

PERCEPTIONS SURROUNDING THE CONTEMPORARY PRACTICE OF ISLAMIC FINANCE

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Abstract

The perceptions revolving around the field of Islamic finance are numerous with some pundits skeptical whether Islamic finance meets the intentions of the shari'a. Amongst the general public, especially in the West, a lack of understanding of what Islam entails furthers this skepticism. Likewise, there's a general apprehension against the finance industry especially after the financial crisis. This paper explores the various negative perceptions that the Islamic finance industry faces and suggests possible strategies and mechanisms to counter them. It achieves that by studying the causes of these negative perceptions and suggesting both institutional and strategic changes that the Islamic finance industry players can adopt. It also studies the role of academia, with research institutions such as Harvard and others in mind, in engaging Islamic finance stakeholders in a healthy discourse on the subject of Islamic finance.

Introduction

Islamic finance refers to the industry that structures financial transactions and institutions so that they are compliant with traditional Shari'a law. Islamic finance has gone through several stages of development beginning with the establishment of the first modern Islamic bank in Dubai in 1975. During the past two decades, the industry has gained unprecedented levels of public attention because of its tremendous growth in size and position as an alternative to conventional banking practices. With the discovery of oil and the subsequent growth of wealth in the Gulf, Islamic banking has spread throughout the Middle East and Asia, garnering the most support in Iran, Saudi Arabia and Malaysia. Today there are over 600 Islamic financial service institutions worldwide with size estimations ranging from \$500 billion to almost a trillion dollars. Its growth, however, has also led to competing claims on the direction Islamic finance should take in the local economy. For instance, in the face of rising income inequality, many claim that Islamic finance needs to play a larger role in alleviating the social ills of economic development. It is believed that the industry may have veered off-track and many accuse the sector of not being substantively different from conventional finance products or of failing to realize its original economic and social ideals.

Islamic Finance and the Perceptions of Non-Muslims

The Islamic finance industry faces a number of external challenges to its reputation and outward perceptions both from consumers and practitioners within the industry and the general public. Especially after the attacks of September 11, 2001, the words "Islam" and "shari'a" have taken on negative connotations within the media and the Western

consciousness. Similarly, after the global economic crisis of 2008, the term “finance” has come to be viewed more critically, both in the West and the rest of the world. The combination of the two leads to an even higher level of concern, especially as the outside media has often tended to equate Islamic finance or *shari’a*-compliant economics to money laundering and terrorism financing. For non-Muslims especially, Islamic finance and economics can appear as a black box of unfamiliar terms, non-transparent processes, and an unclear purpose and expected outcome. Even the majority of Muslims are not knowledgeable about many of the basic tenets of Islamic economics; the average consumer might often confuse terms or concepts or not even be motivated to open an account or engage in an Islamic investment in the first place.

Post 9/11 there was a dramatic surge in the percentage of American non-Muslims who viewed Islam and related entities in a negative light. Among these entities was Islamic finance and banking, considered by some to be the source funding terrorist organizations around the world. These claims were fueled by people in positions of power such as the former National Security Adviser Sandy Berger shortly after 9/11, who said that it would be difficult to track down Osama bin Laden’s money because it was in “underground banking, Islamic banking facilities¹”. However, these statements have been offset by other equally prominent figures such as former President George W. Bush who in his remarks at the Islamic Center of Washington shortly following the September 11th attacks stated, “The face of terror is not the true faith of Islam...Islam is peace.”²

Unfortunately, this statement was not enough to convince everyone as evidenced by the prevalence of sites and organizations like the Center for Security Policy which heads the project Shariah Finance Watch.³ The purpose of this project is to educate governments, policymakers, and the general public about what the founders deem as the “dangers of Shari’a”. They claim that Shari’a-compliant financial institutions are “terror financing mechanisms” that impose significant national security, financial, and legal risks on Western financial institutions.

This author characterizes Islamic finance as a “black box” for non-Muslims, especially after the 2008 financial crisis. Negative perceptions about Islam lingering from 9/11 combined with new suspicions about finance have raised even more concerns. People are uncertain about investing their money in general, let alone in an industry they do not fully understand.

