



Islamic Banking: A Growing or Shrinking Consumer Market in Kuwait?

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Abstract:

The steady expansion of Islamic banks (IBs) has been the hallmark of the Muslim financial landscape of the 1980s and 1990s. With a network that covers over 60 countries and an asset base of over \$166 billion, Islamic banks are currently playing an increasingly significant financial and developmental role in their respective economies. Islamic banking has gained increased attention in the GCC (Gulf Cooperation Council) over the past years, capturing a growth of 13% share of total Islamic banking assets around the world. This paper questions the growth of Islamic banking activity in the GCC, and focuses on developing prospects for one GCC country, namely Kuwait. Using detailed survey instruments regarding the offer of various Islamic banking services, the results of this study affirm the hypothesis that Islamic banking is claiming a growing market share and consumer market in Kuwait.

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1. Introduction & Purpose of Study

The steady expansion of Islamic banks (IBs) has been the hallmark of the Muslim financial landscape of the 1980s and 1990s. With a network that covers more than 60 countries and an asset base of over \$166 billion; Islamic banks are currently playing an increasingly significant role in their respective economies, (Hassan, 1999). Islamic banking services and products have successfully secured markets at home and are currently being offered by 'non-Islamic' banks and financial institutions that include names like Citibank. Islamic banking has gained increased attention in the GCC⁽¹⁾ (Gulf Cooperation Council) and the world at large over the past years, with the GCC countries capturing a growth of 13% share of total IB assets around the world; the bulk of which is concentrated in Saudi Arabia, Kuwait and the UAE. Since the mid-1970s, Islamic banks have been growing at a surprisingly fast rate. Islamic banks were established, not only in countries where Islam is the major religion, i.e. Egypt, Jordan, Sudan, Bahrain, Kuwait, United Arab Emirates, Tunisia, Mauritania and Malaysia, but also in the United Kingdom, Denmark and the Philippines where Islam is a minor religion. (Abdullah, S. 1996)

The purpose of this study is to investigate whether Islamic banking services are becoming more popular and hence gaining a stronger foothold, and greater market share of banking services, that may or may not detract from conventional banking, in the GCC in general, and in Kuwait, more specifically. The fact that Islamic banking services are gaining increased market share, expressed mainly in their growing customer deposits and assets is an indicator of a changing financial and economic landscape all together. This will become clearer as the model of Islamic banking and finance is presented as an alternative model of investment, in the ensuing section of the paper.

Published banking data have been used to analyze the general

(1) GCC member countries are Saudi Arabia, Kuwait, Bahrain, United Arab Emirates-UAE, Qatar and Oman.

GCC regional outlook. However, for the case of Kuwait, the level of analysis has been disaggregated and further supported by the use of a carefully designed and constructed survey⁽²⁾ that has relied on a representative sample of the population to draw conclusions regarding their utility of various Islamic banking products and services.

2. Islamic Banking: An Alternative Model of Investment

The saturated global banking market has forced banks to devise new growth strategies to remain competitive. In response, financial engineers are in the process of reshaping a centuries old Islamic tradition, in an effort to capture huge potential markets. Traditional banking dates back to the 13th century and is based on the charge of 'interest' on loans governed by the commercial laws. Islamic banking however, which did not develop until the second half of the 20th century, is based on sharing profit and loss. Its revival and development during the past two decades has coincided with the revival of Islamic fundamentalism, which made many Muslims feel reluctant to participate in a banking system that is based on interest, thus arose the need for a banking system that does not contradict their Islamic beliefs.

The global market response to this phenomenon has been surprising and unexpected. Numerous Islamic financial institutions have been established around the world and a growing number of global conventional banks have also opened 'Islamic windows'. In fact, global financial institutions, led by HSBC, Citigroup, Deutsche Bank and BNP Paribas, have established either Islamic divisions or separate banks to cater to this growing market. Most important, they are contributing with the expertise needed to establish some of the extremely sophisticated products now available. Hence, these religious based financial institutions have succeeded in penetrating markets around the world; Muslim and non-Muslim. In addition, their performance ratings have been very optimistic, showing profitability

(2) The complete survey used is found in the appendix.

measures that compare, or even surpass their conventional counterparts.

The main factor that differentiates between Islamic and conventional banking systems, lies in the compensation or return for capital investment. In the conventional system there is a set and fixed rate of interest on capital, while in Islamic banking the compensation is calculated from the profit or loss, where the prescribed percentage is set through a lease '*akad*'. The ground gained principle of this lease realizes the uttermost sense of justice between the capital provider and user. This principle applies both to debtor and creditor. Nabil (1990) defined Islamic banking as a banking system within the Islamic discipline, and lays emphasis on, but does not confine itself to, the elimination of fixed predetermined rates of interest. It allows for the replacement of interest by returns obtained from investment activities and operations that actually generate extra wealth. All of these definitions emphasize one or more of the characteristics of Islamic banking but none of these could be considered as a complete and comprehensive definition. Perhaps a better definition of Islamic banking would be as follows: Islamic banking is a system that is free of interest, but is alternatively based on profit and loss sharing.⁽³⁾ The Islamic banking system can therefore only operate under two fundamental principles: the prohibition of interest and profit and loss sharing.

The profit and loss sharing system (PLS) operates on the basis of two concepts; '*Mudarabah*' and '*Musharkah*'. These are the twin pillars of Islamic banking. '*Mudarabah*' or profit sharing is a contract between two parties whereby one party, called '*rabb al-mal*' (investor), entrusts money to a second party, called '*Mudareb*', for the purpose of conducting productive projects. The '*Mudareb*' (entrepreneur/owner) contributes his labor and time and manages the venture according to

(3) Islamic banking employs particular tools that include; '*musharkah*', '*mudarabah*', and '*murabaha*', among others. Here, reference shall be limited to those that are relevant to the scope of the study.

the terms of the contract. One of the essential characteristics of this contract is that profit, if any, will be shared between the investor and the '*mudareb*' on a pre-agreed proportional basis. The loss, if any, is borne by the investor alone. (Saeed, 1996)

Modern Islamic financial products and services are developed using two different approaches. The first approach is by identifying existing conventional products and services that are generally acceptable in Islam, and modifying as well as removing any prohibited elements from them, so that they are able to comply with 'Shariah'⁽⁴⁾ principles. The second approach involves the application of various Islamic law or 'Shariah' principles, to facilitate the organization and innovation of new products and services.

The Islamic economic system provides a holistic alternative to pure capitalism and socialism, by selectively including characteristics from both, to produce a unique and integral economic system in its own right. Islamic finance and banking have their own peculiarities, characteristics and challenges that differentiate it from the conventional financial system. Islamic financial institutions and Islamic banks (IBs) ideally exist with a socio-economic, developmental cause that goes beyond profitability and the sheer accumulation of wealth. There is a cyclic economy-wide redeeming perspective that is ideally providing the impetus for the existence of these banks, (as an alternative to the conventional Western model of finance and banking), that is derived directly from the 'Shariah'⁽⁵⁾ and its social developmental goals for the community.

