UNIVERSITY OF KWAZULU-NATAL

The Perception of Islamic Banking by FNB Sales in the KwaZulu-Natal Region

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ABSTRACT

Islamic Banking is growing faster than any other industry in the financial sector due to profitability, stability and resilience in the wake of the recent financial crisis. As such a large number of conventional banks have decided to include Islamic Banking as part of its growth strategy, however, does the sales force of these conventional bank buy into the concept of Islamic Banking as well? What is the perception of Islamic Banking by the sales force of a these conventional bank? The aim of this study is to determine the perception of Islamic Banking by a conventional banks sales force. In order to get an understanding of the sales force perspective, a survey was conducted on the sales staff. A sample of 100 sales staff was drawn from the branch network in KwaZulu-Natal. The sample was composed of 55.2 per cent females and 44.8 per cent males. Of the sample, majority of the respondents (86.2%) were non-Muslim and 13.8 per cent were Muslim. The branch network was chosen, because the majority of the sales staff in the bank are based at branches and they are the ones that sell bank products. The data for this study was collected using a questionnaire that was developed by the researcher. Analysis revealed that whilst the respondents did feel there was a need for Islamic Banking, they also did feel that Islamic Banking was more complicated than conventional banking. The research study revealed that there was an overall negative perception of Islamic Banking which was primarily based on a lack of knowledge, awareness, understanding and training. It is recommended that banks provide sufficient and effective training to their staff on all products and services so that any negative perception can be eliminated. This study can benefit organisations that are in the Islamic Banking industry or looking at getting into the Islamic Banking industry.

Keywords: Islamic Banking, perception, bank, Muslim, non-Muslim

DECLARATION

I, Ismail Vahed, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the University of KwaZulu-Natal, Durban. The report has not been submitted before for any degree or examination in this or any other university.

Ismail Vahed

Signed at <u>Durban</u>

On the **_29th**_ day of **__June _2015**

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TABLE OF CONTENTS

ABSTRACT	ii
DECLARATION	iii
ACKNOWLEDGEMENTS	iv
LIST OF FIGURES	viii
LIST OF TABLES	ix
LIST OF ABBREVIATIONS	x
CHAPTER 1 – INTRODUCTION	1
1.1 Introduction	1
1.2 Background	1
1.3 Purpose of the study	2
1.4 Problem Statement	3
1.6 Research Questions	4
1.7 Assumptions	4
1.8 Summary	4
CHAPTER 2 – LITERATURE REVIEW	6
2.1 Introduction	6
2.2 Islam	6
2.2.1 Background to Islam	6
2.2.2 Sources of Shariah Law	8
2.3 Islamic Economic System	10
2.4 Islamic Financial Systems	12
2.5 Islamic Banking	13
2.5.1 History of Islamic Banking	15
2.5.2 Principles of Islamic Banking	16
2.5.3 Islamic Banking Structures	21
2.6 Islamic Banking Products & Services	23
2.6.1 Ijarah (Lease)	23
2.6.2 Musharakah	24
2.6.3 Mudarabah	24
2.6.4 Murabaha (cost-plus financing)	26
2.6.5 Qardh (loan)	26
2.7. Shariah Boards	27

	2.8. Perception and Awareness of Islamic Banking	29
	2.9. Summary	32
C	HAPTER 3 – RESEARCH METHODOLOGY	33
	3.1 Introduction	33
	3.2 Research Design	33
	3.3 Research Instrument/Data Collection Method	34
	3.3.1 Pilot Study	36
	3.3.2 Questionnaire	37
	3.4 Population and sample	38
	3.5 Data Analysis	40
	3.6 Reliability	40
	3.7 Validity	40
	3.8 Ethics	41
	3.9 Summary	42
C	HAPTER 4 – RESULTS & DISCUSSION	43
	4.1 Introduction	43
	4.2 Demographic profile of the respondents	43
	4.3 Need & perception of Islamic Banking	47
	4.4 Knowledge and awareness of Islamic Banking	51
	4.5 Effectiveness of Islamic Banking training	58
	4.5 Effectiveness of hybrid model	61
	4.6 Summary	64
C	HAPTER 5 – CONCLUSION & RECOMMENDATIONS	65
	5.1 Introduction	65
	5.2 Findings	65
	5.3 Recommendations	66
	5.3.1 Perception and need for Islamic Banking	66
	5.3.2 Knowledge and awareness for Islamic Banking	67
	5.3.3 Effectiveness of Islamic Banking training	67
	5.3.4 Effectiveness of hybrid model	68
	5.4 Limitation of the Study	68
	5.5 Future Research	69
	5.6 Summary	70
P	FEFRENCES	71