However, several studies suggest that these views may be changing, especially when considering non-Western countries such as Malaysia. Since the establishment of Bank Islam Malaysia, the first Malaysian Islamic bank in 1983, Malaysia has emerged as an international Islamic center.⁴ The country is now home to the largest Islamic capital market for both *sukuk* and Islamic equity, the second largest Islamic mutual fund and *takaful* market, and the third largest Islamic banking market.⁵ Due to the success of the industry, the International Centre for Education in Islamic Finance (INCEIF) was founded in 2006 by Bank Negara Malaysia,

¹ Koprowski, Gene J. 2001. “Islamic Banking is Not the Enemy”, The Wall Street Journal Europe (1 October 2001), cited in Ibrahim Warde, “Global Politics, Islamic Finance and Islamist Politics Before and After 11 September 2001,” The Politics of Islamic Finance, ed. Henry, Clement and Wilson, Rodney, Edinburgh: Edinburgh University, 2004.

² George W. Bush, “Islam is Peace,” Islamic Center of Washington, D.C. (September 17, 2001):1, <http://georgewbush-whitehouse.archives.gov/news/releases/2001/09/20010917-11.html>

³ <http://shariahthethreat.org/a-short-course-1-what-is-shariah/>

⁴ http://www.pwc.com/en_MY/my/assets/publications/Islamic-Finance-Hub.pdf

⁵ http://www.pwc.com/en_MY/my/assets/publications/Gateway-to-Asia.pdf

the Malaysian central bank. INCEIF is the only university in the world solely dedicated to the postgraduate study of Islamic finance.⁶

More recently, trends have suggested that the European Union may emerge as the latest center of Islamic finance, possibly due the mass immigration of Muslims from the Middle East, Asia, and North Africa. Britain's Islamic finance sector has nearly \$19 billion in Islamic banking assets, exceeding the holdings of several Islamic states including Turkey, Egypt and Pakistan. Perhaps more importantly is the establishment of Islamic finance education programs in 55 British colleges and educational institutions. France, with the largest population of Muslims of any European country, has also begun to make strides to enter the Islamic finance industry by passing a series of instructions for facilitating the introduction of Islamic financial products. This legislature was heavily supported by the former French Finance Minister Christine Lagarde (now the Managing Director, International Monetary Agency) who characterized it as an "exciting new beginning for Islamic finance in the republic."⁷

Islamic finance has also received support from several religious institutions, namely Christian ones after the 2008 global market crash which led to criticism of the conventional banking system. The Vatican's official newspaper L'Osservatore Romano published an article stating that the free-market model has "grown too much and badly in the past two decades." It concluded claiming, "The ethical principles on which Islamic finance is based may bring banks closer to their clients and to the true spirit which should mark every financial service."⁸ This trend was continued in February 2008 when, at a lecture on civil and religious law at the Royal Courts of Justice, the Archbishop of Canterbury Rowan Williams stated that "giving Islamic law official' status in the United Kingdom would help achieve social cohesion because some Muslims do not relate to the British legal system."⁹

Observable Global Trends: Perceptions about Islamic Finance

The Islamic finance industry initially began as a means for Muslims to participate in the modern financial world while still adhering to shari'a law, and while it has attracted non-Muslims, its main focus is still its Muslims clients. Islamic banking is appealing to pious Muslims who, for many reasons in particular due to the conventional bank's practice of charging and taking interest, are unable to engage in traditional banking. Studies show that many Muslims are in fact willing to pay "faith premiums" for financial services and products that are shari'a-compliant. A common census among Muslim that the industry has not lived up to their expectations when it was started with two institutions in 1960s, Lembaga Tabung Hajj, or Pilgrimage Fund Board and Mit Ghamr which appeals to broad base customer base both in Malaysia and Egypt.

