square = 406.543
- Degrees of freedom = 142
- Probability level = .000

This Chi-square tests the null hypothesis that the over-identified (reduced) model fits the data as well as does a just-identified (full, saturated) model. In a just-identified model, there is a direct path (not through an intervening variable) from each variable to each other variable. In such a model, the Chi-square will always have a value of zero, since the fit will always be perfect. The probability should not be significant. In this model, the chi-square p-value < 0.001 .

It is, however, worth noting that even though, technically, the Chi-Square should be non-significant in model testing, this is extremely hard to achieve due to the usually large sample required for it. Hence, if it is, in fact, significant, that is not a problem so long as the other indicators of fit are good.

Maximum Likelihood Estimates

Regression Weights: (Group number 1 - Default model)

	Estimate	S.E.	C.R.	P	Label
q13.2 <--- F1	.907	.283	3.204	.001	
q13.1 <--- F1	1.000				
q14.8 <--- F2	1.000				
q14.7 <--- F2	.734	.061	12.127	***	
q15.2.4 <--- F3	.946	.097	9.801	***	
q15.2.5 <--- F3	1.007	.098	10.310	***	
q15.2.6 <--- F3	1.139	.097	11.744	***	
q17.5 <--- F4	1.160	.055	20.914	***	
q17.6 <--- F4	1.119	.056	20.029	***	
q17.7 <--- F4	1.000				
q17.8 <--- F4	1.077	.057	18.864	***	
q14.13 <--- F2	.691	.056	12.236	***	
q14.2 <--- F2	.715	.059	12.200	***	
q15.2.1 <--- F3	1.000				
q15.2.2 <--- F3	1.049	.095	11.037	***	
q15.2.8 <--- F3	1.139	.103	11.098	***	
q15.2.7 <--- F3	1.069	.105	10.173	***	
q16.1.2 <--- F5	.814	.103	7.891	***	
q16.1.6 <--- F5	1.000				

Table 39 – Maximum likelihood estimates (Source: Own)

Variables that had poor loading coefficients (< 0.60 on the standardised weights table below; except Q16.1.2) were omitted from the model. (The suggested value is 0.7, but that would have eliminated complete factors.)

The remaining variables loaded strongly along with their various factors (significant p-values).

Standardised Regression Weights: (Group number 1 - Default model)

	Estimate
q13.2 <--- F1	.686
q13.1 <--- F1	.714
q14.8 <--- F2	.841
q14.7 <--- F2	.601
q15.2.4 <--- F3	.687
q15.2.5 <--- F3	.722
q15.2.6 <--- F3	.823
q17.5 <--- F4	.854
q17.6 <--- F4	.822
q17.7 <--- F4	.802
q17.8 <--- F4	.782
q14.13 <--- F2	.607
q14.2 <--- F2	.605
q15.2.1 <--- F3	.719
q15.2.2 <--- F3	.773
q15.2.8 <--- F3	.777
q15.2.7 <--- F3	.713

	Estimate
q16.1.2 <--- F5	.577
q16.1.6 <--- F5	.678

Table 40 – Standardised regression weights (Source: Own)

The parameters are estimated by maximum likelihood (ML) methods, which, is an iterative procedure that, attempts to maximize the likelihood that obtained values of the criterion variable will be correctly predicted. It is observed that all but one of the weights is greater than 0.6.

Covariances: (Group number 1 - Default model)

	Estimate	S.E.	C.R.	P	Label
F1 <--> F3	.130	.059	2.201	.028	
F1 <--> F2	.008	.062	.129	.897	
F5 <--> F2	-.749	.096	-7.833	***	
F5 <--> F1	.020	.073	.280	.779	
F2 <--> F3	-.030	.061	-.487	.626	
F2 <--> F4	-.035	.041	-.844	.399	
F3 <--> F4	.349	.047	7.424	***	
F1 <--> F4	.136	.043	3.153	.002	
F5 <--> F4	.162	.050	3.252	.001	
F5 <--> F3	.440	.080	5.535	***	

Table 41 – Covariances (Source: Own)

The covariance table indicates that there are six significant relationships between the factors, with the highlighted values not being significant.

Correlations: (Group number 1 - Default model)

	Estimate
F1 <--> F3	.180
F1 <--> F2	.008
F5 <--> F2	-.692
F5 <--> F1	.023
F2 <--> F3	-.034
F2 <--> F4	-.044
F3 <--> F4	.627
F1 <--> F4	.209
F5 <--> F4	.236
F5 <--> F3	.577

Table 42 – Correlations (Source: Own)

Model Fit Summary

The suggested acceptable value for relative chi-square, CMIN/DF should not be greater than five, which are used to reduce dependency on sample size. However, the cut-off point for TLI, CFI, NFI and IFI is between zero to one. A good model is indicated by the RMSEA value of less than or equal to 0.05.

CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	67	406.543	142	.000	2.863
Saturated model	209	.000	0		
Independence model	19	3243.621	190	.000	17.072

Table 43 – CMIN (Source: Own)

CMIN is a Chi-square statistic comparing the tested model and the independence model to the saturated model. The ratio, CMIN/DF, the relative chi-square, is an index of how much the fit of data to model has been reduced by dropping one or more paths. The CMIN/DF is less than the acceptable value of 5 (2.863).

Baseline Comparisons

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.875	.832	.915	.884	.913
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

Table 44 – Baseline comparisons (Source: Own)

This goodness of fit indices compares the model to the independence model rather than to the saturated model. The Normed Fit Index (NFI) is simply the difference between the two models' chi-squares divided by the chi-square for the independence model. For this data, the NFI is 0.875, which is only marginally lower than the recommended value of 0.9 for a good fit. The Comparative Fit Index (CFI) uses a similar approach (with a noncentral chi-square) and is said to be a good index for use even with small samples. It ranges from 0 to 1, like the NFI, and 0.95 (or 0.9 or higher) indicates a good fit. The CFI value is 0.913.

Parsimony-Adjusted Measures

Model	PRATIO	PNFI	PCFI
Default model	.747	.654	.683
Saturated model	.000	.000	.000
Independence model	1.000	.000	.000

Table 45 – Parsimony-adjusted methods (Source: Own)

PRATIO is the ratio of how many paths are dropped to how many that could have been dropped (all of them). The Parsimony Normed Fit Index (PNFI) is the product of NFI and PRATIO, and PCFI is the product of the CFI and PRATIO. The PNFI and PCFI are intended to reward those whose models are parsimonious (contain few paths). A value greater than 0.900 is considered acceptable. This model has a value less than the recommended.

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.061	.054	.068	.006
Independence model	.178	.173	.183	.000

Table 46 – RMSEA (Source: Own)

The Root Mean Square Error of Approximation (RMSEA) estimates the lack of fit compared to the saturated model. RMSEA of .05 or less indicates a good fit and between .05 and .08 an adequate fit. LO 90 and HI 90 are the lower and upper ends of a 90% confidence interval on this estimate. Even though the model is adequate, the PCLOSE p-value that tests the null that RMSEA is no greater than .05 is significant. The RMSEA value is 0.061.

Summary

Only the PRATIO value of the model does not meet the required cut-off values.

Various statements were eliminated in the model. An inspection of the coefficients for each latent variable indicated high factor loadings. Also, the path coefficients are reflected in the diagram. All of the coefficients are high, indicating strong positive correlations between the latent variables.

As this was a newly developed construct, it is also expected that the structural relationships may not have fitted accurately. However, specific indices are met, and it is a recommendation that the model is revised in terms of the measured variables constituting the latent variables to improve factor loadings.

5.10. Summary

The researcher conducted the survey electronically and distributed this via various social media platforms.

This allowed for a wider reach, and for ease of accessing and completing the survey, which allowed for faster response time and rate.

The researcher was satisfied with the number of respondents received, such that it allowed for the data to be meaningful so that that general conclusion could be drawn, within the same context.

The responses were categorised, analysed and reported based on their relevance and significance to the study, such that it may address the relevant research aim and objectives regarding Islamic finance.

The various data sets offered several insights, including:

- The sample was generally well educated;
- Islamic knowledge was relatively low;
- A relatively large percentage does not make use of any financial services;
- Religious principles, while being a strong driver, is not the sole motivating and driving factor;

- Other services expected from financial institutions are also expected from the Islamic finance providers;
- Trust is placed in the Shariah board, possibly due to the low level of internal Islamic knowledge; and
- A large percentage makes use of conventional finance either because they are unaware of Islamic finance, or find the offering better from a conventional provider than an Islamic finance provider.

Using the researcher's predictor model, Only the PRATIO value of the model does not meet the required cut-off values.

Various statements were eliminated in the model. An inspection of the coefficients for each latent variable indicated high factor loadings. Also, the path coefficients are reflected in the diagram. All of the coefficients are high, indicating strong positive correlations between the latent variables.

As this was a newly developed construct, it is also expected that the structural relationships may not have fitted accurately. However, specific indices are met, and it is a recommendation that the model is revised in terms of the measured variables constituting the latent variables to improve factor loadings.

The subsequent chapter will elaborate on the data and contain the researcher's analysis to draw several conclusions and offer recommendations, through discussions and insights derived from the primary data, being the literature review as well as data analysis.

Chapter 6 – Discussion and analysis

6.1. Introduction

This chapter seeks to analyse and consolidate meaningful data from the primary sources. These primary sources comprise of the literature review, as well as the data collection and analysis, which jointly make up the primary data source. Additionally, this chapter seeks to analyse and link the data, such that it is related and relevant to the research aim and objectives and addresses the research questions. This evidence will be summarised in this chapter, as well.

Therefore, this chapter will focus on the salient features and points emanating from the literature review and data analysis, such that it can be benchmarked to the current literature while offering additional insight into this topic stemming from the data analysis.

The discussion will be broken up into the theoretical discussion, is based on the literature review chapters, as well as a discussion around the primary data collected, based on the responses of the sample.

Additionally, recommendations will also be made with regards to the topic, based on the outcomes of the discussion. This will serve to enhance the subject and understanding thereof.

6.2. Discussion on findings from the research study

The research study is broken up into two distinct sections, is the literature review, which was done on current literature on the topic compiled by various authors, as well as the data collection done in the field by the researcher, which allows for geographic-specific data to be analysed and compared, which will give rise to additional insight as per the researcher's specific questions. These questions have been compiled with a view of addressing the respective research aim and objectives.

6.2.1. Discussion on findings from the literature review

The literature review was compiled based on a large selection of literature which was interrogated and analysed to understand Islamic finance and the difference to

conventional finance. For purposes of this study, Islamic finance covers only Islamic banking and investment, as these umbrella terms cover all financial and related facets.