LIST OF APPENDICES	79
Appendix A – Ethical Clearance	79
Appendix B – Questionnaire	80
GLOSSARY OF TERMS	97

LIST OF FIGURES

Figure 2.1 – Concepts of Islam	7
Figure 2.2 – Shariah Law	8
Figure 2.3 – Types of Islamic Banking Structures	21
Figure 4.1 – Gender of respondents	43
Figure 4.2 – Religion of respondents	44
Figure 4.3 – Frequency distribution of age	45
Figure 4.4 – Position at the company	45
Figure 4.5 – Years of working experience	46
Figure 4.6 – Academic qualification of the participants	47
Figure 4.7 – Have a good understanding of Islamic Banking products and services	51
Figure 4.8 – Number of years FNB has been offering Islamic Banking	52
Figure 4.9 – Which of the following products does FNB Islamic banking offer	53
Figure 4.10 – Banks that offer Islamic Banking	54
Figure 4.11 – Always offered the option of Islamic banking to Muslim clients	55
Figure 4.12 – Rating the level of understanding on Islamic Banking products	56
Figure 4.13 – Are you comfortable with selling Islamic Banking products	56
Figure 4.14 – Reasons for not being comfortable regarding Islamic banking	57
Figure 4.15 – Attended training on Islamic Banking products	58
Figure 4.16 – Types of training attended	59
Figure 4.17 – Received training on types of Islamic Banking products & services	59
Figure 4.18 – Training received was adequate to effectively sell Islamic Banking products	60
Figure 4.19 – Where does Islamic Banking falls within FNB?	61
Figure 4.20 – Do you have Muslim clients in your base that have conventional banking	
products and not Islamic Banking products?	63

LIST OF TABLES

Table 2.1 – Key differences between Islamic and Conventional Banking	15
Table 2.2 – Key differences between Mudarabah and Musharakah	25
Table 3.1 – Procedure to improve internal validity of the questionnaire	37
Table 4.1 – Perception regarding Islamic banking products and services	48
Table 4.2 – Perception regarding Islamic banking	50
Table 4.3 – Types and frequency of Islamic Banking products and services sold	54
Table 4.4 – Attitudes towards Islamic Banking	61

LIST OF ABBREVIATIONS

AAOFI	:	Accounting and Auditing Organization for Islamic Financial Institutions	
ABSA	:	Amalgamated Banks of South Africa	
DCIBF	:	Dubai Centre for Islamic Banking & Finance	
Dr	:	Doctor	
FNB	:	First National Bank	
FNBI	:	First National Bank Islamic Banking	
HBZ	:	Habib Bank Zurich	
HSBC	:	Hongkong and Shanghai Banking Corporation	
IDB	:	Islamic Development Bank	
IFSB	:	Islamic Financial Services Board	
IMF	:	International Monetary Fund	
KZN	:	KwaZulu-Natal	
MBA	:	Master of Business Administration	
OIC	:	Organisation of Islamic Cooperation	
PBUH	:	Peace Be Upon Him	
RA	:	Radhiallahu 'anhu (Allah be pleased with him)	
SLA	:	Service Level Agreement	
SPSS	:	Statistical Package for the Social Sciences	
SWT	:	Subhanahu Wa Ta'ala (Glory to Him, the Exalted)	
SSB	:	Shariah Supervisory Board	

CHAPTER 1 – INTRODUCTION

1.1 Introduction

Islamic Banking is the fastest growing sector within the financial industry with a year on year growth of between 15-20 per cent (Ernst & Young, 2013). The Islamic financial sector has been extremely resilient through the recent global recession and according to the Dubai Centre for Islamic Banking & Finance (DCIBF) Annual Report 2014, the Islamic financial industry will be worth over \$5 trillion by 2020 if it continues growing as per previous years (HBMSU, 2014). The number of Islamic Banks and Islamic Windows has grown significantly over the last few years with the total number at more than 626 and operating in over 48 countries (Sanusi, 2011). The growth is not only being driven in Muslim countries but also in non-Muslim countries with many Western countries aiming at being at the forefront of this lucrative market. Due to the demand for Shariah (Islamic) compliant products and the desire to lure Islamic investments, conventional banks have recognized the importance of the Islamic banking sector and have started to offer Islamic banking products and services through either Islamic Branches, Islamic Subsidiaries or Islamic Windows. One of the main challenges specifically for Islamic Windows is that the majority of the sales force is non-Muslim and this can pose a challenge for the Islamic Window to effectively sell and market its products.