⁶ <http://www.inceif.org/index.php/inceif-philosophy>

⁷ Kern, Soeren, Islamic "Shariah-Compliant" Banking Takes Root in Europe,, May 19, 2011
<http://www.gatestoneinstitute.org/2130/islamic-shariah-compliant-banking-europe>

⁸ <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aOsOLE8uiNOg>

⁹ <http://www.guardian.co.uk/uk/2008/feb/07/religion.world>

Post 9/11 Perception

Ali and Abdur-Rahman¹⁰ have conducted a study to investigate perceptions of the Islamic finance industry and impacts on the industry following 9/11 by studying representations in mainstream media, and by surveying Islamic finance industry professionals and Islamic finance media professionals globally for their perceptions and experiences post-9/11. Study of media articles related to Islamic finance post-9/11 reveals that relatively few articles linked Islamic finance with terrorism, and few (12 percent) maintained a negative tone. Islamic finance professionals reported that 9/11 brought closer scrutiny of the industry, which increased misconceptions but also led to growth and awareness. However, the majority of Islamic finance media professionals perceived a negative impact, and 70 percent of them are critical of how the industry handled media attention post 9/11. The study finds that despite some negative media coverage of Islamic finance following 9/11, development of the industry was not significantly impacted, and the outlook for future development is overwhelmingly positive.¹¹

U.S. Consumer Perception

Home financing in compliance with shari‘a norms holds the key to the success of an expanded role for Islamic finance industry as a whole in the U.S. because it represents, almost literally, a foot in the consumers' door. Harvard University has scheduled to discuss this issue on October 29, 2012 by bringing important players representing Islamic financial institutions and a diverse group of panelists to hear their perspective including consumer's issues. The above seminar aims to stimulate dialogue and address the misconceptions, mistrusts, and perceptions that revolve around Islamic home financing. Islamic finance products are often labeled as conventional products with an Islamic wrap. Unfortunately, and for a variety of reasons, customers remain skeptical and unconvinced while, on the business side, some of our operators have been quite successful and, in fact, have become competitive with conventional mortgage companies. A number of questions to be answered include: Are some shari‘a-compliant financiers taking unfair advantage of consumers, especially when there no alternatives? Do some players charge high rates, providing poor services or mimic conventional products while attempting to make them appear look Islamic? Educating the consumer is another issue. Is it not the case that often the consumer is not given a full picture of what makes the product shari‘a-compliant? Do we have sector-wide norms by which we can differentiate “good” lenders from the “bad”. What role if any is there for governmental regulation of these products? Yusuf Talal DeLorenzo will be sharing his detailed study on the topic during the event at Harvard.

Shari‘a Scholars: Shopping for Scholars?

One of the areas receiving high criticism from both inside and outside the industry is the role of the shari‘a scholars themselves. The main concern of many is the concentration of a few key scholars on various shari‘a advisory boards. A 2010 study conducted by Funds at Work found that three scholars, make up 20.9% of total board positions in international

¹⁰ S. Nazim Ali and Abdur Rahman Syed, “Post-9/11 Perceptions of Islamic Finance,” *International Research Journal of Finance and Economics* 39 (2010), accessed June 18, 2012. http://www.eurojournals.com/irjfe_39_03.pdf, 29.

¹¹ http://www.eurojournals.com/irjfe_39_03.pdf

organizations while 10 scholars make up over 40% of all positions. It was noted that one scholar held 78 board positions at the same time, leading bank managers to question scholars' commitments to their responsibilities. Stemming from this is the view that Shari'ah boards have now turned into a "brand game". The so-called "market for scholars" has become saturated and there is little opportunity for new scholars to enter the industry. Instead, current scholars take on apprentices who later express nearly identical views on key issues as their predecessors. Lastly, many are concerned with the inherent conflict of interest that stems from having shari'a scholars on the boards of multiple banks and financial institutions as well as advisors to various governments. Some suggest that this might lead to favoritism as well as failure to properly evaluate documents, products and transactions.

