

## AWARENESS OF NON-MUSLIMS ABOUT ISLAMIC FINANCIAL INSTITUTIONS IN COLOMBO DISTRICT

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### ABSTRACT

*Islamic finance has experienced tremendous growth in the last few decades. Consequently, Islamic financial institutions have also increased in numbers globally. Sri Lanka has also seen an increase in its own Islamic financial institutions as well as Islamic windows, which are operated by conventional financial institutions. The main objective of this research is to determine the awareness level of non-Muslims of Colombo district with regard to Islamic financial institutions. It also aims to identify whether they realize the existing difference between Islamic financial institutions and conventional financial institutions. 200 questionnaires were distributed to non-Muslims in Colombo district. The findings of the research shows that non-Muslims of Colombo district have a general awareness level of Islamic financial institutions but require further knowledge to better understand the difference between Islamic financial institutions and conventional financial institutions. It is recommended that Islamic financial institutions in Sri Lanka, especially, should actively seek participation to raise awareness among the non-Muslim population about Islamic financial institutions and its differences with conventional financial institutions.*

**Keywords:** Awareness, Non-Muslims, Islamic financial institutions, Colombo district, Sri Lanka

### INTRODUCTION

Islamic finance has experienced tremendous growth in the last few decades. This is not limited to the industry alone but also visible in the increasing number of Islamic Financial Institutions. Sri Lanka has also seen a rise in the number of financial institutions offering Islamic finance products and services. Most of the conventional financial institutions have also opted to introduce Islamic windows to accommodate for the ever increasing customer base.

This research was mainly carried out to determine the awareness level of non-Muslims of Colombo district with regards to Islamic financial institutions. It also aimed to identify whether they realize the existing difference between Islamic financial institutions and conventional financial

institutions. This research is important because non-Muslims form the majority of the population. By studying how the non-Muslims in a major district (i.e. Colombo) come to realize about Islamic financial institution, we can at least paint a picture of how much more awareness of Islamic financial institution needs to be created throughout the country to improve the industry.

## RESEARCH METHODOLOGY

In fulfilling the objective of the research, primary data was collected by way of a structured questionnaire. 200 questionnaires were distributed, of which 150 were returned. From this, 145 questionnaires were eligible for data analysis. The questionnaire consists of three parts: the first section requires the demographic profiles of respondents, the second part deals with their awareness regarding Islamic financial institutions and the final part investigates their knowledge on the difference between conventional financial institution and Islamic financial institution.

## RESULTS AND DISCUSSION

Of the 145 respondents, male and female population were nearly equally represented. Respondents were mostly between 20-40 years of age and are all employed in various field. When looking at their educational qualification, nearly 80% of the respondents have completed their Bachelor's degree and the remaining have either finished Diploma or Higher National Diploma.

**Table 1 Percentage distribution according to gender and age**

Gender (%)		Age (%)	
Male	48	20-30	45
Female	52	31-40	38
		41-50	17

**Table 2 Percentage distribution according to education qualification**

Education Qualification (%)	
A-Level	-
Diploma	7
Higher National Diploma	14
Bachelor Degree	79
Master's	-

It is evident from the data collected that all respondents have an awareness of Islamic financial institution but lack the knowledge as to what really constitutes an Islamic financial institution.

When asked to identify the main principles of an Islamic financial institution, around 90% of the respondents agreed that ‘absence of interest’ is a principle followed by any Islamic financial institution. Most of the respondents failed to realize that risk sharing, absence of gambling and uncertainty are also equally important principles as only about a quarter of the population identified it.

**Table 3 Percentage showing respondents’ identification of principles of Islamic financial institution**

Principles of Islamic financial institution (%)	
Absence of interest	91
Risk sharing	24
Absence of gambling	21
Absence of uncertainty	27

Most respondents are also of the view that there is no major difference between conventional financial institution and Islamic financial institution apart from absence of interest. Nearly 80% opine that it is similar to conventional financial institutions as they believe that Islamic financial institution have only changed the names of products and services offered by them.