Commercial Islamic banking is a worldwide phenomenon invol-

(4) 'Shariah' is the term given for Islamic law and with respect to finance, 'shariah' compliant investments are investments in ethical sectors that do not generate profits from prohibited activities, such as alcohol production, gambling, pornography, etc. Also investing in interest (*riba*) based financial institutions is not allowed. All wealth creation should result from a partnership between the investor and the user of capital in which rewards and risks are shared. Returns on invested capital should be earned (i.e. tied to the profits generated by the capital) rather than be pre-determined (as in interest based returns provided by bank deposits).

(5) 'Shariah' is literally, 'Islamic law'.

ving a variety of institutions and familiar financing instruments, that have developed in many countries around the world during the past few decades. In countries such as Iran, Sudan, and Pakistan, all or most financial intermediation conforms to Islamic Shariah as defined by local authorities. These countries also have banking authorities that govern the general level of charges and returns in the system. In most other countries however, Islamic transactions and institutions make up a small part of the total and must compete with their conventional counterparts. In spite of this, Islamic banks have significantly expanded their network, and have been able to amass large amounts of deposits as well as promote many economic ventures during the last two decades. (Zaheer, 2001)

One of the main selling points of Islamic banking, at least in theory, is that, unlike conventional banking, it is concerned with the social viability of financed projects and the economy as a whole, in addition to the profitability of the operation but not the size of the collateral. Sound projects that may be turned down by conventional banks for lack of available collateral, would be financed by Islamic banks on a profit-sharing basis. It is particularly from this perspective that Islamic banks can play a catalytic role in stimulating economic development, especially in developing countries. In practice, however, Islamic banks have been concentrating on short-term trade finance, in order to minimize risk, and also because long-term financing requires expertise that Islamic banks and financial institutions still lack. Another reason is that there are no back-up institutional structures such as secondary capital markets for Islamic financial instruments.

2.1. Islamic Banking in the GCC

Since the 1970s developing countries (Claessens, 2000) have been reforming their financial sectors. Financial sector reforms in the Arab Gulf Cooperation Council (GCC) countries have been initiated recently as part of an overall program of economic stabilization and growth. Empirical studies show that all GCC countries with the exception of Bahrain and Kuwait stepped into the 1980s with a low level of financial deepening. As economic activity accelerated and banking habits developed, this ratio rose substantially in all of the GCC countries over the last decade. Moreover, there is an increased

focus on privatizing the banking sector in the region; an opportunity that GCC banks are trying to capitalize on. In most of the GCC countries, bank shares are considered to be the most attractive investment opportunities and account for a large portion of the stock markets' capitalization. There is a growing need for a well developed Gulf financial market to attract domestic funds being currently invested outside, and to direct them to regional private sector investments. For the banking sector, this presents real challenges. The banking sector in GCC countries has been changing rapidly during the past decade or so. Several regulatory changes and technological changes have paved the way for transformation of the entire financial system as a whole and not just the banking sector alone. As a result of these changes, the cost of providing financial services has declined and a larger variety of product alternatives are available now.

The popularity of Islamic banks in the GCC is evident in the growth of the number of banks across the GCC countries. In the year 2000, there was only 1 Islamic bank in Saudi Arabia, 2 in Qatar, 1 in Kuwait, 4 in Bahrain and 2 in the UAE. Four years later, there are 3 in Saudi Arabia, still 2 in Qatar, 3 in Kuwait, 5 in Bahrain and 4 in the UAE⁽⁶⁾. The combined assets of all GCC Islamic banks as of year end 2003 stand at, \$47,611,000 million, and their combined equities equal \$6,676,000 million⁽⁷⁾. Again if we look at this distribution from a macro perspective we begin to see a clearer picture. In all of the GCC countries, Islamic banks account for 14% to 17% of all banking activity, leaving approximately 83% of banking activity to conventional banks. The distribution of Islamic banking activity across the GCC is comparable, indicating a regional trend; however, individual national growth rates vary.

When ranking Islamic banking activity within the GCC by size of assets; we find that Saudi Arabia has 45% of the region's share, followed by Kuwait at 23.8%, then by the UAE at 18.8%, only to be followed by

(6) Data on new banks may not be found in the tables below because their financial data are still not published.

(7) GCC Banks Financial Report, Research Unit - Institute of Banking Studies, Kuwait, 2004.

the comparable Bahrain and Qatar at 6% each.⁽⁸⁾ However, two indicators, namely; customer deposits and assets, have been used to explain market share and its direction. Table 1 below shows customer deposits in Islamic banks in all GCC countries. In Saudi Arabia, customer deposits have increased by 42% between 2000 and 2004, in Kuwait they increased by 41%; in Bahrain, customer deposits grew by a steep 80%; in the UAE by 63% and in Qatar, customer deposits in Islamic banks, grew by 50%. This growth trend is clearly shown on Figure 1.

**Table 1. Customer Deposits in Islamic Banks in GCC Countries
(Mill.U.S \$) (2000-2004)**

Banks	2000	2001	2002	2003	2004
Saudi Arabia:					
Al-Rajhi Banking & Investment Corp.	9,785.78	10,542.35	12,147.31	13,154.79	16,973.78
Kuwait:					
Kuwait Finance House	5,065.40	5,779.20	6,599.16	7,805.14	8,697.66
Bahrain:					
Shamil Bank of Bahrain	64.73	58.19	614.68	668.03	896.71
Bahrain Islamic Bank	408.57	401.54	76.22	162.31	44.84
ABC Islamic Bank	6.07	15.33	562.04	817.53	917.95
First Islamic Investment Bank	-	-	448.91	501.09	529.79
Al-Baraka Islamic Bank	-	-	26.05	14.46	6.97
Total of Bahrain in each Year	479.37	475.06	1,727.90	2,163.42	2,396.26
UAE:					
Dubia Islamic Bank	2,661.05	3,573.03	4,625.51	5,414.21	6,791.44
Abu Dhabi Islamic Bank	804.43	1,167.26	1,416.15	1,667.44	2,605.59
National Bank of Sharja	313.9	300.79	413.15	505.98	675.71
Emirates Islamic Bank	-	-	307.11	328.71	336.16
Total of UAE in each Year	3,779.38	5,041.08	6,761.92	7,916.34	10,408.90
Qatar:					
Qatar Islamic Bank	910.66	1,003.48	1,149.77	1,308.34	1,592.35
Qatar International Islamic Bank	467.64	613.95	750.31	954.56	1,202.84
Total of Qatar in each Year	1,378.30	1,617.43	1,900.08	2,262.90	2,795.19

Source: GCC Banks - Financial Report (2000-2004), Research Unit - Institute of Banking Studies- Kuwait.