Muddassir Siddiqui, Shari'a scholar now based in Dubai and a member of the Shari'ah board of AAOIFI, believes that part of the problem is that the number of banks and financial institutions around the world offering shari'a-compliant products is growing rapidly, and that the industry cannot offer up enough scholars. "There is a big shortage of scholars. Also, some scholars have developed a very deep understanding of how certain aspects of finance works. Wouldn't you want those scholars who have gone through similar challenges?"¹²

Scholars point out however, that never has a shari'a board been accused of acting in conflict of interest. They also argue that product providers know what they are getting into. "If a financial institution knowingly engages the services of a Shari'a scholar who they know is sitting on the board of a competing financial institution, then really, it is up to them. Do they trust him to keep their secrets? If they don't see it as a problem, then I don't see any conflict there," says Muddassir Siddiqui. Siddiqui himself does not sit on multiple boards, preferring to avoid any potential conflicts.

Usman Hayat,¹³ director of Islamic finance and ESG investing at CFA Institute, says it comes down to transparency. "You can't always avoid a conflict of interest to ensure independence of judgment. Where you have to manage it, you manage it through strengthening transparency and accountability. The same should apply here to enhance the credibility of the Islamic finance industry."

Perceptions of Consumers/ Economists

A prominent criticism of the industry is that while it is expanding and profiting, the people who it was originally designed to help are not benefitting. When looking at the distribution of Islamic finance institutions, the majority of them are concentrated in the Gulf, oil-rich states. Shareholders and not the general public benefit from the banking system where constant pressure to show profits leads managers to invest imprudently manners. Even more troubling is that many of these institutions that offer Islamic banking services are either owned by non-Muslims or located in the West and part of conglomerate groups. In a panel discussion held at Harvard in 2009.¹⁴ Mahmoud El-Gamal presented the findings of his book, *Islamic Finance: Law, Economics, and Practice* (Cambridge University Press, 2006),. He argued that Islamic Finance, though based on noble objectives in principle, is reduced to legal arbitrage in practice. The approach historically taken towards Islamic Finance, which he terms "the Arab-

¹²Islamic finance debate: Shari'ah Scholars Under Fire Part 1, September 20, 2012

<http://www.timizzer.com/banking-2/islamic-finance-banking-2/scholars-under-fire/>

¹³ ibid

¹⁴ http://ifp.law.harvard.edu/login/view_pdf/?file=IF_Petrodollar_Recy.pdf&type=Announcements

Pakistani model,” is concerned with morally regulating the operations of individual businessmen rather than promoting economic growth at the macro-level and distributing resources in accordance with Islamic principles of social justice. This has led to the equally troubling concern that products offered by Islamic institutions are simply “conventional products with an Islamic label.”

Several studies were conducted regarding the perception of Islamic finance industry. Muslim Amin and Zaidi Isa¹⁵ examined the quality perceptions of Islamic banking in Malaysia and found that while the majority of customers were satisfied with the quality of the industry, there was a need for improved customer service and more financial counseling to satisfy the customers.

Mohammed Hossain and Shirley Leo¹⁶ paper on the perception of the service quality within the Islamic banking industry in Qatar found that customers rated Islamic banks highest in terms of the infrastructure of the bank, the convenience of banking, and their return on investment. The paper recommended that banks deliver a higher level of customer service in order to increase their market presence and profitability.

A study conducted by Muhammad Hanif and Abdullah Muhammad Iqbal¹⁷, found that while the majority of respondents understood the theoretical basis of shari‘a-compliant economics, many were skeptical about how Islamic finance operated in Pakistan. Several respondents stated that an interest-free economy was not possible and that Islamic banks should exist alongside conventional banks. Proponents of Islamic finance suggested that the industry should launch an awareness campaign to counteract some of the misconceptions about shari‘a-compliant financing. Another suggestion was for the government and other regulatory bodies in Pakistan to play a larger role in mandating the inclusion of Islamic banking within the financial services industry. Others suggested that banks and other financial institutions engage more in the practice of profit and loss sharing (PLS) as a viable Islamic financial product that has to date been underutilized in Pakistan. Finally, some also suggested that other players outside of academia and the industry ought to be involved in the transition to an Islamic economy, including businesspeople, regulators, members of civil society, clerics, and public intellectuals.