It was established that banking and investment are allowed from an Islamic perspective using evidence from the sources of knowledge in Islam, within specific parameters and compliance with the Islamic law of Shariah. These laws, amongst others, prohibit interest and investments into assets and asset classes which are contrary to the teachings and philosophy of Islam. These teachings propagate mutual risk and reward, as well as cooperation such that it allows for fairness for all parties involved in transactions, as well as involving transactions which have an underlying asset. With the rise of cryptocurrency, the principle of underlying assets based transactions come under the spotlight, because the majority of these cryptocurrencies do not have any underlying assets and/ or intrinsic value in nature, as it comprises of computer code and is subject to mere speculation. However, there are specific cryptocurrencies which use an underlying asset to underpin the value of the “coin”. In this case, these would be permissible as these are subject only to fluctuations in the underlying asset and the general supply and demand fluctuations.

Banking models are similar to those of conventional models; however, the Islamic compliant model does not make use of interest payment, but rather a profit share payment. This profit share payment is seen as the upside for the lender, who would be seen to be taking the risk with the borrower in their endeavour and will be rewarded for successful use of the funds borrowed. However, this would conversely mean that any risks would also be shared and that the lender would participate in these risks and cannot have recourse should there be losses which would then also need to be shared.

From an investment model perspective, similar to Islamic banking, the Islamic investment model has specific parameters which need to be adhered to. Amongst these parameters, an essential requirement would be the fact that all investments must be made where an underlying asset is involved. Additionally, the investments cannot be made into assets and asset classes which involve impermissible activities such as interest activities, pork, alcohol or gambling activities.

The market for Islamic finance is growing at a rapid rate, relative to the conventional finance, possibly because it has recently been offered to the market and there has been a rise in wealth in various oil-producing and Muslim majority countries. Globally, the Muslim population is growing and is poised to overtake Christianity as a religion by 2050. This would result in a growing “market” for Islamic products with potential new customers being born or converting daily.

Notwithstanding this growth, there are challenges within the Islamic finance space where these products may not operate in a broader Islamic economy, creating a disjoint amongst the offerings and other external forces and stakeholders. However, pertinent to the Islamic models is the creation and use of Islamic scholars, which allow for a Shariah board, which serves to guide the product and executive team on issues which may affect the permissibility of the transaction and/ or products. This board generally consists of learned scholars, who are also well known in the community, which allows for greater acceptability and receptiveness.

Based on the various literature consulted as well as Islamic parameters established, the researcher proposed an Islamic model for banking as well as investments, without the influence of external factors. These models are entirely in compliance with the Shariah. These models are similar to the conventional models, but with the elements of interest as well as any investments allowed removed. This was also coupled with specific structural changes to the model to allow for a cooperative and mutual sharing of risk and reward.

These models are, however, not without criticisms. However, it must be noted that the critique is based on the current implementation of the models in their current context, and not on the actual model, structure, and permissibility thereof. Some of these critiques include that banks often repossess assets when they are to share risk with the clients, contrary to the Islamic principles; the profit share is benchmarked to interest rates, creating an illusion of the same structure and the creation of these products from conventional finance firms creates doubt as to the initial capital provided and the permissibility thereof.

The primary aim of the study is to investigate the potential suitability of an Islamic compliant investment and banking framework within the Republic of South Africa.

To provide further insight and detail into the primary aim, the following secondary aims and objectives have been formulated:

- To determine the extent of the existence of Islamic investment and banking products within Shariah;
- To identify the requirements of Islamic investment and banking;
- To propose a compliant and relevant framework within an ideal setting;
- To propose how the Islamic requirements translate into a commercial offering within South Africa;
- To compare and contrast the Islamic finance framework with conventional finance framework; and
- To explore the awareness, knowledge, opinions, attitudes, use and drivers of Islamic Investment and banking in South Africa of Muslim individuals.

Therefore, based on this, the literature review and associated chapters have addressed the highlighted aims above, as follows:

- **To determine the extent of the existence of Islamic investment and banking products within Shariah**

Through the literature review, the existence and permissibility of Islamic investment and banking structures were established.

- **To identify the requirements of Islamic investment and banking**

These requirements and parameters were obtained and discussed, which parameters were obtained from the various sources of knowledge, including the Quran.

- **To propose a compliant and relevant framework within an ideal setting**

Based on the parameters as investigated and obtained, a banking and investment model was defined, which did not consider any other external factors, and could therefore be seen in an ideal scenario.

- **To propose how the Islamic requirements translate into a commercial offering within South Africa**

Subsequent to the theoretical models being proposed, the South African regulatory environment was briefly discussed as well as its implications for financial institutions. This section was primarily focused on the FSCA and its respective regulations and requirements. The SARB was also addressed and considered here.

- **To compare and contrast the Islamic finance framework with conventional finance framework**

Once the Islamic parameters were established and Islamic models proposed, a comparison was made with regards to the similarities and differences between the conventional and Islamic banking and investment frameworks.

6.2.2. Discussion of the research findings from the data collection

The data collection was done using an electronic survey. This was done in an attempt to address the aim of:

- **To explore the awareness, knowledge, opinions, attitudes, use and drivers of Islamic Investment and banking in South Africa of Muslim individuals.**

Therefore, the questions contained in the questionnaire were to address this aim, which has been achieved by the researcher.

The survey was intended to obtain quantitative data, and therefore the questionnaire tool was used for the data collection. This questionnaire was created and dispersed electronically, which allowed for a wider reach. This reach allowed the researched to achieve the minimum required numbers to allow for meaningful data to be extracted from the data set.

While several responses were received, not all respondents completed the full questionnaire. However, certain data was included, where applicable and where it would add value to the study. This was measured and evaluated per section such that incomplete responses and irrelevant data would not skew the data.

Based on the outcomes of the data analysis, most notably, the majority of respondents were educated from a secular perspective but possessed a lower level of religious education, which was generally primary Islamic education. Also, the earning power of the respondents was relatively high, when compared to the average salary of South Africans. The age grouping of participants showed somewhat of a peak towards the mean category, giving a bell curve of the age of the respondents.

From an awareness perspective, there seems to be a relatively good level of awareness of the Islamic and Shariah laws and teachings, with however some uncertainty with regards to the model complexities between conventional and Islamic finance. This could be due to the generally lower level of religious education.

Attitudes towards Islamic bank further show an understanding and awareness of the core Islamic values and principles, with the majority of respondents agreeing with the statements regarding these core values as a benchmark.

From the opinion, section emanated a reliance on the Shariah board where trust would be placed in this board due to the higher level of religious knowledge which this board is deemed to have.

Usage shows that the majority of respondents make use of conventional finance as opposed to Islamic finance. This could be due to several reasons, which all had a high significance rate, including accessibility to these Islamic products from the respondent's conventional provider. From those who did make use of Islamic finance, the majority of these made use of Islamic banking. This could be attributed to the fact that Islamic banking currently makes up the most comprehensive offering in South Africa, with Islamic insurance showing a minimal penetration rate, again, possibly due to the current lower offering and availability within South Africa.

Notwithstanding these above factors, conventional or not, respondents still expect specific competencies in places such as accessibility, service, understanding and competitive pricing, showing that religious obligation alone does not seem to be the primary and/ or only motivating factor as per the respondents.

6.3. Proposed recommendations for the application of investment and banking models

Based on the literature reviewed by various authors, as well as research conducted by way of an electronic questionnaire, the researcher would like to propose the following recommendations which would serve to enhance both the product awareness and understanding, as well as product penetration:

Recommendation 1 – Education of potential customers

Education of the target audience would need to be conducted to enhance their knowledge of the models as well as the religious significance thereof. This can be done either formally or informally

- a. Informally via various forums and literature such as sermons in the mosques and religious seminars, which could cover the following aspects:
 - I. Islamic parameters regarding Islamic finance
 - II. What makes it permissible and what factors are impermissible
 - III. Why certain aspects of conventional finance are impermissible
 - IV. The significance of using Islamic finance and its religious benefits
 - V. The principles and equitable notions regarding Islamic finance
 - VI. The various Islamic finance offerings available
- b. Formally via learning institutions to create additional skills and resources for those working in the Islamic finance field to grow this field and innovate accordingly. This could be done either as basic education levels or higher education covering full Islamic finance degrees, which would incorporate other business subjects, but focus on Islamic finance and its related aspects. These qualification offerings will allow the industry to grow quicker by creating a larger pool of talent, stimulating the industry as a whole and allowing for the more significant proliferation of Islamic finance and its workings.

- c. Grassroots education would also be critical for the creation of a “new” educated generation of potential consumers. This could be where the education is done in the Islamic schools as well as the Islamic specific schools “Madrasahs”. While this may be a long-term solution, it would certainly only serve to enhance the uptake of these products and benefit the end consumers.

Recommendation 2 – Islamic specific regulation and laws

Create and formalise specific Islamic finance regulations and laws, as there are currently none within a South African context, as generally overseen by the FSCA and promulgated by parliament through enacting statutes in this regard. The creation of these specific regulations and laws will serve to enhance the current South African Islamic finance offerings, create standardisation as well as insulate and create protection for the consumers, by better regulating this segment.

Recommendation 3 – Amending fit and proper requirements as well as regulatory exams

Apart from creating a conducive regulatory environment and framework, the Islamic finance principles can be included in the various fit and proper requirements by the FSCA. This could mean that these fit and appropriate requirements may be specific to or have Islamic finance in terms of particular qualification requirements, as well as specific or inclusive regulatory exams in this regard. Regent Business School currently offers a qualification in this regard, which can be used as a recognised qualification by the FSCA as to their fit and proper requirements. Now, no Islamic qualifications are recognised as part of their fit and appropriate conditions according to the latest list (FSCAc, 2020: 1).

Recommendation 4 – Visible social upliftment and cohesion

Islamic finance firms should create regular and visible social upliftment programs, such that the consumers can see that the Islamic firms are engaging in all aspects of the Islamic principles, thereby creating a sense of general upliftment, where the consumer would be enticed to engage with the firm, due to the visible results. By engaging in this, it would also further enhance and entrench the Islamic finance firms

within the local communities and segments with which they serve, creating an altruistic relationship where consumers would want to engage with these firms due to their positive work within the community.

Recommendation 5 - Marketing

Marketing of Islamic products and offerings are crucial, as certain respondents were unaware of the various offerings available within the Islamic finance space. This marketing would need to be done via Islamic advertising mediums, but also through conventional mediums as it would seem that a large segment uses conventional finance and are exposed to these products via the conventional advertising mediums. Therefore, Islamic finance firms cannot rely on religious obligation only for market penetration, as they would need to compete with the broader market players and offerings effectively.