(8) Calculated from data extrapolated from 'GCC Banks Financial Report', 2005.

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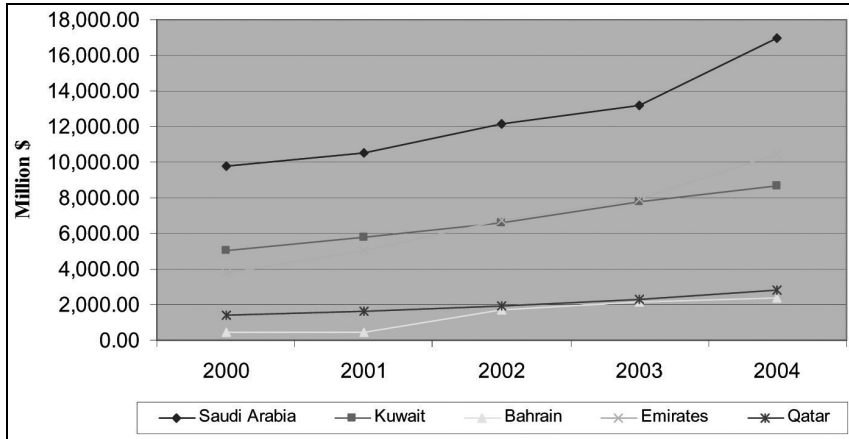


Figure 1. Growth of Customer Deposits in GCC Islamic Banks (2000-2004)

* Oman is omitted due to lack of IB activity.

Source: GCC Banks - Financial Report (2000-2004), Research Unit - Institute of Banking Studies- Kuwait.

Assets show a corresponding growth trend in Table 2 and Figure 2. Over a span of only five years between 2000 and 2004, assets of Islamic banks in Saudi Arabia grew by 37.5%, in Kuwait by 43%, in Bahrain by 60%, in the UAE by 63%, and in Qatar by 51%. These growth trends correlate with extra-regional patterns, especially in Muslim countries or countries with large Muslim populations, like Egypt, Sudan, Turkey, Pakistan, Malaysia and Indonesia.

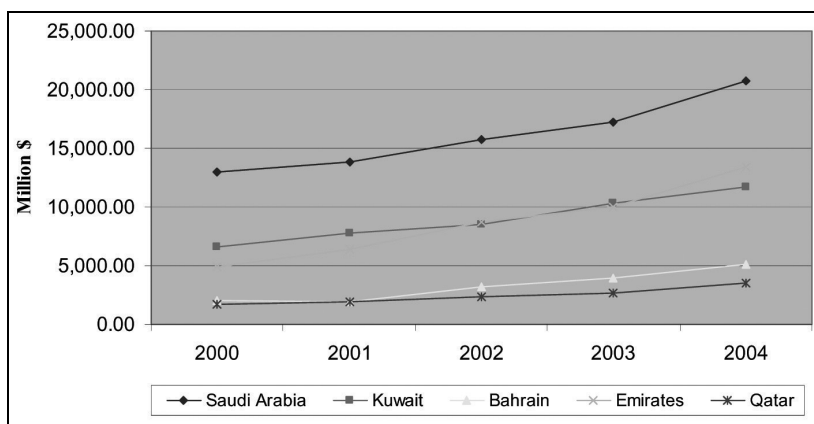
Table 2. Assets of Islamic Banks in GCC Countries (Mill.U.S \$) (2000-2004)

Banks	2000	2001	2002	2003	2004
Saudi Arabia:					
Al-Rajhi Banking & Investment Corp.	12,997.68	13,815.03	15,783.20	17,269.11	20,787.22
Kuwait:					
Kuwait Finance House	6,632.26	7,733.64	8,527.02	10,319.40	11,734.26
Bahrain:					
Shamil Bank of Bahrain	1,316.34	1,241.90	1,047.94	1,190.57	1,613.67

*Cont. Table 2. Assets of Islamic Banks in GCC Countries (Mill.U.S \$)
(2000-2004)*

Banks	2000	2001	2002	2003	2004
Bahrain Islamic Bank	516.85	508.47	557.82	615.64	677.6
ABC Islamic Bank	194.99	185.02	252.49	244.69	335.13
First Islamic Investment Bank	-	-	523.42	817.96	1,228.25
Al-Baraka Islamic Bank	-	-	812.97	1,077.44	1,206.97
Total of Bahrain in each Year	2,028.18	1,935.39	3,194.64	3,946.30	5,061.62
UAE:					
Dubia Islamic Bank	3,205.90	4,175.44	5,336.48	6,202.54	8,336.02
Abu Dhabi Islamic Bank	1,188.18	1,664.61	2,161.33	2,510.80	3,454.72
National Bank of Sharja	505.2	557.4	659.38	726.81	940.68
Emirates Isalmic Bank	-	-	547.06	599.2	628.74
Total of UAE in each Year	4,899.28	6,397.45	8,704.25	10,039.35	13,360.16
Qatar:					
Qatar Islamic Bank	1,115.02	1,212.82	1,408.24	1,537.89	2,111.63
Qatar International Islamic Bank	576.29	741.67	890.83	1,073.17	1,363.15
Total of Qatar in each Year	1,691.31	1,954.49	2,299.07	2,611.06	3,474.78

Source: GCC Banks - Financial Report (2000-2004), Research Unit - Institute of Banking Studies- Kuwait.



**Figure 2. Increasing Assets of Islamic Banks in GCC Countries
(2000-2004)**

* Oman is omitted due to lack of IB activity.

Source: GCC Banks - Financial Report (2000-2004), Research Unit -Institute of Banking Studies- Kuwait.

2.2. Focus on the Case of Kuwait

The previous section provided a brief summary of the status of Islamic banking in the GCC region, focusing on the market share perspective. It is evident from the data presented above, Kuwait has the second leading Islamic banking regional market share, after Saudi Arabia, in terms of customer deposits and assets; a fact that is also true for net profits and equity. This section of the paper focuses on presenting Islamic banking activity in Kuwait, as a prelude to the detailed survey⁽⁹⁾ that was conducted in Kuwait about the usage of Islamic banking products and services.

The Kuwait Finance House, established in 1977, has been the only Islamic financial institution that provides Islamic banking services and products, in Kuwait for the past 20 years. Two newcomers have emerged in the Islamic banking market over the past year; namely Boubiyan Bank and the newly converted Kuwait Real Estate Bank⁽¹⁰⁾, however, their operations are still limited and hence scarce financial data is made available on their operations. The entrance of new players in this market has been long awaited in order to increase Islamic banking options and also to diffuse the almost monopolistic provisions that the Kuwait Finance House enjoys in this market, a provision that has drawn numerous customers and their deposits and investments over the years, and one that has converted many conventional, traditional bank clients into Islamic clients.