Asyraf Wajdi Dusuki and Nurdianawati Irwani Abdullah’s¹⁸ study of Islamic bank customers in Malaysia conducted in 2010 seconds these recommendations. The study found that Islamic banks and financial institutions could no longer depend solely on those customers who purchase Islamic financial services motivated by religious or pious considerations. Rather, the industry must strengthen its marketing initiatives to broaden consumer awareness of the Islamic banking sector as well as increase the quality level of its customer service to

¹⁵Muslim Amin and Zaidi Isa, "An Examination of the Relationship between Service Quality Perception and Customer Satisfaction: A SEM Approach towards Malaysian Islamic Banking," *International Journal of Islamic and Middle Eastern Finance and Management*, 1(3), 2008.

¹⁶ Mohammed Hossain and Shirley Leo, "Customer Perception on Service Quality in Retail Banking in Middle East: The Case of Qatar," *International Journal of Islamic and Middle Eastern Finance and Management* 2(4), 2009.

¹⁷Muhammad Hanif and Abdullah Muhammad Iqbal, "Inside-Out: Perception of Key Finance Professionals about Theory and Practice of Islamic Banking," February 7, 2011, accessed June 18, 2012. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1756677.

¹⁸Asyraf Wajdi Dusuki and Nurdianawati Irwani Abdullah, "Why do Malaysian customers patronize Islamic banks?" *International Journal of Bank Marketing* 25(3), 2007, accessed June 18, 2012, <http://www.emeraldinsight.com/journals.htm?articleid=1602320&show=abstract>.

expand its market share.

A survey of Malaysian consumers conducted by Mark Loo¹⁹ found that while the majority of Muslims were attracted to Islamic banking for religious reasons, majority of non-Muslims were mainly attracted towards it for the products and services it offered. In Malaysia in particular, 75 percent of Muslims saw a strong prospect for Islamic banking in Malaysia, while only 20 percent of non-Muslims agreed. According to the authors, portraying Islamic finance as a religious obligation to Muslims and as a way to save money from non-Muslims gives the industry as a whole a bad reputation. Secondly, the authors recommended that practitioners and providers improve their communication with potential customers by introducing the Islamic financial services they sell in their local language rather than in Arabic. It was recommended that the industry as a whole engage in a concerted effort to improve their human resources divisions and talent recruitment process.

Yussof, Ibrahim Moh Yussof and Mustafa Daud²⁰, studied the Nigerian youth perceptions of the future of Islamic finance in Nigeria. Similarly, Ibrahim Mohd Yussof and Mustafa Daud observed that the perceptions of Nigerian youth studying outside of the country have a strong impact on the development of the Islamic finance industry in their home country. Based on the results of their statistical study, they offered three recommendations to further the development of a shari'a-compliant economy in Nigeria. The first of these was the need to educate the Nigerian people more on the benefits of Islamic banking for country's economy as a whole. Secondly, it recommended that the Central Bank of Nigeria (CBN) especially engage in such efforts, as it is optimally placed to encourage research and formulate policy. Lastly, the report encouraged Islamic finance institutions in Nigeria, and the CBN in particular, to focus on improving the quality of training and talent selection within the industry as a whole and provide more opportunities for professional development.

Outside of the negative perceptions, if Islamic finance is to be a legitimate competitor to conventional banking, it must appeal to clients outside the Arab world. A 2005 study by Jorg Bley and Kermit Kuehn found that the use of Arabic terms in Islamic finance served as an obstacle to many non-native speakers in understanding the mechanics of Islamic financial products and services.²¹ The study suggested allowing suppliers of Islamic financial services to rename Islamic products as they see fit, after the regulatory bodies have clearly and comprehensively defined the instruments in question. The study recommended that Islamic financial institutions improve their marketing campaigns in order to better appeal to consumers. If the industry does not do this, the study argues that it will no longer be able to compete with conventional finance in growing its market share.

¹⁹Mark Loo. "Attitudes and Perceptions towards Islamic Banking among Muslims and Non-Muslims in Malaysia: Implications for Marketing to Baby Boomers and X-Generation." *International Journal of Arts and Sciences* 3(13). Accessed June 18, 2012. http://openaccesslibrary.org/images/HA_R316_Mark_Loo.pdf.