Recommendation 6 – Shariah board profile and transparency

The Shariah board plays a critical part in the success of the firm and product offerings. Therefore, the Shariah board should be constituted of various learned individuals of high standing and knowledge within the community. It would be necessary for Islamic firms to share the profiles and knowledge of the individuals who constitute the Shariah board. Transparency should also be given with regards to specific principle issues and questions to allay the fears and concerns of certain conservative Muslims.

Recommendation 7 – Pricing and other drivers

Pricing of the products would be an essential aspect of market penetration, as Islamic principles alone would not be a sufficient driving force for clients to make use of Islamic finance offerings. The data from the questionnaire showed that religious obligation while showing a high score, it is not sufficient to act as a sole driver towards Islamic finance. Therefore, other aspects which are offered by conventional finance firms are also expected. These aspects include service, knowledgeable staff, and access to facilities such as the ATM and branch network, as well as a wide range of products which are keenly priced when compared to conventional finance, creating a financial motive driver.

Recommendation 8 – Creating alternative Islamic compliant offerings

Stable coin offering should be created to allow an outlet for those interested in investing in this asset class of cryptocurrency, to allow for it to form part of the Shariah-compliant offering. While it should be understood that certain assets classes are not permissible in their current conventional forms, financial institutions should innovate and create Islamic alternatives for these type of asset classes to create offerings which are Shariah-compliant.

Recommendation 9 – “Ethical” finance opening new segments and revenue streams

With the rise and increase in social consciousness, there is a push towards ethical finance, which segment seems to be poised to grow into the future as the gap between the rich and poor grow year on year. Islamic principles are based on fair and equitable transaction principles for all parties involved. Therefore, while these principles are rooted in Islam, another avenue and segment would be non-Muslim clients who are interested in engaging in ethical banking and investments, with the deep-rooted principles of equity and fairness are entrenched. This will allow the Islamic finance firms to not only cater to the Muslim market but the broader market as well.

Recommendation 10 – Islamic market self-regulation and standardisation

While there are currently no specific laws and regulations governing the Islamic aspect within South Africa, there is an opportunity for self-regulation and standardisation across the industry. This could include global standardization by use of various globally recognised bodies to create an alignment.

Recommendation 11 – Islamic scholar evaluation norms and standards

Apart from the various forums recommended above, it would be prudent to have multiple industries and religious forums for religious scholars to gather and discuss the intricacies of Islamic finance. This will allow the various aspects to be workshopped such that robust discussions can take place. Out of this, it is hoped that norms and standards can emanate, of which norms and standards can be used globally,

and within South Africa to evaluate and monitor the various offerings and products available under the Islamic finance banner.

Recommendation 12 – Market regulatory body/ approval (external)

Within the South African Halaal market, and globally, there are various organisations which monitor and approve certain products and food outlets. Similarly, should there be a supervisory body, trusted by the community, which will act as a secondary supervision service to the financial service providers, where there is an additional external assurance given to clients. Currently, the Shariah body is internal and therefore may come under some undue scrutiny due to the perceived bias which may emanate from this structure. This proposed body would serve merely to assist providers and products in obtaining certification, and not in an adversarial capacity to expose those that do not comply with certain aspects but offer positive guidance and assistance such that these products may comply.

Recommendation 13 – Islamic scholar minimum knowledge requirements

From an institutional perspective, the financial institution should affect specific minimum requirements for those who serve on their Shariah boards. This would allow the institution to ensure that there is correct Islamic expertise and guidance available to draw on to ensure that the products are fully compliant with the necessary Islamic regulations in this regard. Ideally, this minimum standard should be that of a Mufti qualification, as this person would be a qualified alim and would have studied further. Apart from the qualification, it is essential to have members who are in touch with the community as well as has the necessary experience. Therefore, for this type of a critical role within the financial institution, it would be best for a minimum amount of experience to be set, possibly at ten years. This would allow for sufficient experience and exposure to various issues which the Muslim community faces, which will inform their thinking and decisions. Additionally, secular education in a relevant financial qualification would aid in the understanding and thus the advice given by the scholar with regards to Islamic finance.

Recommendation 14 – Comparative Islamic finance infrastructure and efficiency as experienced from conventional financial product providers

There is a perception that conventional finance is more established and therefore has the more significant infrastructure, competitively priced and more efficient. Thus, while certain product providers run the Islamic offerings as a division within the institutions, it may be a wise investment to create specific “flagship” Islamic/ ethical branches which will serve as a banner branch for these type of products, while also catering to other conventional products. This will allow this perception to change by way of tangible actions and infrastructure.

Recommendation 15 – Create a compliant SARB outlet for financial institutions

Currently, the SARB utilises various types of monetary policy instruments to achieve market and price stability but using inflation targeting. As the SARB acts as the lender of last resort to banks, as well as the setting of interest rates, this may cause complications to an Islamic banking institution due to the possibility of paying and receiving interest. While this may be able to be worked through, it would be ideal if a better-structured branch can be formed within the SARB to serve this segment, which will allow for additional growth in Islamic banking, and could also potentially contribute to foreign direct investment by foreign banking institutions due to this change.

Recommendation 16 – Harnessing the power and reach of technology to expand the Islamic/ ethical products, while minimising specific infrastructure and roll-out costs

Based on some of the evidence which was researched with regards to Islamic offerings was that of similar costs or higher costs in certain instances. Therefore, with the rise of technology, coupled with the tech-savvy outlook of a growing segment of consumers, consideration should be given to using technological enhancements to offset a large number of costs while still offering Islamic products to clients.

This can be done based on virtual and digital-based banks and investment firms, where a central application can control the offerings as well as the client's interaction with these offerings.

This is giving rise to several digital banks and investment houses, which are now allowing for circumventing specific historical barriers by harnessing technology to achieve:

- Reduced costs by cutting out brick and mortar branches;
- Cloud-based data storage, allowing for various platforms to access and interact with the data;
- User-friendly interfaces, allowing greater access to the market;
- Appealing to the growing segment of technology-savvy consumers;
- Scalability; and
- Economies of scale

Recommendation 17 – Looking at alternative models in use which can be amended to become Shariah-compliant, circumventing the need to restructure the conventional banking models

As reviewed in a previous chapter, it is possible to operate a bank on a Shariah principle, while subscribing to less onerous principles. This can be done in the form of a mutual bank or cooperative bank.

The upside of this would be that the point of entry would be less cumbersome and capital intensive, which in turn will allow for less restructuring of models and concepts.

This will, of course, also have product and service limitations, but in principle, it would allow for a conducive conduit for Islamic banking.

It would, therefore, be recommended that the structure of a mutual bank and cooperative bank be reviewed and viewed as a potential entry point into Islamic banking.

Coupled with this, the laws and regulations around these structures would need to be reviewed, and its validity checked in terms of Shariah law.

Notwithstanding this, the same banking principles and laws would apply to this mutual and cooperative banking model, such as the Shariah board, profit-sharing principles, asset-based financing, mutual risk and reward and equitable transactions which should be fair on both parties.

Recommendation 18 – Creation of an Islamic eco-system

While there are various Islamic compliant models and pockets, these are all offering separate services, with no one solution of a holistic Islamic finance solution on offer to clients.

Should this be offered, it would seem that this would be preferable than for the clients to seek separate providers for each of their Islamic finance needs.

This recommendation would also be strengthened by the fact that this should lead to a lower cost base for the provider by offering various services in house.

Alternatively, various divisions can be created within the group to operate independently, but under a global brand and banner which will ensure consistency and transparency.

6.4. Summary

The above chapter sought to highlight the salient point of the primary sources, which consisted of the literature review conducted as well as the data collection conducted by the researcher.

This was done with regards to the literature review, where salient issues were highlighted. Additionally, the data collected was also discussed, and significant points and results highlighted.

Recommendations were offered as to possible areas for improvement based on the literature reviewed and data collected.

The following chapter is the final chapter of the study. It seeks to summarise the study by discussing each chapter and the salient outcomes of these chapters, as well as the practical and theoretical implications of the outcomes of the study.

Chapter 7 – Research findings, conclusions and recommendations

7.1. Introduction

This chapter is the final chapter of the study. The purpose of this chapter is to consolidate all of the information, as well as summarise this information accordingly.

The summaries will be done per chapter as per the outcomes and essential information/data which emanated from these respective chapters.

Additionally, it is envisaged to offer recommendations for future areas of research, and share certain limitations of the study, such that this research study may contribute positively to the current existing body of knowledge on Islamic finance, and specifically within a South African context.

7.2. Chapter analysis

The initial chapter, chapter one, sought to offer insight into the study and the proposed aims and objectives, as well as context and justification as to why and how this study will contribute to the current body of knowledge on the topic. Therefore, the following aim and objectives were formulated accordingly, which in essence formed the basis of the study and directed all research activities. This, thus, served as the guiding light in this regard throughout the research study:

The primary aim of the study was to investigate the potential suitability of an Islamic compliant investment and banking framework within the Republic of South Africa.

To provide further insight and detail into the primary aim, the following secondary aims and objectives were formulated:

- To determine the extent of the existence of Islamic investment and banking products within Shariah;
- To identify the requirements of Islamic investment and banking;
- To propose a compliant and relevant framework within an ideal setting;
- To propose how the Islamic requirements translate into a commercial offering within South Africa;

- To compare and contrast the Islamic finance framework with conventional finance framework; and
- To explore the awareness, knowledge, opinions, attitudes, use and drivers of Islamic Investment and banking in South Africa of Muslim individuals.

The formulation of the aim and objectives, as well as some cursory literature consulted and proposal on how the research was to be conducted of the study formed chapter 1. This allowed an initial overview for the readers on the subject matter and also set the context of the research and its direction.

Chapter 2 formed the first component of the literature review, which literature review was done over two chapters, namely chapter 2 and chapter 3. The reason for this is that the first part (chapter 2), was to form the theoretical basis and establishment of Islamic finance, its principles history, terminology and generic Islamic structures, with this then setting the foundation of the following chapter (chapter 3), where the creation of an ideal theoretical model could be done, addressing the respective theoretical model objective in this regard.

Therefore, chapter 2 allowed for the history of Islamic finance, its growth and development as well as the current offerings. This also established the basis of Islamic finance as well as the permissibility and impermissibility thereof. Previous studies were also considered and discussed to allow for the development of the researcher's data collection tool. These studies allowed for guidance as to outcomes on similar studies, in other geographic locations and under different research conditions.