1.2 Background

FNB Islamic Banking (FNBI) is a "window" within the conventional FNB (First National Bank) and provides Shariah compliant products and services to those clients that want to avail to this type of niche banking. According to Muhammed Ismael (2015), the Head of Transactional Banking at FNB Islamic Banking, FNBI was launched in 2003 and was the first of the major conventional banks in South Africa to start offering Islamic Banking products and services. FNBI follows a hybrid model in that it has product house (develops products) and distribution (fulfilment) capabilities for the various products that it offers. For some of their products, FNBI has to rely on other areas to sell, do fulfilment and manage its clients.

The sales staff at the FNB branches follow various religions and as such Islamic products are sold by both Muslim and non-Muslim staff to. The hybrid model as mentioned above that FNBI follows does have many advantages such as expanded distribution channels and footprint to name a few, however it does pose many challenges for FNBI such as:

- 1. FNBI is reliant on other business units to achieve their sales targets.
- 2. FNBI does not have its own fulfilment capabilities for all of its products.
- 3. Lack of accountability by the distribution channels.
- 4. FNBI is perceived to be a product offering that is in competition with the conventional product as opposed to a complimentary product offering.

Based on the above challenges, the perception of Islamic Banking is key to its success, hence this research study will look into the perception of Islamic Banking by the FNB sales forces in KwaZulu-Natal. The researcher will also explore the level of knowledge and awareness of the sale staff and the effectiveness of the current hybrid model that Islamic Banking uses.

1.3 Purpose of the study

The purpose of this study is to get insight into the perception of the sales staff regarding Islamic Banking products and to see whether the selling of Islamic Banking products using the hybrid model is effective. This study is necessary as the success of Islamic Banking is left to a sales force that is primarily made up of non-Muslim and they may not necessarily subscribe to the concepts of Islam or Islamic Banking. This may result in Islamic Banking products not being proactively offered to clients or not sold at all. By getting a deeper understanding of the way the sales force perceives the Islamic Banking products and the challenges that they face, FNBI can take the necessary steps to ensure that a positive attitude and perception is adopted. With this knowledge, FNBI will be in a better position to take the business to the next level of its growth plan. This study will also be one of the first studies in South Africa that looks at the perception of Islamic Banking by a sales force of an Islamic Window.

1.4 Problem Statement

FNBI is reliant on the branch network to sell its products and manage its client base. Given that FNBI falls under the Islamic Window structure, its products and service are offered through the distribution channels of the conventional bank (Ismael, 2015). This means that the products and services will be sold by staff that are not part of Islamic Banking and who are predominantly non-Muslims. If the sales force have a negative perception of Islamic Banking, then they would not actively sell Islamic Banking products which will have a negative impact on the profitability of the business as lack of sales will result in a loss in revenue. Another problem is that the growth and the success of the Islamic Banking business within FNB will be impacted as the growth in account base is a primary indicator of a business units success within the bank. Therefore it is necessary to investigate the perception of the sales force at FNB towards Islamic Banking.

1.5 Objectives

This study seeks to shed light on the perception and awareness of Islamic Banking by the sales force of FNB. The questions that were formulated in order to achieve the objectives of this study are as follows:

- 1. To ascertain whether Islamic Banking products and service are needed to be offered by the Bank as well as the overall perception of Islamic Banking.
- 2. To examine whether the sales force is aware of Islamic Banking or not and to determine the level of knowledge of the offering.
- 3. To determine whether the current Islamic Banking training initiatives are effective.
- 4. To explore whether the current hybrid model that Islamic Banking is using to sell its products and service is it the right model for them to use.

1.6 Research Questions

The questions that need to be answered so that the objectives of the study are achieved are as follows:

- 1. Is there a need for Islamic Banking at FNB and what is the overall perception of the Islamic Banking offering?
- 2. What is the awareness and knowledge level of Islamic Banking by the sales force?
- 3. How effective is the training initiatives that Islamic Banking is currently conducting?
- 4. Is the current hybrid model that FNBI is utilizing effective in selling Islamic Banking products and service and is this the right model to use?

1.7 Assumptions

The following assumptions were used for this study:

- Sales staff have an understanding of all the products and service that are offered by FNB which includes the Islamic Banking offering.
- The respondents will provide open and accurate feedback.
- Sales staff selected for this study may included Muslim and non-Muslim respondents.
- The respondents are aware that FNB has an Islamic Banking offering.

1.8 Summary

As discussed in this chapter, this study is important from a South African perspective as there has been no research found according to the researcher that looked at the perception of Islamic Banking by the sales force of an Islamic Window. The next chapter of this study will be the literature review, which will be followed by the research methodology used, the results and discussion and finally chapter five which covers the recommendation and conclusion of the study.

CHAPTER 2 – LITERATURE REVIEW

2.1 Introduction

The literature review begins by discussing the sources of Shariah Law and the Islamic Financial System as this will set the framework of the discussion. The reason that this approach was followed is because the Islamic Banking environment is governed by Divine law and the research aims to set the foundation for the rest of the discussion by touching on these areas.