²⁰Yussof, Ibrahim Moh Yussof and Mustafa Daud, "The Perceptions of Nigerian Muslim Youths in Malaysia on the establishment and operation of Islamic banking in Nigeria," *International Journal of Business and Social Science* 2(10), June 2011, accessed June 18, 2012, http://www.ijbssnet.com/journals/Vol.%202_No._10%3B_June_2011/17.pdf.

²¹Jorg Bley and Kermit Kuehn, "Conventional Versus Islamic Finance: Student Knowledge and Perception in the United Arab Emirates," *International Journal of Islamic Financial Services* 5(4), accessed June 18, 2012, <http://www.nzibo.com/IB2/CVIF-ME.pdf>.

Job Market Perception

A widespread misperception created by a few professionals is that thousands of professionals are needed to run the industry.²² As a result of that there are hundreds of universities both in the East and the West offering both undergraduate and postgraduate degrees and diplomas as well as certifications in Islamic finance. However this has been contradicted by a recent report from Paul McNamara²³. He highlighted that highly qualified professionals pouring out of these institutions to be placed in the market are not having any luck in finding the job they envisage. In his analysis of the website, www.efinancialcareers.com, in Islamic finance section there were only 8 jobs listed as compared to a segment on the same website for Hedge funds where there were 400 jobs listed. When the industry is claiming to be a trillion dollar industry with 15-20 percent growth a year, where are the jobs and who is being employed to undertake the work? If these professionals are not being employed, it begs the question whether these institutions are hiring professionals with conventional qualifications? If that is the case, what employment prospects are there for graduates with Islamic finance degrees?

Counter Perceptions

To counteract aforementioned perception, it has been suggested that new product development is needed. The existing products are overly used and structured. According to Rushdi Siddiqui, the head of Islamic Finance at Thomson Reuters, many still associate Islamic finance with the funding of terrorism and gravely misunderstand the industry as a whole. He placed some of the blame on the industry itself, explaining that shari'a-compliant financiers have done a poor job of explaining their products and services and how they differ from the tools of conventional finance. According to Siddiqui, there is a great need to educate the "man on the street" about the workings of Islamic finance in order to disperse the notion that Islamic finance is no more than "terrorism finance." Siddiqui identified what he saw as the three main challenges facing the industry: "transparency, the search for information, and industry connectivity." He specifically pointed to the inability to use the search engine Google to find useful and meaningful information on Islamic finance as a pressing challenge. He also explained that Islamic banks have a presence throughout the Muslim and non-Muslim world but that they are not connected in the way that conventional banks are, communicating electronically and engaging in financial transactions together.

Redefining and Reappraising the Islamic Finance

Over the period of past twenty-five years since the industry began to be global one, it has started the process of self-criticism. More particularly in the past ten years at Harvard forums discussion were focused on the challenges faced among practitioners in structuring shari'a financial products within the Islamic Finance industry. This is due to the realization that the meteoric rise of Islamic Finance in recent years has caused a gap to emerge between two professional groups required for its success, the shari'a scholars as well as the Islamic

²²http://www.meatradenewsdaily.co.uk/news/140612/russia_thousand_islamic_financial_professional_needed_globally.aspx

<http://www.microfinancegateway.org/gm/document-1.9.57955/Press%20Release%20in%20english.pdf>

²³ Paul McNamara. Islamic finance isn't working. *The Islamic Globe*, Tuesday, 18 September 2012 03:26