Chapter 3 developed further on the base of chapter 2, where chapter 3 sought to build an Islamic compliant banking and investment model. A model was proposed for a compliant banking and investment model, which met the parameters as set out by Shariah. When looking at the model, consideration was also given to other existing models, and the banking models of mutual banking, as well as cooperative banking, seemed like suitable and appropriate models which allow for participation and in effect profit and loss sharing. This would be in line with the Shariah principles in that regard. The specific models proposed were done to serve as confirmation of the existence of these services in Islam, as well as to set a basis and framework as a starting point for

Islamic compliant models. This framework would then need to be amended and adapted to the local and individual business environment as well as the business case of the service provider. Additionally, other external factors such as the South African regulatory environment was discussed and considered here such as the SARB and FSCA, apart from the international organisations such as AAOIFI and standards addressed in chapter 2.

Chapter 4 allowed for the planning of the data collection, and the basis and direction of this collection still to be carried out. The justification was also given as to why the various facets were chosen for the research, and what the expected outcomes were. It was concluded that the study would follow that of a mono method to gather quantitative data using a questionnaire tool. This questionnaire tool was created and distributed electronically for ease of administration. Additionally, this was shared via social media for a wider reach and to target the correct market segment, where convenience sampling was used.

Chapter 5 reported on and consolidated the data received from the data collection tool. Various insights were offered through the results of the data collected, of which insights allowed for recommendations to be based on, and a comparison of the literature review results and expectations as created from previous studies. Parts of the insights included the level of secular and religious education, the use, or not, of Islamic finance, the driving forces behind this respective decision and

Chapter 6 offered additional discussions into the literature review as well as data collection chapters. Additionally, research recommendations were provided in this regard by the researcher based on the results of these respective chapters. These recommendations were based on the data uncovered in the research study.

The final chapter, chapter 7, is the consolidating and summary chapter, where each chapter is summarised as well as the limitations discussed, and recommendations for future studies are offered.

7.3. Theoretical implications

Based on the literature review, the existence of banking and investment in Islam does exist and is encouraged. The basis of this is the fair and equitable transfer of risk and reward amongst all parties involved, which runs parallel to the philosophy and ethos of the Islamic religion's beliefs.

Theoretical models were formulated using the Islamic principles, which create Islamic compliant models when all of these principles were factored in.

Within a South African perspective, there are no specific laws directed at Islamic finance offerings, and therefore only "conventional" compliance would be required. From a SARB perspective, there is also no specific Islamic finance branch, which would mean that there may be issues regarding the interest rate benchmark as well as the overnight interest rates payable and receivable.

Certain studies have shown that in theory, Islamic finance models allow for greater financial stability if it is implemented and practised correctly. Should this serve merely to mimic the existing conventional tools and circumvent them, then this would not have the stability effect which it should. Also, stability comes from strong risk management, while padded in Islamic finance, should still be monitored.

7.4. Practical implications

While theoretical models have been formulated, from a South African perspective, these models would need to operate in the general conventional economy. Therefore, there are no Islamic specific regulations or frameworks to follow, straightforward to Islamic finance currently in South Africa.

This, therefore, creates a disjoint where the Islamic finance firms and offerings would need to follow the conventional regulations and frameworks, leaving the Islamic specific offerings effectively unregulated, apart from the conventional regulations. This means that the Islamic aspects are not regulated or standardised from a country-specific perspective. There are norms and standards as set by specific Islamic organisations; however, these are more voluntarily and not enforceable.

Interestingly, when looking at the mutual banking model and cooperative banking model, the element and principle of participation create a quasi-shared risk and reward model. This, in effect, leads to a “greater” Islamic compliance than a conventional banking model. Therefore, these type of banking structures could be viewed in place of commercial banking structures, which would allow for an easier point of insertion into the market. Of course, the general Shariah banking principles would still apply in these scenarios.

It may then stand to reason that Islamic finance, while fully compliant, may not reach its full potential and benefits as it would effectively somewhere along the value chain need to interact with conventional finance at this stage. This is due to the interconnectedness of the global financial economy.

7.5. Summary of findings of the study

The study was conducted using two bodies of knowledge. These were the literature review chapter which allowed for several aims to be achieved, as well as the data collection portion which allowed for the perceptions and knowledge of respondents within a particular area to be evaluated and reported on.

7.6. Limitations of the study and direction for future research

The study was limited to the major cities of South Africa, using convenience sampling. This therefore excluded respondents from other parts of South Africa.

Additional limitations include:

- Non-in-depth analysis of current offerings due to available information as well as intellectual property considerations;
- Respondent’s level of understanding of Islamic finance and the questions posed; and
- The lack of previous studies done in this context within South Africa.

These points, therefore, constitute some of the limitations of the study.

7.7. Recommendations for future research

This study was based on specific geographic limitations. Therefore, the researcher suggests the following for future studies, in addition to the recommendations made previously in chapter 6:

- A study based on entire South Africa (not only the major cities) to allow for a more comprehensive canvassing and additional insight, as those living in smaller cities/ towns, may have different feedback and considerations/ challenges in accessing Islamic products and related implications;
- A study to compare and contrast pricing of Islamic finance firms and those offering conventional products, to ascertain whether there is a significant difference or not, and possibly the basis of the difference should this be the case;
- Consideration of the current conventional laws and regulations within South Africa on the Islamic finance models;
- Amending “Islamic finance” to “ethical finance” and then conducting a more exhaustive general study to the general population and their perceptions towards this type of banking and investment philosophy;
- A study of the South African Reserve bank and its implications for an Islamic banking model;
- Comparing, contrasting and possibly formulating additional norms and standards to be followed which could be implemented globally which would lead to general standardisation;
- Measuring the level of trust that potential customers would display towards certification bodies;
- A study comparing the performance before, during and after various external market shocks to Islamic and conventional investments, and further to the changes in the asset classes;
- Comparing and contrasting profit-sharing rates with those of interest rates, and the makeup of these type of rates and how this affects the viability and profitability of the financial institution;

- Viewing a mutual banking model as a possible conduit to Islamic banking models, within a South African perspective;
- Viewing a cooperative banking model as a possible conduit to Islamic banking models within a South African perspective;
- Comparing the impact of the COVID-19 pandemic in terms of its effects on the conventional and Islamic instruments, and possibly taking this further and comparing it to the effects of the previous economic downturns;
- Gauging the level of knowledge amongst Islamic scholars on Islamic finance and the various models; and
- Conducting a test of the models as derived within this research paper for practical purposes and within a global economy.

7.8. Conclusion

This is the concluding chapter of the study, of which study undertook to fulfil the aim and objectives of the study.

The researcher has summarised the various chapters, highlighting notable and significant points.

The research aims and objectives as initially set out was met as per the researcher, and all protocols and procedures of the study were followed.

The researcher is pleased to have conducted the study as well as generated a theoretical Islamic banking and investment model.

The researcher hopes that this study can positively contribute to the body of knowledge on Islamic finance, but more so contribute to the growth and additional offerings within a South African context.

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Appendices

RESEARCH QUESTIONS

Select the ONE response option that best applies to you.

Section 1 Demographics

1 Where do you live?

Johannesburg	Durban	Cape Town	Port Elizabeth

2 Gender

Male	Female

3 Age group

18-25	26-30	31-39	40-49	50-59	60-69	70+

4 Highest level of education

No formal education	Some schooling	Matric	Diploma/Certificate	Bachelor's Degree	Postgraduate degree

5 Marital status

Single	Married	Divorced/ Separated	Widowed

6 Highest level of religious education

None	Low (e.g. Basic Madresa classes covering specific laws and surahs)	Medium (e.g. Advanced Madresa classes covering most laws and surahs)	High (e.g. Moulana or Hafiz, coupled with advanced Madresa knowledge)

7 Gross monthly income

No income (e.g. student/ unemployed)	Up to R3500	R3501 – R10000	R10001 – R25000	R25001 – R40000	R40001 – R74999	R75000 +

8 Employment status

Unemployed	Self-employed	Employed in Private sector (non-government employer)	Employed in the Public sector (government- related employer)

Section 2 Awareness of Islamic banking, investment and providers

9 Is there an Islamic financial institution in your area that is offering services?

Yes	No	I do not know

10 Does your current conventional provider (e.g. bank) offer Islamic financial services?

Yes	No	I do not know	I do not use any form of conventional financial services (i.e. banking, investments, insurance etc.)

Section 3 Knowledge of Islamic banking, investment and providers

11 On a scale of 1 to 10 (where 1 = unfamiliar and 10 = extremely familiar), rate your knowledge of the following:

Item	Rating scale (1 – 10)
11.1 The basic principles and objectives of Islamic finance	
11.2 The retail and Islamic finance offerings that are available from relevant institutions	
11.3 The Shariah terms and meanings	
11.4 The role of the Shariah board	

12 Respond true, false or unsure to the following statements:

	True	False	Unsure
12.1 The profit share paid on deposits by Islamic banks is similar (in principle) to the interest paid by conventional banks			
12.2 An Islamic bank's methods of finance are interest-free and in accordance with Shariah law			
12.3 It is permissible to receive and charge interest in Islam			
12.4 Islamic retail products are more costly than conventional retail products			
12.5 As a Muslim, I am permitted to invest in any type of project, irrespective of the trading and funding activities			
12.6 The South African government currently offers incentives for Islamic orientated products			
12.7 It is permissible to use Islamic windows (conventional banks offering Islamic compliant products)			

Section 4 Attitudes towards Islamic investment and banking

13 Indicate your agreement with the following statements

Statements	Strongly disagree	Disagree	Slightly disagree	Slightly agree	Agree	Strongly agree
13.1 It is a religious obligation to follow and support Islamic compliant products						
13.2 All of my financial activities should be Shariah-compliant, irrespective of the circumstances						

13.3 The amount of returns gained through Islamic compliant products is not relevant(relative to conventional returns as a benchmark) as long as the returns are Shariah-compliant						
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Section 5 Opinions about Islamic finance

14 Indicate your agreement with the following statements

Statements	Strongly disagree	Disagree	Slightly disagree	Slightly agree	Agree	Strongly agree
14.1 Islamic retail products are more costly than conventional retail products						
14.2 Islamic finance is readily available in South Africa						
14.3 Islamic finance creates the opportunity to consolidate religious objectives and commercial objectives						
14.4 Participation in Islamic finance is more beneficial (religiously and financially) than participation in conventional finance						
14.5 I know enough about Islamic finance to make an informed decision about it						
14.6 The use of technical and foreign terms (e.g. Arabic words) makes it difficult to understand Islamic finance						
14.7 Conventional finance firms that offer Islamic products have staff that are adequately trained to answer any questions regarding the Islamic products						
14.8 There are suitable Islamic finance offerings available in South Africa that meet my religious requirements/preferences						
14.9 The current Islamic finance offerings available are the same as conventional finance offerings						