**Table 4 Percentage distribution showing respondents' identification of difference between Islamic financial institution and conventional financial institution**

There is difference between Islamic financial institution and conventional financial institution. (%)	
Yes	22
No	31
Neither agree nor disagree	47

The presence of a Shari’ah Supervisory Board or a Shari’ah Advisory Council in an Islamic financial institution is considered as very important by only 20% of respondents. The others do not see it as an integral part of an Islamic financial institution. This shows that most of the respondents have no knowledge of what are the roles played by these board or council members.

**Table 5 Percentage distribution indicating the need for Shari'ah Supervisory Board or Shari'ah Advisory Council in an Islamic financial institution**

Shari'ah Supervisory Board or Shari'ah Advisory Council form an integral part of an Islamic financial institution. (%)	
Yes	22
No	45
Neither agree nor disagree	35

When inquired if they would ever deal with an Islamic financial institution, 67% agreed they would, citing various reasons. Another 8% stated that they would not have any dealings with Islamic financial institutions. The remaining 25% are not sure whether they would deal with an Islamic financial institution, saying that the products and services offered are not very clear and not easy to grasp.

**Table 6 Percentage distribution indicating the respondents' willingness to deal with an Islamic financial institution**

Would you deal with an Islamic financial institution? (%)	
Yes	67
No	8
Neither agree nor disagree	25

From the 67% who are willing to deal with an Islamic financial institution, safety and transparency were cited as the main reason for their choice, with 39% and 35% respectively (Table 7). Another 15% believe that Islamic financial institutions are properly regulated, hence their willingness to deal with an Islamic financial institution. Employees who are well-versed in the products and services offered by Islamic financial institutions is indicated as another reason.

**Table 7 Percentage distribution of why the respondents' are willing to deal with an Islamic financial institution**

Why the respondents' are willing to deal with an Islamic financial institution? (%)	
Safety	39
Transparent	35
Properly regulated	15
Well-versed employees	11

8% of the respondents' are not willing to deal with an Islamic financial institution. Their main reason is that they are not sure whether Islamic financial institutions are true to their name (i.e.

following the Shari’ah principles) or it is just another form of deception (Table 8). Around 25% believe that there is no difference between Islamic and conventional financial institutions. Remaining 27% are simply not interested in dealing with an Islamic financial institution.

**Table 8 Percentage distribution of why the respondents’ are unwilling to deal with an Islamic financial institution**

Why are the respondents’ unwilling to deal with an Islamic financial institution? (%)	
They do not follow Shari’ah principles	48
No distinction between Islamic and conventional financial institution	25
Not interested	27

From the 25% of the respondents’ who are neither willing nor unwilling to deal with an Islamic financial institution (Table 9), 45% say that the products and services offered by these institutions are unclear. Another 30% say that the explanation provided by employees of these institutions about the products and services are quite difficult to understand. The rest cite that there is no updated information about the products and services offered by these institutions.

**Table 9 Percentage distribution of why the respondents’ are neither willing nor unwilling to deal with an Islamic financial institution**

Why respondents’ are neither willing nor unwilling to deal with an Islamic financial institution? (%)	
Products and services are unclear	45
Employees explanation of products and services are difficult to understand	30
No update of new products or services offered	25

## CONCLUSION AND RECOMMENDATION

It can be seen that most of the respondents are able to grasp the main idea of what constitutes an Islamic financial institution. However, they need more exposure to understand the difference between a conventional financial institution and Islamic financial institution.

The following recommendations can be taken into consideration:

- Islamic financial institutions should take more initiatives to create awareness among the people as a whole, particularly the non-Muslims. Organising more road-shows, promotions, workshops, handing out pamphlets at strategic areas are just some ways.

- An Islamic financial institution should highlight the roles and duties performed by each of its departments so that customers have properly information to act on.
- Information provided in the Islamic financial institution website or in any pamphlets should be maintained and updated regularly.
- Ensure the front-line employees of any Islamic financial institution are well versed in the Islamic finance field and able to communicate effectively with the customers.
- Avoid the use of too many jargons when dealing with customers as this can cause difficulty for them.

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