The Kuwait Finance House (KFH), along with 13 Islamic '*financial companies and windows*' in Kuwait, have a combined asset base of KD 3.2 billion, with KFH claiming KD 2.6 billion of that. Table 3 below presents all Islamic funds that are being offered by conventional banks. They are conventional banks' windows to the Islamic market, and they do not compete with the universal Islamic banking services that the KFH provides.

(9) The survey can be found in the appendix of the paper.

(10) The Kuwait Real Estate Bank (KREB) has operated since 1972 as a conventional bank that focuses on the real estate market. Over the past 3 years, it has been undergoing a gradual process of conversion to become an Islamic bank.

KFH, is a bank, and has the second largest asset base and almost continuous net profits amongst Islamic banks in the region, superseded only by Al-Rajhi Financial Investment Company in Saudi Arabia. Figure 3 shows very clearly that the Kuwait Finance House (KFH), is the second leading bank in Kuwait in terms of performance and market share, superseded only by NBK, the National Bank of Kuwait. This distribution has been stable at least for the past five years, showing KFH's competitive performance that is only augmented by the fact that it is the only Islamic bank that has been in operation in Kuwait for the past two decades, hence catering to a market demand that no other provider has been able to tap. Additionally, Figure 4, shows that over a span of six years, between 1995 and 2001, bank lending activity by the KFH has increased from 20% to 25%, drawing altogether new customers, in addition to those that have converted from conventional banks to the KFH, evident in the strong shift in numbers particularly for the National Bank of Kuwait (NBK), the leading conventional bank in Kuwait, where bank lending activity dropped by a steep 17% over the same period, from 38% in 1995 to only 21%. This is the period that coincided with the revival of fundamental Islamic thought and the practice of Islamic Shariah in new facets of life, including the financial, and a noticeable shift in attitude especially amongst a new genre of young Kuwaitis. This, in addition to the fact that the Kuwait Finance House (KFH) has managed to secure a sizeable market share that is consistently increasing, with its slightly preferential rates and returns at times, and its attractive presentation of 'Islamic/Shariah compliant' tools⁽¹¹⁾ and packaging of products and services.

(11) It offers financially rewarding guilt-free investments.

Table 3. Islamic Banking Services/Windows Provided by Commercial Banks in Kuwait

Commercial Banks	Investment Funds
NBK	1. Islamic US Dollar Murabaha Fund 2. Islamic Ijara Fund II 3. Islamic Ijara Fund III 4. Islamic Ijara Fund IV 5. Islamic Healthcare Fund 6. Islamic Healthcare Fund 7. Islamic Asian Real Estate Fund 8. Thahabi Ijara Fund I
ABK	1. Al Ahli Kuwaiti Fund 2. Al Ahli Gulf Fund
BKME	1. Amwal Money Market Fund
Burgan Bank	1. Al-Muthanna Fund
CBK	1. Tijari Islamic Fund 2. Tijari Money Market Fund
Gulf Bank	1. Al Basha'er GCC Equity Fund

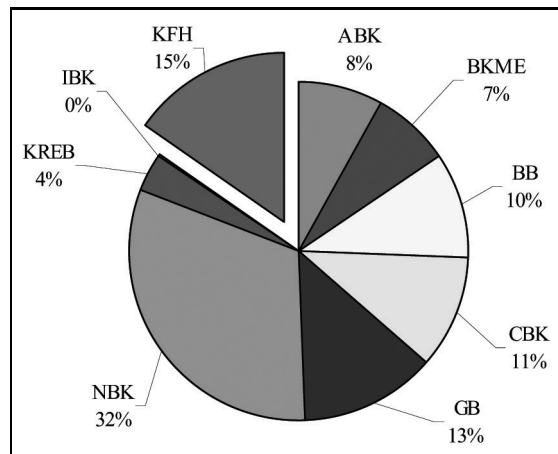


Figure 3. Kuwait Banking Sector by Market Share (2004)

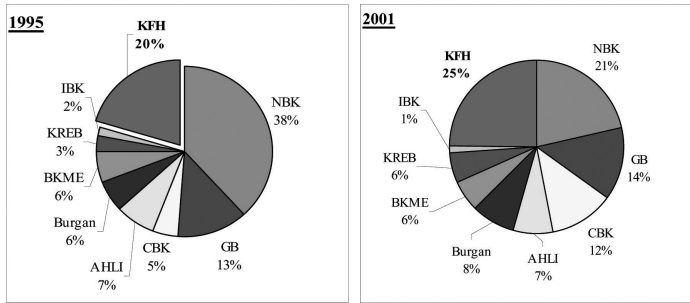


Figure 4. Bank Lending Activity in Kuwait

Figure 5 is a consolidated statement for the Kuwait Finance House between 1998 and 2005 that shows the steady growth that the bank has created, especially with respect to assets, equity and customer deposits. KFH's categorization not just as a bank but as a 'financial institution' has allowed it to legally establish subsidiary companies and engage in far reaching local, regional and world wide commercial operations, that are outside the scope of its 'conventional' counterparts. This allowance has undoubtedly given KFH an unsurpassed market advantage, the results of which are evident in Figure 5⁽¹²⁾.

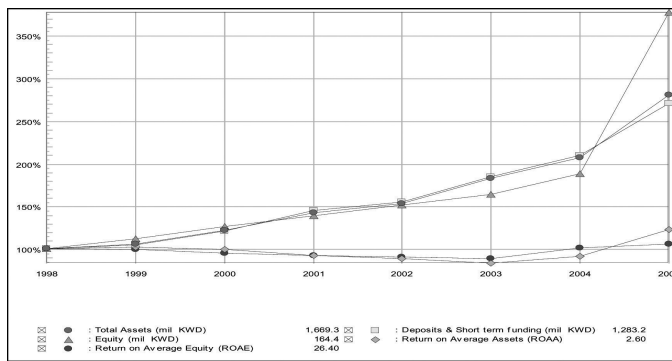


Figure 5. Kuwait Finance House (Consolidated Statement) (Past Evolution, Indices of Key Variables)

Source: Bank Scope, May 2006

(12) The status of KFH will change, in the light of new market entrants that have pushed for new regulations that will relegate its "out of banking scope" activities.