economists. Keeping this in mind a new platform was created in 2006 by Harvard and London School of Economics (LSE) to bring both professions (Islamic economists and shari‘a scholars) that have seen significant developments in their respective fields. It was felt that there remained a need for further understanding and cooperation between the two. This yearly meeting is not intended to pass any judgments; we hope rather that it will become an avenue for all participants to share their thoughts and opinions to discuss some of the most pressing issues facing the Islamic finance sector today. We hope that this annual workshop will continue to serve as a venue for participants to engage in open dialogue and develop further insight on the field, rather than prescribe a particular course of action or conclusion. Topics such as Reappraising the Islamic Financial Sector and Islamic Financial Intermediation: Revisiting the Value Proposition were chosen. Islamic Finance has grown rapidly over the last ten years and has gained unprecedented levels of public attention. Its growth however, has also led to competing claims on the direction Islamic Finance should take in the local and global economy. For instance, in the face of rising income inequality, many observers claim that Islamic Finance needs to play a larger role in alleviating the social ills of economic development. Others claim that this responsibility falls beyond the imperatives of Islamic Finance, which they see as simply a Shari‘a-compliant version of conventional finance. In light of these debates, this workshop seeks to evaluate what exactly is meant and intended by Islamic financial intermediation. What are the defining values of Islamic Finance and are these being realized in its current trajectory? This discussion involved an analysis of the purpose of Islamic Finance in light of the *maqasid al-shari‘a*, modern product offerings, and the current global financial malaise. Reports of all workshops held at LSE can be found on ifp.law.harvard.edu.

Looking Ahead

There are institutional and strategic changes that the Islamic finance industry can adopt to address the negative perceptions it faces. In order to improve the current perception, more dialogues are needed among those involved in the industry, including Islamic economists, shari‘a scholars, practitioners, regulators, and legal professionals. Public lectures are needed to educate the media and general public, including both Muslims and non-Muslims. The role of academia is critical in engaging Islamic finance stakeholders in a healthy discourse on the subject of Islamic finance. Academic institutions such as Harvard University can engage in efforts to bring together all the actors to develop a better understanding and resolve the issues facing the industry. In particular, initiatives should focus on improving transparency and organization at a national and international level, so that Islamic financial institutions can better communicate with one other and become more involved with one another. Islamic finance industry leaders should make themselves available to discuss the issues openly and provide clear directions of the industry, removing any misunderstanding being created by Islamophobia or other issues. Issues of ethics and governance as well as social relevance must be addressed to bring about greater community participation. As evidenced by the views of Islamic finance practitioners and media professionals, increasing coverage in the global media, and the sustained growth of the industry worldwide, the outlook for future development of the industry is overwhelmingly positive.

This aforementioned account has identified some of the most pressing issues confronting the perception of Islamic finance today. Firstly, studies have shown that the primary motivating factors for most Muslim customers in deciding between a conventional and an Islamic bank have been a combination of religious and economic reasons. On the other hand, non-Muslim

customers tend to value most speed and efficiency of service, reputation and image of the institution, confidentiality, and convenience when choosing a bank or a financial institution. The Islamic finance industry has fallen short in meeting many of these expectations, for both Muslims and non-Muslims because of ineffective marketing efforts on the part of Islamic banks and financial institutions.

A few remedies have suggested by the past studies to address the negative perceptions such as launching of awareness campaign to counteract some of the misconceptions about *shari'a*-compliant financing. Regulators must strive to develop a tailored structure for Islamic financial institutions. Within the industry, practitioners should improve their marketing campaigns in order to better appeal to consumers, develop new products both Muslims and non-Muslims to create a clear message about Islamic finance, allow suppliers to rename Islamic products as they see fit in order to better appeal to consumers, and focus on improving the quality of training and talent selection within in the industry as a whole and provide greater opportunities for professional development.

Islamic finance experts are often questioned in every conference concerning this state of affairs. In a recent posting in Dawn Karachi, Tariq Cheema,²⁴ asked a question, does the Islamic finance mission need to be restated? If so, a new strategy would have to be devised, for e.g. transparent *shari'a*-governance structure could lead to a more forward-looking corporate approach for Islamic financial institutions.

Looking beyond the industry itself, academics and professionals should look to other fields, including faith-based financing and social corporate responsibility as a model for its future development.²⁵ Economists should be appointed to the *shari'a* boards, as many *shari'a* scholars lack an understanding of the macroeconomic forces impacting the industry. Additionally, more specialists from other industries, as well as more non-Muslims, should be involved in the academic and professional sides of the industry as their perspectives can be crucial in moving forward.

²⁴ Tariq H. Cheema, Redefining Islamic finance. Dawn Karachi, 24th August, 2012

²⁵http://ifp.law.harvard.edu/login/view_pdf/?file=Ninth%20Harvard%20Forum%20Short%20Report.pdf&type=Announcements.