14.10 I should do my own research that the products meet the Shariah requirements						
14.11 The composition of individuals on the Shariah board should not affect my decision as to whether the products offered are in fact Shariah compliant						
14.12 Trust should be placed in the Shariah board and those who developed the product, that it is indeed Shariah compliant						
14.13 Islamic windows (conventional banks offering Islamic compliant products) are fully Shariah-compliant						
14.14 Any links to conventional finance tarnishes the Islamic products						
14.15 I trust financial institutions that the funds used to initiate and fund the Islamic products are not tainted, even if I do not know where they are coming from						
14.16 Due to my understanding of Shariah compliance, I believe that self-banking/ investing/ insuring is preferable to both the current Shariah and conventional offerings						

Section 6 Use of Islamic product offerings

15 Indicate if you currently USE any of the following Islamic finance products/ services at a conventional or Islamic institution? (Tick ALL that apply)

15.1 Islamic banking	15.2 Islamic investments	15.3 Islamic insurance	15.4 Islamic financial broker	15.5 Other: Please specify _____

15.1 **If you do NOT use any Islamic finance product/ service**, indicate your agreement with the following statements:

I <u>would</u> use Islamic financial products if...	Strongly disagree	Disagree	Slightly disagree	Slightly agree	Agree	Strongly agree
15.2.1 They were more readily available to me						
15.2.2 They were easier to understand						
15.2.3 They were offered by my current financial provider						
15.2.4 They met my financial goals						
15.2.5 They were offered at the same or a lower cost than conventional products						
15.2.6 The financial institution had staff that were able to answer my questions and concerns						
15.2.7 The Shariah board of my potential financial provider was constituted of different individuals						
15.2.8 The product provider had more advanced user platforms, making it easier to use and transact						

Section 7 Use of non-Islamic product offerings

16 Do you use any conventional (non-Islamic) finance products?

Yes	No

16.1 **If you answered YES to Q16:** indicate your agreement that the following are reasons why you use conventional products:

Reasons for using conventional products	Strongly disagree	Disagree	Slightly disagree	Slightly agree	Agree	Strongly agree
16.1.1 I am not aware of alternative Islamic products						
16.1.2 I do not believe that the alternative Islamic products are in fact compliant						
16.1.3 The alternative Islamic products are more expensive						
16.1.4 I believe that the end result of both the Islamic and conventional products are the same						
16.1.5 I do not understand the Islamic alternatives and prefer to use what I understand						
16.1.6 My institution cannot give me sufficient information on the alternatives to make an informed decision						

Section 8 Drivers in adopting Islamic finance

17 Indicate your agreement that the following factors are important when deciding to use some form of Islamic finance at an Islamic institution:

Factors	Strongly disagree	Disagree	Slightly disagree	Slightly agree	Agree	Strongly agree
17.1 Financial reputation and image of the Islamic institution						
17.2 <u>Your</u> knowledge and understanding of what Islamic finance entails						
17.3 The extent of the visibility/presence of the Islamic bank/ branch						
17.4 The purpose of the savings (religious or other)						

17.5 The quality of customer service at the institution						
17.6 The knowledge of the staff at the institution						
17.7 the convenience of the institution						
17.8 The knowledge base of the Shariah supervisory board						
17.9 The credibility of the Shariah supervisory board						
17.10 The ease of accessing the banking and investment services						
17.11 <u>Your</u> religious obligation						

Thank you for your time

Correlations

		They were easier to understand	They were offered by my current financial provider	They met my financial goals	They were offered at the same or a lower cost than conventional products	The financial institution had staff that were able to answer my questions and concerns	The shariah board of my potential financial provider was constituted of different individuals	The product provider had more advanced user platforms, making it easier to use and transact	I am not aware of alternative Islamic products	I do not believe that the alternative Islamic products are in fact compliant	The alternative Islamic products are more expensive	I believe that the end result of both the Islamic and conventional products are the same	I do not understand the Islamic alternatives and prefer to use what i understand
Sperry The basic principles and objectives of Islamic finance	Correlation Coefficient	-0.069	-0.097	-0.039	-0.047	-0.099	-0.097	-0.070	-0.096	-.150**	-0.031	-0.083	-.416**
	Sig. (2-tailed)	0.285	0.133	0.542	0.468	0.123	0.131	0.279	0.063	0.004	0.557	0.109	0.000
	N	243	243	243	243	243	243	243	371	371	371	371	371
The retail and Islamic finance offerings that are available from relevant institutions	Correlation Coefficient	-0.056	-0.074	-0.017	-0.017	-0.052	-0.071	-0.040	-.141**	-.191**	-0.099	-0.091	-.380**
	Sig. (2-tailed)	0.381	0.248	0.797	0.788	0.423	0.273	0.531	0.007	0.000	0.056	0.079	0.000
	N	243	243	243	243	243	243	243	371	371	371	371	371
The shariah terms and meanings	Correlation Coefficient	-0.084	-0.079	-0.053	-0.058	-0.066	-.136*	-0.104	-0.067	-.136**	-0.067	-0.065	-.324**
	Sig. (2-tailed)	0.190	0.221	0.413	0.369	0.302	0.034	0.105	0.201	0.009	0.196	0.211	0.000
	N	243	243	243	243	243	243	243	371	371	371	371	371
The role of the shariah board	Correlation Coefficient	-0.081	0.003	0.016	0.015	0.003	-0.058	-0.031	-.135**	-.193**	-.123*	-0.087	-.397**
	Sig. (2-tailed)	0.211	0.964	0.804	0.816	0.959	0.365	0.626	0.009	0.000	0.017	0.095	0.000
	N	243	243	243	243	243	243	243	371	371	371	371	371
It is a religious obligation to follow and support Islamic compliant products	Correlation Coefficient	.239**	.260**	.178**	0.125	.186**	.181**	.140*	0.065	-0.018	0.005	-.113*	-0.079
	Sig. (2-tailed)	0.000	0.000	0.006	0.051	0.004	0.005	0.029	0.211	0.733	0.928	0.030	0.128
	N	243	243	243	243	243	243	243	371	371	371	371	371
All of my financial activities should be shariah compliant, irrespective of the circumstances	Correlation Coefficient	.195**	.221**	0.115	0.105	.135*	0.067	0.115	0.052	0.054	0.011	-0.065	-0.068
	Sig. (2-tailed)	0.002	0.001	0.072	0.103	0.036	0.300	0.075	0.320	0.298	0.834	0.212	0.190
	N	243	243	243	243	243	243	243	371	371	371	371	371
The amount of returns gained through Islamic compliant products is not relevant (relative to conventional returns as a benchmark) as long as the returns are shariah compliant	Correlation Coefficient	.136*	.143*	0.096	0.062	.141*	0.104	0.080	0.035	0.029	0.007	-.119*	-0.098
	Sig. (2-tailed)	0.034	0.025	0.136	0.336	0.028	0.105	0.216	0.496	0.578	0.887	0.022	0.059
	N	243	243	243	243	243	243	243	371	371	371	371	371
Islamic retail products are more costly that conventional retail products	Correlation Coefficient	-0.045	-0.077	-0.001	-0.014	-0.012	-0.013	0.007	0.032	.211**	.518**	.168**	0.075
	Sig. (2-tailed)	0.486	0.233	0.985	0.824	0.852	0.845	0.913	0.535	0.000	0.000	0.001	0.150
	N	243	243	243	243	243	243	243	371	371	371	371	371
Islamic finance is readily available in South Africa	Correlation Coefficient	-0.096	-0.045	-0.109	-0.016	-0.048	-0.023	-0.035	-.153**	-.182**	-0.098	-0.052	-0.078
	Sig. (2-tailed)	0.136	0.481	0.091	0.799	0.457	0.722	0.586	0.003	0.000	0.058	0.321	0.134
	N	243	243	243	243	243	243	243	371	371	371	371	371
Islamic finance creates the opportunity to consolidate religious objectives and commercial objectives	Correlation Coefficient	.173**	.200**	.148*	.142*	.177**	.150*	0.087	0.037	-.145**	-0.085	-.136**	-.138**
	Sig. (2-tailed)	0.007	0.002	0.021	0.026	0.006	0.019	0.176	0.472	0.005	0.104	0.008	0.008
	N	243	243	243	243	243	243	243	371	371	371	371	371
Participation in Islamic finance is more beneficial (religiously and financially) than participation in conventional finance	Correlation Coefficient	.334**	.285**	.243**	.166**	.175**	.214**	0.086	.117*	-0.017	-.147**	-.162**	-.114*
	Sig. (2-tailed)	0.000	0.000	0.000	0.010	0.006	0.001	0.179	0.024	0.743	0.005	0.002	0.028
	N	243	243	243	243	243	243	243	371	371	371	371	371
I know enough about Islamic finance to make an informed decision about it	Correlation Coefficient	-0.047	-0.032	-0.019	-0.023	-0.045	0.031	-0.059	-0.068	-0.083	-0.023	-0.086	-.359**
	Sig. (2-tailed)	0.464	0.624	0.770	0.718	0.484	0.628	0.363	0.193	0.108	0.660	0.100	0.000
	N	243	243	243	243	243	243	243	371	371	371	371	371