3. Survey Design and Methodology:

Due to the highly competitive and saturated banking environment that exists in Kuwait, it is essential for policymakers and bankers of conventional and Islamic banks to gain insight and knowledge about consumer preferences, inclinations and attitudes toward a specific financial institution or system. Hence, this survey has been conducted to highlight perceptions of different types/layers of customers toward the Islamic banking system in Kuwait as an alternative to the conventional system. In order to improve our understanding and insight of consumer behavior that leads to 'Islamic' investments, this study used Kuwait as a focal and representative population from which to draw its sample and run its survey. Kuwait provides a convenient experimental field considering its size, and relative homogeneity, especially regarding attitudes toward financial investments and banking. Much of the big picture that the survey results reveal may be generalized on the other countries of the GCC, due to numerous cultural, religious and attitudinal similarities that the peoples of this region have in common. Unexpected results were revealed and unforeseen value-added has been created from the results of this survey. The findings of this survey are intended to provide useful and insightful primary information and data for policy-makers and decision-makers of both conventional and Islamic banks that may be effectively utilized in their plans to develop the banking sector in Kuwait and forecast its growth; and for bank managers in formulating their future marketing strategies. The survey results along with Kuwait's profile will together provide a good indicator as to the direction in which Islamic banking is heading there.

The survey⁽¹³⁾ has been designed in accordance with universal survey taking and statistical rules, (Fowler, 2001 and 2003) in order to ensure the robustness of the questions asked. A sample survey was tested on a sample group, and was thereafter subject to important modifications in order to eliminate any misnomers or points of confusion.

The main objectives of the survey are to determine consumers'

(13) The survey can be found in the appendix of this paper.

level of awareness, understanding, attitudes and/or preferences regarding:

- The Islamic banking and financial system; its products and services,
- Usage of conventional versus Islamic banking facilities, and vice versa, and
- Characteristics/features of the products and services provided by the Islamic banking system.

A sample of 164 randomly selected bank customers were surveyed, from Islamic and conventional banks in Kuwait. The random selection was generated from all of Kuwait's six governorates, in order to maintain an equal geographic distribution and representation of the population. The data for this study were collected through self-administered questionnaires, provided both in English and Arabic. Both versions were tested and evaluated, prior to the field work, to ensure consistency and accuracy in terms of content, language and format. The questionnaire contained five sections: the first section was designed to collect information about the respondents' personal, demographic and economic characteristics. The profile of the respondents' profiles and characteristics are shown in Table 4. There is a diverse mix of respondents' showing different demographic information such as gender, age, occupation and education; social features like marital status, nationality, religion; and economic variables, such as the number of household family members, living location, and income level.

Table 4 shows that the majority of respondents belong to the 'middle age' group (20-50) years of age, have a college degree education, and work in the public sector. Similarly, the six governorates/provinces of Kuwait are represented (Kuwait City, Hawalli, Farwaniya, Jahra, Ahmadi, Mubarak Al-Kabeer), but the Capital (Kuwait City) and Hawalli Governorates dominate the sample. Both Governorates are in the heart of the commercial district and represent the most competitive banking environment compared with other governorates. Furthermore, Kuwaitis and Muslims of other nationalities represent the majority of the respondents. This is due to the fact that most of the non-Muslims approached were not able to distinguish between the products and services offered by conventional and Islamic

banks, nor were they able to differentiate Islamic banking products and financial instruments from the traditional banking and investment norm, nor were they aware that these products and services could be profitable investments for them regardless of their religious faith. Some claimed that the products and services offered by Islamic banks were meant only for Muslims. This perception in itself is an indicator that the Islamic model of investment and finance is positioned in the market and hence in the minds' of potential consumers, in such a way that limits its exposure and customer base. Focusing on increasing awareness and knowledge about these products and services could change this predisposition.

Table 4. Information on Respondents

Characteristic	(%)	Characteristic	(%)
Gender		Marital Status	
Male	54.3	Single	26.8
Female	45.7	Married	73.2
Age		Nationality	
20-30	24.4	Kuwaiti	81.1
31-40	36.6	Non-Kuwait	18.9
41-50	29.9	Religion	
51-60	7.9	Muslim	94.5
61-Over	1.2	Non-Muslim	5.5
Education		Governorate	
Below High School	1.8	Kuwait City (Capital)	40.2
High School	7.3	Hawalli	29.3
Diploma Degree	17.1	Farwaniya	15.2
College Degree	73.8	Jahra	4.9
Occupation		Ahmadi	4.3
Unemployed	5.5	Mubarak Al-Kabeer	6.1
Student	1.8	Monthly Income (KD)	
Public Sector	78.7	Less than 500	16.5
Private Sector	14.0	500-1000	36.0
Family Members		1000-1500	26.8
Less than 5	36.0	More than 1500	20.7
5-7	47.0		
More than 7	17.1		

The second section of the questionnaire was intended to acquire views on conventional financial products and services such as saving behavior, investment criteria and borrowing (personal loans and mortgages) as well as other important variables that motivate customers/potential customers to engage in transactions with a particular financial institution/bank. In the third section of the questionnaire, the respondents were asked to indicate their knowledge and understanding of Islamic banking and financial products. The fourth section shows the respondents' attitudes toward potential Islamic services/providers and the change in the banking system. The fifth section is allocated for general comments that show the respondents thoughts and opinions regarding the subject of Islamic financial services.

3.1. Survey Findings and Analysis:

The main objectives of the survey were to discover and determine consumer attitudes toward the:

- usage of conventional and Islamic banking facilities,
- characteristics/features of the products and services provided by the banking system,
- understanding and knowledge of the Islamic banking system, and,
- various aspects of Islamic banking products and financial services, that include leasing, investments, mortgage and real estate purchases, stock brokerage, types of insurance and credit services.

The following sections will discuss the survey's most important findings:

1. Usage of Financial Products and Services:

The survey revealed that the most frequently used service by respondents is bank checking accounts (85.4%), followed closely by credit cards (51.8%), and bank saving services (48.8%). This indicates that respondents prefer banking services that carry some type of security, convenience, fast service, and simplicity in transaction. Stock brokerage services (25%), followed by fixed deposit (20.7%) is the most utilized facility for financing and trade facilities. Also, full auto insurance (21.3%) and car loans/leases (20.7%) were used by respondents as financial loaning support. Other facilities such as investment funds (6.7%), mortgages (5.5%), life insurance (6.7%),

home insurance (0.6%), and financial planning services (0.6%) are seldom used by the respondents.

II. Determinants of Bank Selection:

Table 5 clearly shows the six factors perceived as most important when selecting a bank. Survey participants were asked to indicate, on a three-point scale; choosing from “High”, "Medium" and “Low”, how they evaluated a series of factors that contribute to selecting a bank. These factors are namely; the level of customer service, reputation and credibility, compliance with Islamic law, range of products, cost, and advisory services. Except for a few differences in terms of order of importance, most respondents valued the same traits when selecting their banks. The factor found to be most important however, was the level of customer service (83.5%), which is directly related to customer satisfaction⁽¹⁴⁾, the quality of bank staff, their friendliness, and their level of proficiency, efficiency and effectiveness in handling bank transactions. The second most important factor was reputation and credibility of the financial institution (74.4%), closely followed by the compliance with Islamic law (61.6%), and the broad range of products offered by the institutions (54.9%). The last two factors respectively were the financial charges imposed by the bank (54.3%), and advisory services such as financial planning (33.5%).

Table 5. Determinants of Bank Selection

Bank Selection Factor	Importance Degree			
	High (%)	Medium (%)	Low (%)	None (%)
Services Level	83.5	15.2	0.6	0.6
Reputation and Credibility	74.4	21.3	3.0	1.2
Compliance with Islamic Law	61.6	25.6	10.4	2.4
Broad Range of Product	54.9	38.4	5.5	1.2
Cost	54.3	34.8	9.1	1.8
Advisory Services	33.5	39.6	21.3	5.5

(14) Customer satisfaction is now measured and evaluated in most banks, because it has been identified as one of the core indicators for a bank’s performance.

III. Knowledge of Islamic Banking Products and Services:

Islamic financial instruments, products and services have mechanisms and terminology of their own. Traditional or conventional financial and banking tools are corresponded with different names and terms in the Islamic financial and banking industry; a fact that has confused potential customers. Hence to avoid confusion, conventional terms were used when asking questions that aim to reveal awareness of Islamic finance products.

As shown in Table 6, more than one half of all respondents are knowledgeable either partly, or completely, of Islamic financial products such as checking accounts (67.7%), bank saving accounts (66.5%), car loans/leases (61%), fixed deposits (59.1%), and credit cards' (54.9%). It is also clear that the respondents were aware of some Islamic financial products such as full auto insurance (45.7%), investment funds (42.7%), and stock brokerage services (42.7%). Moreover, it is noted that about one third of the respondents have inadequate knowledge about some products and services offered by Islamic financial institutions, such as life insurance (37.8%), mortgage (37.2%), and home insurance (35.4%). Most of the respondents mentioned that they had a general knowledge of the Islamic banking system; however, they also indicated that their knowledge was quite limited. The respondents declared that they were aware of the interest-free banking principle, but could not differentiate between the products and services offered by Islamic banks compared to their conventional counterparts.

Table 6. Knowledge about Islamic Banking Services

Financial Products & Services	Awareness		Knowledgeable Level			
	Don't Know (%)	Know (%)	Not too Much (%)	Little (%)	Average (%)	A Lot (%)
Bank Checking Accounts	32.3	67.7	19.5	19.5	15.2	13.4
Bank Saving Accounts	33.5	66.5	18.9	22.0	14.6	11.0
Fixed Deposit	40.9	59.1	16.5	20.1	12.8	9.8
Investment Fund	57.3	42.7	15.9	12.8	6.7	7.3
Stock Brokerage	57.3	42.7	12.8	11.0	10.4	8.5
Mortgage	62.8	37.2	15.9	11.6	5.5	4.3
Credit Cards	45.1	54.9	20.1	14.0	11.6	9.1
Car Loans / Leases	39.0	61.0	24.4	15.9	12.8	7.9
Life Insurance	62.2	37.8	17.1	12.8	3.0	4.9
Home Insurance	64.6	35.4	17.1	9.1	3.7	5.5
Full Auto Insurance	54.3	45.7	16.5	15.9	4.9	8.5

IV. Level of Satisfaction with Conventional Banking Services:

The respondents were asked to evaluate and rank their level of satisfaction with a set of conventional financial products that are not necessarily aligned with Islamic ‘Shariah’. A summary of the results is provided in Table 7. Almost half of the respondents were satisfied with their conventional bank checking and saving accounts (56.1%, 45.7% respectively) however, the results show the lowest degree of satisfaction (26.2%, 23.2% respectively). For the other conventional financial products and services, the majority of respondents indicated either dissatisfaction or unawareness of the system. This finding, indicates that many people believe that the conventional interest based financial and banking system is against the Islamic religious belief, but still they concord its implementation due to their limited knowledge and understanding of the alternative Islamic banking system and Islamic financial tools. Moreover, many of the respondents indicated that Islamic banks have not done enough marketing to promote their products and services; an observation that our theoretical study also confirms.

Table 7. Level of Satisfaction with Conventional Banking Services

Financial Products & Services	Comfortable with Conventional Bank			Comfortableness Degree				
	Yes (%)	No (%)	Don't Know (%)	Extremely Comfortable (%)	Very Comfortable (%)	Comfortable (%)	Not Very Comfortable (%)	Not Comfortable (%)
Bank Checking Accounts	56.1	41.5	2.4	14.6	15.2	26.2	15.9	25.6
Bank Saving Accounts	45.7	41.5	12.8	10.4	12.2	23.2	15.2	26.2
Fixed Deposit	32.3	48.2	19.5	5.5	9.1	17.7	14.0	34.1
Investment Fund	25.0	51.8	23.2	4.3	6.1	14.6	16.5	35.4
Stock Brokerage	30.5	49.4	20.1	7.3	7.3	15.9	15.2	34.1
Mortgage	19.5	57.3	23.2	1.8	3.0	14.6	14.6	42.7
Credit Cards	34.8	48.8	16.5	7.9	12.8	14.0	21.3	27.4
Car Loans / Leases	28.0	53.7	18.3	2.4	7.3	18.3	18.9	34.8
Life Insurance	22.0	56.7	21.3	3.7	3.7	14.6	18.3	38.4
Home Insurance	17.7	58.5	23.8	3.0	3.7	11.0	20.7	37.8
Full Auto Insurance	26.2	52.4	21.3	5.5	6.1	14.6	17.7	34.8

V. Preparedness to Patronize Islamic Banking Services:

The respondents were asked to express their degree of willingness to solicit various 'Shariah' compliant products and services. The findings reported in Table 8 show that the vast majority of respondents expressed a high degree of willingness toward various aspects of Islamic banks' product and services. For instance 85.3% of the respondents were positively inclined to use the 'Islamic' bank checking accounts whereas; only 12.2% of respondents were unlikely or not interested in this option. The results in Table 8 also show the same inclination for other products and services. This finding indicates that Islamic banks have a potential competitive advantage with products and services that conform to Islamic principles, because many people are looking to deal and invest in 'Islamic compliant' ways. However, it is also evident that a lag exists that needs to be bridged with increased awareness and promotion campaigns. Unlike other markets, where the product is ready, yet the market lags, in the case of Islamic banking, the opposite is true; the customer base exists without an effectively developed market to meet their needs; which explains why a good portion of that market, finds no adequate alternative but in conventional banks.