Correlations

		They were easier to understand	They were offered by my current financial provider	They met my financial goals	They were offered at the same or a lower cost than conventional products	The financial institution had staff that were able to answer my questions and concerns	The shariah board of my potential financial provider was constituted of different individuals	The product provider had more advanced user platforms, making it easier to use and transact	I am not aware of alternative Islamic products	I do not believe that the alternative Islamic products are in fact compliant	The alternative Islamic products are more expensive	I believe that the end result of both the Islamic and conventional products are the same	I do not understand the Islamic alternatives and prefer to use what i understand
The use of technical and foreign terms (eg Arabic words) makes it difficult to understand Islamic finance	Correlation Coefficient	0.034	0.033	0.106	0.072	0.008	0.046	0.052	0.014	.180**	0.095	0.068	.178**
	Sig. (2-tailed)	0.593	0.605	0.099	0.265	0.905	0.471	0.421	0.795	0.000	0.067	0.188	0.001
	N	243	243	243	243	243	243	243	371	371	371	371	371
Conventional finance firms that offer Islamic products have staff that are adequately trained to answer any questions regarding the Islamic products	Correlation Coefficient	-0.069	0.061	0.028	0.059	-.200**	-0.086	-0.117	-0.067	-.286**	-0.051	-0.099	-0.017
	Sig. (2-tailed)	0.287	0.344	0.666	0.356	0.002	0.184	0.069	0.198	0.000	0.329	0.056	0.740
	N	243	243	243	243	243	243	243	371	371	371	371	371
There are suitable Islamic finance offerings available in South Africa that meet my religious requirements/ preferences	Correlation Coefficient	-0.019	0.077	0.009	0.091	-0.063	-0.097	-0.050	-0.066	-.368**	-.188**	-.229**	-.106*
	Sig. (2-tailed)	0.771	0.231	0.893	0.158	0.331	0.133	0.437	0.203	0.000	0.000	0.000	0.040
	N	243	243	243	243	243	243	243	371	371	371	371	371
The current Islamic finance offerings available are the same as conventional finance offerings	Correlation Coefficient	-0.041	-0.098	-0.097	-0.064	-0.072	-0.026	-0.052	-0.031	.248**	0.069	.368**	-0.026
	Sig. (2-tailed)	0.524	0.128	0.130	0.324	0.261	0.682	0.419	0.552	0.000	0.185	0.000	0.614
	N	243	243	243	243	243	243	243	371	371	371	371	371
I should do my own research that the products meet the shariah requirements	Correlation Coefficient	0.088	0.027	0.043	0.048	0.101	0.038	0.045	-.107*	.128*	-0.016	0.011	-0.044
	Sig. (2-tailed)	0.171	0.674	0.503	0.455	0.115	0.554	0.483	0.039	0.013	0.754	0.830	0.397
	N	243	243	243	243	243	243	243	371	371	371	371	371
The composition of individuals on the shariah board should not affect my decision as to whether the products offered are in fact shariah compliant	Correlation Coefficient	-0.027	-0.004	-0.050	-0.037	-0.033	-0.038	0.052	0.045	0.001	0.023	0.068	.104*
	Sig. (2-tailed)	0.670	0.955	0.435	0.564	0.610	0.554	0.420	0.386	0.984	0.664	0.192	0.044
	N	243	243	243	243	243	243	243	371	371	371	371	371
Trust should be placed in the shariah board and those who developed the product, that it is indeed shariah compliant	Correlation Coefficient	.217**	.169**	.200**	.271**	.235**	.216**	.263**	0.006	-0.076	-0.019	-0.096	0.034
	Sig. (2-tailed)	0.001	0.008	0.002	0.000	0.000	0.001	0.000	0.907	0.147	0.712	0.064	0.520
	N	243	243	243	243	243	243	243	371	371	371	371	371
Islamic windows (conventional banks offering Islamic compliant products) are fully shariah compliant	Correlation Coefficient	-0.115	0.077	-0.021	-0.012	-.130*	-.131*	-.127*	-0.049	-.399**	-.223**	-.184**	-.145**
	Sig. (2-tailed)	0.073	0.234	0.750	0.850	0.042	0.041	0.048	0.348	0.000	0.000	0.000	0.005
	N	243	243	243	243	243	243	243	371	371	371	371	371
Any links to conventional finance tarnishes the Islamic products	Correlation Coefficient	.219**	0.024	0.074	-0.038	0.077	0.094	0.060	0.069	.336**	.204**	.128*	.109*
	Sig. (2-tailed)	0.001	0.715	0.250	0.556	0.230	0.144	0.354	0.184	0.000	0.000	0.014	0.035
	N	243	243	243	243	243	243	243	371	371	371	371	371
I trust financial institutions that the funds used to initiate and fund the Islamic products are not tainted, even if i do not know where they are coming from	Correlation Coefficient	-0.104	0.095	-0.011	0.003	-0.050	-0.012	-0.015	0.016	-.262**	-0.059	-0.057	-0.007
	Sig. (2-tailed)	0.106	0.140	0.862	0.967	0.434	0.847	0.817	0.759	0.000	0.260	0.273	0.899
	N	243	243	243	243	243	243	243	371	371	371	371	371
Due to my understanding of shariah compliance, i believe that self-banking/ investing/ insuring is preferable to both the current shariah and conventional offerings	Correlation Coefficient	0.027	0.062	0.086	0.057	-0.026	0.087	0.008	0.061	.118*	.148**	.187**	.102*
	Sig. (2-tailed)	0.681	0.333	0.183	0.376	0.692	0.179	0.900	0.243	0.023	0.004	0.000	0.050
	N	243	243	243	243	243	243	243	371	371	371	371	371
They were more readily available to me	Correlation Coefficient	.711**	.513**	.511**	.522**	.514**	.412**	.460**	.296**	.163*	-0.029	-0.063	0.037
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.035	0.707	0.417	0.631
	N	243	243	243	243	243	243	243	167	167	167	167	167

Correlations

		They were easier to understand	They were offered by my current financial provider	They met my financial goals	They were offered at the same or a lower cost than conventional products	The financial institution had staff that were able to answer my questions and concerns	The shariah board of my potential financial provider was constituted of different individuals	The product provider had more advanced user platforms, making it easier to use and transact	I am not aware of alternative Islamic products	I do not believe that the alternative Islamic products are in fact compliant	The alternative Islamic products are more expensive	I believe that the end result of both the Islamic and conventional products are the same	I do not understand the Islamic alternatives and prefer to use what i understand
They were easier to understand	Correlation Coefficient	1.000	.526**	.529**	.498**	.564**	.498**	.495**	.244**	.182*	-0.031	-0.064	.215**
	Sig. (2-tailed)		0.000	0.000	0.000	0.000	0.000	0.000	0.001	0.019	0.692	0.409	0.005
	N	243	243	243	243	243	243	243	167	167	167	167	167
They were offered by my current financial provider	Correlation Coefficient	.526**	1.000	.578**	.532**	.402**	.374**	.360**	.255**	-0.051	-0.093	-0.084	.175*
	Sig. (2-tailed)	0.000		0.000	0.000	0.000	0.000	0.000	0.001	0.515	0.234	0.281	0.024
	N	243	243	243	243	243	243	243	167	167	167	167	167
They met my financial goals	Correlation Coefficient	.529**	.578**	1.000	.711**	.531**	.455**	.544**	0.120	0.010	0.036	-0.117	0.124
	Sig. (2-tailed)	0.000	0.000		0.000	0.000	0.000	0.000	0.121	0.903	0.645	0.131	0.110
	N	243	243	243	243	243	243	243	167	167	167	167	167
They were offered at the same or a lower cost than conventional products	Correlation Coefficient	.498**	.532**	.711**	1.000	.632**	.414**	.613**	0.113	0.007	0.141	-0.106	0.088
	Sig. (2-tailed)	0.000	0.000	0.000		0.000	0.000	0.000	0.147	0.933	0.070	0.174	0.261
	N	243	243	243	243	243	243	243	167	167	167	167	167
The financial institution had staff that were able to answer my questions and concerns	Correlation Coefficient	.564**	.402**	.531**	.632**	1.000	.603**	.709**	.178*	.234**	0.035	-0.083	.166*
	Sig. (2-tailed)	0.000	0.000	0.000	0.000		0.000	0.000	0.021	0.002	0.651	0.288	0.032
	N	243	243	243	243	243	243	243	167	167	167	167	167
The shariah board of my potential financial provider was constituted of different individuals	Correlation Coefficient	.498**	.374**	.455**	.414**	.603**	1.000	.629**	.189*	.195*	0.051	0.051	.219**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000		0.000	0.014	0.011	0.514	0.511	0.004
	N	243	243	243	243	243	243	243	167	167	167	167	167
The product provider had more advanced user platforms, making it easier to use and transact	Correlation Coefficient	.495**	.360**	.544**	.613**	.709**	.629**	1.000	0.125	.212**	0.150	0.084	.249**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000		0.108	0.006	0.054	0.281	0.001
	N	243	243	243	243	243	243	243	167	167	167	167	167
I am not aware of alternative Islamic products	Correlation Coefficient	.244**	.255**	0.120	0.113	.178*	.189*	0.125	1.000	.166**	0.064	0.095	.262**
	Sig. (2-tailed)	0.001	0.001	0.121	0.147	0.021	0.014	0.108		0.001	0.217	0.069	0.000
	N	167	167	167	167	167	167	167	371	371	371	371	371
I do not believe that the alternative Islamic products are in fact compliant	Correlation Coefficient	.182*	-0.051	0.010	0.007	.234**	.195*	.212**	.166**	1.000	.403**	.435**	.266**
	Sig. (2-tailed)	0.019	0.515	0.903	0.933	0.002	0.011	0.006	0.001		0.000	0.000	0.000
	N	167	167	167	167	167	167	167	371	371	371	371	371
The alternative Islamic products are more expensive	Correlation Coefficient	-0.031	-0.093	0.036	0.141	0.035	0.051	0.150	0.064	.403**	1.000	.272**	.214**
	Sig. (2-tailed)	0.692	0.234	0.645	0.070	0.651	0.514	0.054	0.217	0.000		0.000	0.000
	N	167	167	167	167	167	167	167	371	371	371	371	371
I believe that the end result of both the Islamic and conventional products are the same	Correlation Coefficient	-0.064	-0.084	-0.117	-0.106	-0.083	0.051	0.084	0.095	.435**	.272**	1.000	.222**
	Sig. (2-tailed)	0.409	0.281	0.131	0.174	0.288	0.511	0.281	0.069	0.000	0.000		0.000
	N	167	167	167	167	167	167	167	371	371	371	371	371
I do not understand the Islamic alternatives and prefer to use what i understand	Correlation Coefficient	.215**	.175*	0.124	0.088	.166*	.219**	.249**	.262**	.266**	.214**	.222**	1.000
	Sig. (2-tailed)	0.005	0.024	0.110	0.261	0.032	0.004	0.001	0.000	0.000	0.000	0.000	
	N	167	167	167	167	167	167	167	371	371	371	371	371