Table 8. Preparedness to Use Islamic Banking Services

Financial Products & Services	Degree of Willingness					
	Would definitely Use (%)	Would Use if Cost & Features Comparable to Conventional (%)	Might Use (%)	Unlikely to Use (%)	Not Interested (%)	Don't Know (%)
Bank Checking Accounts	45.1	25.6	14.6	4.9	7.3	2.4
Bank Saving Accounts	44.5	25.0	15.9	4.3	5.5	4.9
Fixed Deposit	42.1	23.2	16.5	4.9	5.5	7.9
Investment Fund	32.3	16.5	18.9	7.3	9.8	15.2
Stock Brokerage	31.1	18.3	15.2	10.4	12.2	12.8
Mortgage	25.6	9.8	18.9	9.1	22.6	14.0
Credit Cards	37.2	20.7	20.1	5.5	9.1	7.3
Car Loans / Leases	28.7	22.0	15.9	8.5	12.8	12.2
Life Insurance	22.6	13.4	20.1	7.3	24.4	12.2
Home Insurance	23.8	14.0	22.6	7.3	18.3	14.0
Full Auto Insurance	26.8	20.7	20.1	6.7	14.0	11.6

Additionally, survey results also discovered that a vast majority of respondents (80.5%) chose to avoid using some financial products and services because of their 'Islamic incompliance', while only 19.5% reported their satisfaction toward the available conventional products and services. It was also revealed that 52.3% of the respondents kept funds in non-interest bearing accounts to avoid receiving 'riba' or interest. In addition, 41.7% of all respondents avoided borrowing money or using credit cards altogether, in order to avoid paying 'riba'. The other respondents' decisions were respectively as follows: 29.5% of those surveyed avoided purchasing traditional insurance products whenever possible, 26.5% of those surveyed purchased their car with cash to avoid paying 'riba', 15.9% of those surveyed deferred home ownership to pay all cash, 15.9% of those surveyed invested in Islamic equity mutual funds, and 6.1% of those surveyed financed their home purchases using an Islamic loan, as an alternative.

Furthermore, the segment of the survey⁽¹⁵⁾ that was designed to discover the types of loans that respondents' used to finance the purchase of a residence/home, found that there is quite a convergent percentage between those who rent (41.5%) and those who own (56.7%) their primary residence. However, most of the respondents who own their residence (59.1%) avoid using any loan, the others (32.3%) took out a conventional bank loan, and the least (8.6%) used Islamic loans. This finding escalates the claim that knowledge of Islamic banking is still underdeveloped among many customers, especially in the mortgage market. This finding reflects a worldwide, extra-regional and new-found interest in the mortgage market, and one that is pushing Islamic banks worldwide, especially in Europe and the United States to develop sophisticated tools with which to open this market and offer 'Islamic' mortgages. The findings with respect to the mortgage or home loan market in Kuwait, only confirm the fact that this aspect of Islamic banking presents a regulatory and financial challenge to the industry that needs to be effectively addressed.

(15) Refer to the survey in the appendix of the paper.

VI. Attitudes about Various types of Islamic Financial and Banking Service Providers:

The survey included some exploratory questions that aimed to understand respondents' preferences and attitudes toward various 'types' of Islamic banks and financial service providers. Figure 6 shows that close to 70% of respondents were inclined to the idea of investing with large Western institutions, like Citibank; whereas 57.3% of those surveyed reported that they would trust an established foreign Islamic institution, and 76.8% would feel just as comfortable about investing with a new provider of Islamic products and services, like Boubiyan bank in Kuwait. One quarter of the respondents showed a lesser degree of satisfaction with Islamic financial services offered jointly by conventional banks and Islamic companies in the market. However, the most significant fact revealed is that Islamic banking could potentially acquire greater market share in the near future, since most respondents showed a strong desire to use Islamic financial services and products, in addition to their traditional investments or as an alternative to them.

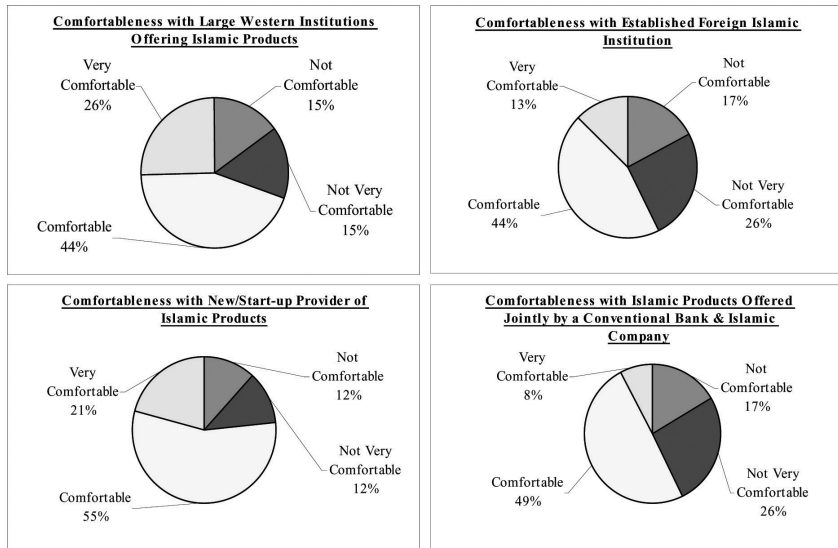


Figure 6. Attitudes about Various Islamic Banks and Financial Service Providers

3.2. Survey Commentary:

In the final section of the survey⁽¹⁶⁾, respondents were asked to provide additional thoughts or comments, if any, on the subject of Islamic financial services. The most important comments are summarized below:

- 1 - Respondents expressed the importance of cost in relation to bank services provided. This means that Islamic banks will only be attractive when costs of products and services are lower or at least comparable to those of conventional banks.
- 2 - Respondents still question whether Islamic principles are correctly applied in Islamic banks; and about the obscure calculation of risk/profit distribution.
- 3 - Respondents indicated that there is not yet an Islamic bank that qualifies in terms of location, distribution, size, supporting facilities, wide-spread ATM network, and transaction services compared to conventional banks.
- 4 - Respondents expressed several difficulties and points of confusion with respect to the names of Islamic financial products and services.

4. Conclusion

The survey instrument used in this study aimed to discover and determine consumer attitudes in Kuwait toward; the usage of financial products and services, determinants of bank selection, knowledge of products and services offered by Islamic banks, level of satisfaction with conventional banking services and other aspects of consumer behavior, that include the preparedness to use Islamic banking services. The results of this study show that Islamic banking is not a negligible or merely temporary phenomenon; Islamic banks are here to stay and there are signs that they will continue to grow and expand in Kuwait. Furthermore, the study also revealed that even if one does not subscribe to the Islamic injunction against the institution of interest,

(16) Refer to the survey in the appendix of the paper.

one may find in Islamic banking some innovative ideas which could add more variety to the existing financial network.