		The use of technical and foreign terms (eg Arabic words) makes it difficult to understand Islamic finance	Conventional finance firms that offer Islamic products have staff that are adequately trained to answer any questions regarding the Islamic products	There are suitable Islamic finance offerings available in South Africa that meet my religious requirements / preferences	The current Islamic finance offerings available are the same as conventional finance offerings	I should do my own research that the products meet the shariah requirements	The composition of individuals on the shariah board should not affect my decision as to whether the products offered are in fact shariah compliant	Trust should be placed in the shariah board and those who developed the product, that it is indeed shariah compliant	Islamic windows (conventional banks offering Islamic compliant products) are fully shariah compliant	Any links to conventional finance tarnishes the Islamic products	I trust financial institutions that the funds used to fund the Islamic products are not tainted, even if i do not know where they are coming from	Due to my understanding of shariah compliance, i believe that self-banking/ investing/ insuring is preferable to both the current shariah and conventional offerings	They were more readily available to me
My institution cannot give me sufficient information on the alternatives to make an informed decision	Correlation Coefficient	.173**	-.269**	-.327**	-0.050	.112*	0.026	0.062	-.296**	.179**	-.160**	0.072	.341**
	Sig. (2-tailed)	0.001	0.000	0.000	0.340	0.032	0.624	0.233	0.000	0.001	0.002	0.165	0.000
	N	371	371	371	371	371	371	371	371	371	371	371	167
Financial reputation and image of the Islamic institution	Correlation Coefficient	-0.025	-.102*	0.024	-0.077	.200**	-.152**	.198**	-0.083	0.057	-0.083	0.004	.395**
	Sig. (2-tailed)	0.582	0.022	0.592	0.083	0.000	0.001	0.000	0.060	0.202	0.061	0.922	0.000
	N	508	508	508	508	508	508	508	508	508	508	508	222
Your knowledge and understanding of what Islamic finance entails	Correlation Coefficient	-0.069	-.118**	0.007	-0.072	.283**	-0.033	.190**	-0.073	.089*	-.087*	.100*	.282**
	Sig. (2-tailed)	0.118	0.008	0.868	0.103	0.000	0.459	0.000	0.101	0.044	0.049	0.025	0.000
	N	508	508	508	508	508	508	508	508	508	508	508	222
The extent of the visibility/ presence of the Islamic bank/ branch	Correlation Coefficient	0.022	-.103*	-0.009	-.106*	.178**	-0.084	.202**	-0.083	.105*	-0.032	0.074	.346**
	Sig. (2-tailed)	0.613	0.021	0.832	0.017	0.000	0.057	0.000	0.062	0.018	0.473	0.097	0.000
	N	508	508	508	508	508	508	508	508	508	508	508	222
The purpose of the savings (religious or other)	Correlation Coefficient	-0.042	-0.045	0.035	-0.028	.177**	-0.033	.214**	-0.036	.171**	-0.056	.110*	.386**
	Sig. (2-tailed)	0.342	0.308	0.430	0.524	0.000	0.461	0.000	0.418	0.000	0.208	0.013	0.000
	N	508	508	508	508	508	508	508	508	508	508	508	222
The quality of customer service at the institution	Correlation Coefficient	-0.013	-.128**	0.021	-.099*	.149**	-.118**	.189**	-0.063	-0.001	-0.001	0.005	.358**
	Sig. (2-tailed)	0.770	0.004	0.637	0.026	0.001	0.008	0.000	0.158	0.978	0.981	0.913	0.000
	N	508	508	508	508	508	508	508	508	508	508	508	222
The knowledge of the staff at the institution	Correlation Coefficient	-0.015	-.132**	0.007	-.097*	.111*	-.130**	.207**	-.094*	-0.006	-0.021	0.008	.343**
	Sig. (2-tailed)	0.735	0.003	0.876	0.029	0.012	0.003	0.000	0.033	0.899	0.632	0.853	0.000
	N	508	508	508	508	508	508	508	508	508	508	508	222
The convenience of the institution	Correlation Coefficient	0.018	-.090*	-0.024	-0.069	.148**	-.120**	.234**	-.106*	0.000	-0.036	0.007	.424**
	Sig. (2-tailed)	0.679	0.042	0.585	0.122	0.001	0.007	0.000	0.016	0.999	0.414	0.876	0.000
	N	508	508	508	508	508	508	508	508	508	508	508	222
The knowledge base of the shariah supervisory board	Correlation Coefficient	-0.061	-.111*	-0.047	-.108*	.196**	-.152**	.200**	-.124**	.099*	-0.086	0.021	.410**
	Sig. (2-tailed)	0.173	0.012	0.291	0.015	0.000	0.001	0.000	0.005	0.026	0.052	0.636	0.000
	N	508	508	508	508	508	508	508	508	508	508	508	222
The credibility of the shariah supervisory board	Correlation Coefficient	-0.056	-.106*	-0.033	-0.080	.186**	-.153**	.184**	-.115**	0.082	-.100*	0.004	.391**
	Sig. (2-tailed)	0.208	0.017	0.458	0.071	0.000	0.001	0.000	0.009	0.064	0.024	0.923	0.000
	N	508	508	508	508	508	508	508	508	508	508	508	222
The ease of accessing the banking and investment services	Correlation Coefficient	-0.014	-0.083	0.022	-.113*	.151**	-.107*	.226**	-0.046	-0.008	-0.061	-0.032	.418**
	Sig. (2-tailed)	0.753	0.062	0.627	0.011	0.001	0.016	0.000	0.302	0.852	0.173	0.472	0.000
	N	508	508	508	508	508	508	508	508	508	508	508	222
Your religious obligation	Correlation Coefficient	-0.054	-.173**	-0.063	-.123**	.228**	-.157**	.161**	-.129**	.132**	-.140**	0.014	.429**
	Sig. (2-tailed)	0.221	0.000	0.157	0.005	0.000	0.000	0.000	0.004	0.003	0.002	0.746	0.000
	N	508	508	508	508	508	508	508	508	508	508	508	222

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

		The basic principles and objectives of Islamic finance	The retail and Islamic finance offerings that are available from relevant institutions	The shariah terms and meanings	The role of the shariah board	It is a religious obligation to follow and support Islamic compliant products	All of my financial activities should be shariah compliant, irrespective of the circumstances	The amount of returns gained through Islamic compliant products is not relevant (relative to conventional returns as a benchmark) as long as the returns are shariah compliant	Islamic retail products are more costly than conventional retail products	Islamic finance is readily available in South Africa	Islamic finance creates the opportunity to consolidate religious objectives and commercial objectives	Participation in Islamic finance is more beneficial (religiously and financially) than participation in conventional finance	I know enough about Islamic finance to make an informed decision about it
My institution cannot give me sufficient information on the alternatives to make an informed decision	Correlation Coefficient	-.259**	-.305**	-.227**	-.335**	0.012	0.005	0.013	0.052	-.307**	-0.009	0.088	-.204**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.814	0.930	0.804	0.317	0.000	0.863	0.092	0.000
	N	371	371	371	371	371	371	371	371	371	371	371	371
Financial reputation and image of the Islamic institution	Correlation Coefficient	.130**	.092*	0.047	0.075	.171**	.159**	.113*	-0.011	-0.065	.211**	.257**	.098*
	Sig. (2-tailed)	0.003	0.038	0.294	0.093	0.000	0.000	0.011	0.809	0.144	0.000	0.000	0.027
	N	508	508	508	508	508	508	508	508	508	508	508	508
Your knowledge and understanding of what Islamic finance entails	Correlation Coefficient	.179**	0.087	.143**	0.062	.188**	.211**	.155**	0.026	-0.039	.140**	.222**	.147**
	Sig. (2-tailed)	0.000	0.051	0.001	0.165	0.000	0.000	0.000	0.566	0.386	0.002	0.000	0.001
	N	508	508	508	508	508	508	508	508	508	508	508	508
The extent of the visibility/ presence of the Islamic bank/ branch	Correlation Coefficient	-0.010	-0.030	-0.020	-0.074	.156**	.186**	.103*	-0.018	-.090*	.201**	.206**	-0.022
	Sig. (2-tailed)	0.829	0.505	0.657	0.095	0.000	0.000	0.020	0.683	0.044	0.000	0.000	0.623
	N	508	508	508	508	508	508	508	508	508	508	508	508
The purpose of the savings (religious or other)	Correlation Coefficient	-0.032	-0.056	-0.033	-0.051	.205**	.179**	.147**	0.037	-0.051	.177**	.228**	0.032
	Sig. (2-tailed)	0.478	0.205	0.457	0.252	0.000	0.000	0.001	0.403	0.247	0.000	0.000	0.466
	N	508	508	508	508	508	508	508	508	508	508	508	508
The quality of customer service at the institution	Correlation Coefficient	0.007	0.042	-0.005	0.006	.105*	.181**	.098*	-0.009	-0.069	0.080	.239**	-0.006
	Sig. (2-tailed)	0.871	0.339	0.909	0.886	0.018	0.000	0.027	0.837	0.122	0.072	0.000	0.891
	N	508	508	508	508	508	508	508	508	508	508	508	508
The knowledge of the staff at the institution	Correlation Coefficient	0.038	0.031	0.023	0.004	.140**	.212**	.132**	-0.069	-.111*	.174**	.243**	0.017
	Sig. (2-tailed)	0.390	0.486	0.611	0.932	0.002	0.000	0.003	0.118	0.012	0.000	0.000	0.702
	N	508	508	508	508	508	508	508	508	508	508	508	508
The convenience of the institution	Correlation Coefficient	-0.006	0.010	-0.017	-0.034	.143**	.166**	.115**	-0.005	-.099*	.138**	.238**	-0.061
	Sig. (2-tailed)	0.885	0.826	0.701	0.440	0.001	0.000	0.010	0.914	0.025	0.002	0.000	0.168
	N	508	508	508	508	508	508	508	508	508	508	508	508
The knowledge base of the shariah supervisory board	Correlation Coefficient	0.049	0.027	0.042	0.036	.178**	.247**	.141**	-0.002	-.117**	.103*	.215**	.090*
	Sig. (2-tailed)	0.270	0.543	0.346	0.422	0.000	0.000	0.001	0.967	0.008	0.020	0.000	0.042
	N	508	508	508	508	508	508	508	508	508	508	508	508
The credibility of the shariah supervisory board	Correlation Coefficient	0.076	0.057	0.062	0.087	.162**	.222**	.147**	-0.007	-.104*	.132**	.235**	.089*
	Sig. (2-tailed)	0.085	0.200	0.163	0.050	0.000	0.000	0.001	0.881	0.019	0.003	0.000	0.044
	N	508	508	508	508	508	508	508	508	508	508	508	508
The ease of accessing the banking and investment services	Correlation Coefficient	0.035	0.025	0.019	0.033	.128**	.159**	.120**	-0.022	-.087*	.126**	.210**	0.004
	Sig. (2-tailed)	0.431	0.579	0.664	0.455	0.004	0.000	0.007	0.624	0.050	0.004	0.000	0.936
	N	508	508	508	508	508	508	508	508	508	508	508	508
Your religious obligation	Correlation Coefficient	.088*	0.065	0.061	0.052	.238**	.412**	.306**	0.003	-.111*	.195**	.386**	.143**
	Sig. (2-tailed)	0.047	0.143	0.168	0.242	0.000	0.000	0.000	0.954	0.012	0.000	0.000	0.001
	N	508	508	508	508	508	508	508	508	508	508	508	508