The implications of this study lead to conclusion that the Islamic banking sector will grow and expand in the GCC in general, and in Kuwait more specifically, thus affirming the central hypothesis of the study. The results of the survey conducted in Kuwait sheds light on what to expect from the region as a whole, where the trend is expected to be mirrored across the GCC. The implications, however, are more specifically related to the market share that Islamic banks will potentially claim in Kuwait; this oil rich, capital abundant economy, and how much of traditional banking funds will escape to Islamic alternatives, if at all. Islamic banks and financial institutions in the GCC and in Kuwait have been successful at attracting a portion of the capital that traditionally targets foreign investment opportunities; a trend that is likely to continue, commensurate with the growing religious fundamentalism in the region. Furthermore, the popularity of Islamic banks is likely to be augmented further by the inevitable institutional and instrumental development of the Islamic banking sector itself. Looking at the current state of the GCC market and in light of the prevalent investment and legal trends, Islamic banks and financial institutions will increase. In fact, the 3rd Conference on Islamic Financial Institutions, in 2003, recommended developing the GCC region as a '*Regional Islamic Center*'.

It is often critically suggested that Islamic banks are rather complacent. They tend to behave as though they had a captive market in the Muslim masses that will come to them on religious grounds. This complacency seems more pronounced in countries with only one or two Islamic banks⁽¹⁷⁾, like Kuwait. Many Muslims find it more convenient to deal with conventional banks and have no qualms about shifting their deposits between Islamic banks and conventional ones depending on which bank offers a better return. This might suggest a case for increasing the number of Islamic banks in those

(17) When the bank has a monopoly in the market.

countries as it would force the banks to be more innovative and competitive. While, there is no doubt that the emerging Islamic financial architecture requires further strengthening, two other requirements are also urgent.⁽¹⁸⁾ One is the need to consolidate the emerging set-up and to coordinate the activities of the newly established institutions so as to avoid duplication. The other is to integrate the Islamic financial architecture into the global institutional framework without losing its specificities. In this respect, the impact that the on-going trend towards globalization as well as the technological developments which are changing the shape of financial firms are areas that need further development and research in order to be addressed fully.

(18) Suggested further studies also include impacts of trade liberalization on IBs, governance and regional market strategy development.

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Appendix

SURVEY ON
ISLAMIC BANKING AND FINANCE IN KUWAIT

Dear participant, we are conducting a study to analyze the Islamic Financial System as an alternative of the Traditional Banking System. By this survey, we would like to discover your knowledge & interest in Islamic Finance and your attitudes about potential Islamic Finance Services. Your participation in our research through this survey is important. So, please fill out the attached questionnaire.

A. Background Information:

1- Gender:

Male Female

2- Age:

20-30 31-40
 41-50 51-60
 61-over

3- Marital Status:

Single Married

4- Nationality:

Kuwaiti Non-Kuwaiti

5- Religion:

Muslim Non-Muslim

6- Occupation:

No job Student

Own Business Public sector

Private sector Other.....

7- Governorate you live in:

Capital Hawalli

Farwaniya Jahra

Ahmadi Mubarak Al-Kabeer

8- Educational Background:

Below High School High school

Diploma degree College degree and above

9- Number of family members lives in your household:

Less than 5 5 - 7

More than 7

2

10- Your Monthly household income:

- Less than 500 KD 500-1000 KD
 1000-1500 KD More than 1500 KD

11- Do you own or rent your primary residence?

- Rent Own

12- If you own, did you use a mortgage to finance the purchase?

- Yes, a traditional loan No
 Yes, an Islamic alternative loan

B. Views on the Traditional Financial Services Providers

13- What financial services products and services do you currently use?

- Bank checking accounts Bank saving accounts
 Fixed Deposit Investment Fund
 Stock brokerage Mortgage
 Credit cards Car loans / leases
 Life insurance Home insurance
 Auto insurance (full) Financial planning services
 Other

14- How highly do you value the following characteristics in a financial services provider?

	Low	Medium	High
Reputation and credibility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Service level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Broad range of product offering	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cost	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compliance with Islamic Law	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Advisory services (e.g., financial planning)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

C. Knowledge of and Interest in Islamic Finance

15- How knowledgeable are you about Islamic Finance rules, with regard to the following product categories?

	Don't Know	Not too much	A little	Average	A lot
Bank checking accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bank saving accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fixed Deposit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Investment Fund	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stock Brokerage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mortgage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Credit Cards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Car loans / leases	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Life insurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Home insurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Auto insurance (full)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

16- How comfortable are you with Traditional financial products and services that are not specifically designed for Muslims?

	Not Comfortable	Not Very Comfortable	Comfortable	Very Comfortable	Extremely Comfortable
Bank checking accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bank saving accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fixed Deposit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Investment Fund	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stock Brokerage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mortgage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Credit Cards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Car loans / leases	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Life insurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Home insurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Auto insurance (full)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

17- How interested would you be in using the following products if they were available in Islamic *sharia*-complaint form?

	Not Inter ested	Unlikely to Use	Might Use	Would use if cost & features comparable to Traditional	Would definitely use
Bank checking accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bank saving accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fixed Deposit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Investment Fund	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stock Brokerage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mortgage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Credit Cards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Car loans / leases	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Life insurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Home insurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Auto insurance (full)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

18- Have you modified or constrained your use of financial service products as a result of Islamic concerns? (Please indicate which of the following statements are true).

- I keep funds in non-interest bearing accounts to avoid receiving riba (e.g. Al-Jawhara)
- I avoid borrowing money or using credit cards to avoid paying riba
- I financed the purchase of my home using an Islamic loan alternative
- I purchased my car with cash to avoid paying riba
- I deferred home ownership (or plan to defer) to pay all cash
- I have invested in Islamic equity mutual funds
- I have avoided purchasing traditional insurance products where possible
- None of the above

D. Attitudes about Potential Islamic Finance Services and Providers

19- How comfortable would you be with large Western institutions (e.g., Citibank, Standard Charter, etc.) offering Islamic products?

- Not Comfortable Not Very Comfortable
- Comfortable Very Comfortable

20- How comfortable would you be with an established foreign Islamic institution?

- Not Comfortable Not Very Comfortable
- Comfortable Very Comfortable

21- How comfortable would you be with a new, start-up provider of Islamic products (e.g. Bobyank Bank)?

- Not Comfortable Not Very Comfortable
 Comfortable Very Comfortable

22- How comfortable would you be with Islamic products offered jointly by a traditional bank and Islamic company?

- Not Comfortable Not Very Comfortable
 Comfortable Very Comfortable

E. Open Commentary

23- Please feel free to provide any additional thoughts or comments on the subject of Islamic Financial Services in the space provided below. Thank you very much for taking your valuable time to participate in this survey.

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