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Correlations

		They were easier to understand	They were offered by my current financial provider	They met my financial goals	They were offered at the same or a lower cost than conventional products	The financial institution had staff that were able to answer my questions and concerns	The shariah board of my potential financial provider was constituted of different individuals	The product provider had more advanced user platforms, making it easier to use and transact	I am not aware of alternative Islamic products	I do not believe that the alternative Islamic products are in fact compliant	The alternative Islamic products are more expensive	I believe that the end result of both the Islamic and conventional products are the same	I do not understand the Islamic alternatives and prefer to use what i understand
My institution cannot give me sufficient information on the alternatives to make an informed decision	Correlation Coefficient	.360**	.279**	.231**	.187*	.336**	.348**	.340**	.309**	.374**	.192**	.210**	.410**
	Sig. (2-tailed)	0.000	0.000	0.003	0.015	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	N	167	167	167	167	167	167	167	371	371	371	371	371
Financial reputation and image of the Islamic institution	Correlation Coefficient	.416**	.339**	.478**	.397**	.352**	.352**	.368**	-0.053	0.002	-0.023	-0.074	-0.059
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.319	0.963	0.670	0.163	0.268
	N	222	222	222	222	222	222	222	358	358	358	358	358
Your knowledge and understanding of what Islamic finance entails	Correlation Coefficient	.342**	.245**	.401**	.295**	.321**	.288**	.371**	0.032	-0.001	-0.044	-.140**	-0.011
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.544	0.985	0.404	0.008	0.833
	N	222	222	222	222	222	222	222	358	358	358	358	358
The extent of the visibility/ presence of the Islamic bank/ branch	Correlation Coefficient	.357**	.353**	.452**	.365**	.386**	.343**	.444**	0.072	0.069	0.031	-0.052	.119*
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.175	0.191	0.558	0.330	0.024
	N	222	222	222	222	222	222	222	358	358	358	358	358
The purpose of the savings (religious or other)	Correlation Coefficient	.319**	.332**	.470**	.368**	.388**	.367**	.449**	0.071	0.083	0.099	-0.057	0.080
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.180	0.117	0.063	0.285	0.129
	N	222	222	222	222	222	222	222	358	358	358	358	358
The quality of customer service at the institution	Correlation Coefficient	.357**	.307**	.470**	.431**	.444**	.383**	.510**	0.005	0.043	-0.082	-0.041	0.068
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.928	0.420	0.121	0.443	0.202
	N	222	222	222	222	222	222	222	358	358	358	358	358
The knowledge of the staff at the institution	Correlation Coefficient	.383**	.354**	.481**	.400**	.447**	.389**	.415**	0.027	0.018	-0.082	-0.027	0.059
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.606	0.732	0.120	0.614	0.267
	N	222	222	222	222	222	222	222	358	358	358	358	358
The convenience of the institution	Correlation Coefficient	.442**	.394**	.543**	.502**	.468**	.393**	.515**	0.014	0.008	-0.074	-0.029	0.080
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.797	0.884	0.160	0.589	0.129
	N	222	222	222	222	222	222	222	358	358	358	358	358
The knowledge base of the shariah supervisory board	Correlation Coefficient	.389**	.261**	.443**	.439**	.440**	.387**	.486**	0.061	0.050	-0.045	-0.006	-0.040
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.247	0.343	0.395	0.914	0.454
	N	222	222	222	222	222	222	222	358	358	358	358	358
The credibility of the shariah supervisory board	Correlation Coefficient	.389**	.195**	.360**	.414**	.426**	.383**	.408**	0.075	0.056	-0.013	-0.008	-0.023
	Sig. (2-tailed)	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.157	0.292	0.810	0.883	0.659
	N	222	222	222	222	222	222	222	358	358	358	358	358
The ease of accessing the banking and investment services	Correlation Coefficient	.452**	.326**	.468**	.467**	.473**	.389**	.522**	0.025	-0.076	-0.080	-.117*	-0.017
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.643	0.154	0.131	0.027	0.747
	N	222	222	222	222	222	222	222	358	358	358	358	358
Your religious obligation	Correlation Coefficient	.413**	.309**	.277**	.281**	.302**	.247**	.222**	0.017	0.016	-0.053	-0.093	-0.046
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.001	0.749	0.761	0.315	0.079	0.388
	N	222	222	222	222	222	222	222	358	358	358	358	358

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Correlations

		My institution cannot give me sufficient information on the alternatives to make an informed decision	Financial reputation and image of the Islamic institution	Your knowledge and understanding of what Islamic finance entails	The extent of the visibility/ presence of the Islamic bank/ branch	The purpose of the savings (religious or other)	The quality of customer service at the institution	The knowledge of the staff at the institution	The convenience of the institution	The knowledge base of the shariah supervisory board	The credibility of the shariah supervisory board	The ease of accessing the banking and investment services	Your religious obligation
My institution cannot give me sufficient information on the alternatives to make an informed decision	Correlation Coefficient	1.000	.160**	.171**	.275**	.280**	.215**	.278**	.248**	.211**	.209**	.177**	.187**
	Sig. (2-tailed)		0.002	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.001	0.000
	N	371	358	358	358	358	358	358	358	358	358	358	358
Financial reputation and image of the Islamic institution	Correlation Coefficient	.160**	1.000	.554**	.564**	.475**	.530**	.552**	.547**	.558**	.554**	.534**	.429**
	Sig. (2-tailed)	0.002		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	N	358	508	508	508	508	508	508	508	508	508	508	508
Your knowledge and understanding of what Islamic finance entails	Correlation Coefficient	.171**	.554**	1.000	.583**	.532**	.512**	.521**	.499**	.509**	.478**	.476**	.422**
	Sig. (2-tailed)	0.001	0.000		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	N	358	508	508	508	508	508	508	508	508	508	508	508
The extent of the visibility/ presence of the Islamic bank/ branch	Correlation Coefficient	.275**	.564**	.583**	1.000	.596**	.545**	.552**	.582**	.511**	.484**	.541**	.329**
	Sig. (2-tailed)	0.000	0.000	0.000		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	N	358	508	508	508	508	508	508	508	508	508	508	508
The purpose of the savings (religious or other)	Correlation Coefficient	.280**	.475**	.532**	.596**	1.000	.471**	.493**	.488**	.511**	.480**	.454**	.341**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000		0.000	0.000	0.000	0.000	0.000	0.000	0.000
	N	358	508	508	508	508	508	508	508	508	508	508	508
The quality of customer service at the institution	Correlation Coefficient	.215**	.530**	.512**	.545**	.471**	1.000	.780**	.754**	.636**	.591**	.664**	.399**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000		0.000	0.000	0.000	0.000	0.000	0.000
	N	358	508	508	508	508	508	508	508	508	508	508	508
The knowledge of the staff at the institution	Correlation Coefficient	.278**	.552**	.521**	.552**	.493**	.780**	1.000	.731**	.718**	.694**	.681**	.481**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000		0.000	0.000	0.000	0.000	0.000
	N	358	508	508	508	508	508	508	508	508	508	508	508
The convenience of the institution	Correlation Coefficient	.248**	.547**	.499**	.582**	.488**	.754**	.731**	1.000	.611**	.584**	.730**	.401**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000		0.000	0.000	0.000	0.000
	N	358	508	508	508	508	508	508	508	508	508	508	508
The knowledge base of the shariah supervisory board	Correlation Coefficient	.211**	.558**	.509**	.511**	.636**	.718**	.611**	.731**	1.000	.869**	.689**	.576**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		0.000	0.000	0.000
	N	358	508	508	508	508	508	508	508	508	508	508	508
The credibility of the shariah supervisory board	Correlation Coefficient	.209**	.554**	.478**	.484**	.480**	.591**	.694**	.584**	.869**	1.000	.678**	.580**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		0.000	0.000
	N	358	508	508	508	508	508	508	508	508	508	508	508
The ease of accessing the banking and investment services	Correlation Coefficient	.177**	.534**	.476**	.541**	.454**	.664**	.681**	.730**	.689**	.678**	1.000	.481**
	Sig. (2-tailed)	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		0.000
	N	358	508	508	508	508	508	508	508	508	508	508	508
Your religious obligation	Correlation Coefficient	.187**	.429**	.422**	.329**	.341**	.399**	.481**	.401**	.576**	.580**	.481**	1.000
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
	N	358	508	508	508	508	508	508	508	508	508	508	508

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Appendix B – Turnitin report

EXPLORATORY STUDY TO DEVELOP AN ISLAMIC
COMPLIANT INVESTMENT AND BANKING FRAMEWORK
WITHIN A SOUTH AFRICAN CONTEXT

ORIGINALITY REPORT

20%	17%	5%	12%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

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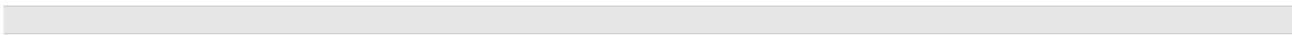
1	Submitted to CTI Education Group Student Paper	2%
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7	Submitted to Vaal University of Technology Student Paper	1%
8	Submitted to Mancosa Student Paper	<1%

Student- Shakir Jeeva

Supervisor- Prof. M Bayat

Appendix C – FREC ethics approval

DATA COLLECTION TOOLS:		
In the case of data collection via questionnaire; if piloting and refining of the questionnaire is still to take place please indicate if you would like to review the final questionnaire before the study commences or if you would support the final approval thereof to be to the satisfaction of the FREC Chair		
I would like to review the final questionnaire before research commences		I am satisfied that the FREC Chair review and approve the final questionnaire X
Name of primary reviewer: Prof. K. Reddy		Name of secondary reviewer: Mrs A.J.C. Womack
Date: 13/11/2018		Date: 2.11.2018
Signature:		Signature:



THIS FORM WILL NOT BE ACCEPTED IF NOT ACCOMPANIED BY SIGNATURES OF BOTH REVIEWERS

Appendix D – Survey introduction letter



Faculty of Management Sciences

Department of Public Management & Economics

Date:

Dear Participant

Re: Research undertaken in the Islamic finance sphere for completion of Doctoral degree – Shakir Jeeva

This letter serves to advise that Shakir Jeeva is currently enrolled at the Durban University of Technology in pursuance of a doctoral degree.

In the attainment of this degree, certain information and data is required through structured questionnaire, where certain opinions and responses will be solicited from the participant/s.

The information received will be kept highly confidential and will be used only for purposes of the research document to be completed.

It will therefore be appreciated if the researcher be allowed to conduct the questionnaire as this will prove invaluable for the researcher in obtaining a qualification, as well as adding to the body of knowledge within the Islamic finance sphere.

Student – Shakir Jeeva
Contact Details – shakir@kwantu.co.za

Supervisor / Promoter – Professor Bayat
Contact Details – mbmsaheed@gmail.com

Co-Supervisor/Co-Promoter
Contact Details