Thereafter the researcher discusses Islamic Banking structures and their sales approach, the principles that govern Islamic Banking as well as the type of products that are being offered. This allows the reader to understand that Islamic Banking is not just about copying the conventional banking system but to show that it's a completely different financial system all together. Finally the researcher discusses the perception and awareness of Islamic Banking.

2.2 Islam

2.2.1 Background to Islam

Before starting any discussion of Islamic Banking, it is imperative that one gathers some sort of understanding of the religion of Islam. According to a survey conducted by the Pew Research Centre, Islam is the fastest growing religion in the world with the growth rate estimated at over 20 per cent per annum and with over 23 per cent of the world's populations as followers makes it one of the great monotheistic religions. The study further indicates that if the current growth rates continue, by the year 2050, Islam will make up nearly one-third of the world's population. Currently Islam is the third most followed religion after Christianity and Judaism and is growing faster than any other religion. According to the study if Islam continues in the current trend will eclipse Christianity by 2070 to become the most followed religion in the world (Pew Research Center's Religion & Public Life Project, 2015).

The definition of Islam means "to accept, surrender or submit" to the will of Allah (SWT) and was revealed to the last messenger Prophet Muhammad (PBUH) (Suliman, 2015). According to Memon (2007), Islam provides a system for mankind that covers all aspects of life and is not a religion that is based solely on a spiritual relationship between the worshipper and his Creator but is a complete way of life that is governed by Shariah (Islamic) Law. Shariah literal means the "path to a water source" and is the body of Islamic Law which looks at the legal framework within which Muslims are regulated both publicly and privately. Shariah Law is deduced from four sources which is Quraan (religious book), Sunnah (teachings of the Prophet Muhammad (PBUH), Ijma (consensus) and Qiyaas (analogy) (Suliman, 2015). Shariah Law is one of the three concepts of the foundation of Islam as can be seen in Figure 2.1

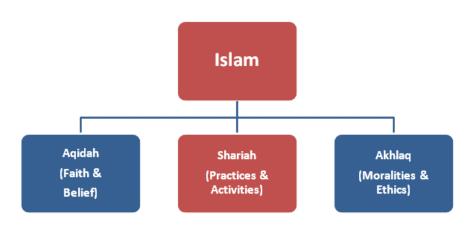


Figure 2.1 – Concepts of Islam

Adapted from Suliman, (2012) - Islamic Banking

As shown in Figure 2.1, Aqidah, Shariah and Akhlaq are the foundation that makes up Islam. The meanings of these three concepts are:

- Aqidah: means a set of belief and concerns that a Muslims has in Allah and His commands.
- Shariah: means a set of laws and is also known as Islamic Jurisprudence. Shariah covers all practical actions of a Muslim. There are 4 branches of Shariah which include man-to-man activities (Muamalat) which is where Islamic Banking falls under.

 Akhlaq: is a code of morality and concerns a Muslims behaviour, attitude and work ethics in their daily activities.
 (Incief, 2014)

2.2.2 Sources of Shariah Law

Shariah Law provides the code that governs the way that Muslims need to conduct themselves in all aspects of life (IBFIM, 2012). It deals with many aspects of a Muslims life, including the manner in how man conducts himself with man be it from a social, political or economical level.

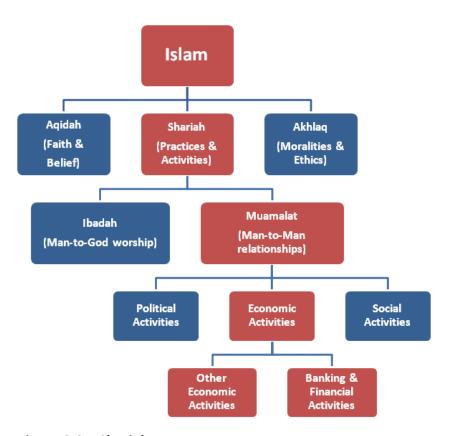


Figure 2.2 – Shariah Law

Adapted from Suliman, (2012) - Islamic Banking

Shariah Law is Divine law and not a product of human intellect. It is the foundation for Islamic Banking as it falls under Muamalat (see Figure 2.2) and the principles that are used to govern the Islamic Financial industry are derived from the four sources of Shariah Law (Rahman, 2012). These four sources of Shariah Law are the Quraan, Sunnah, Ijma and

Qiyaas. The Quraan and Sunnah are classified as primary sources of law whereas Ijma and Qiyaas are called secondary sources (El-Gamal, 2006).

2.2.2.1 Quraan

The Quraan according to Islamic belief is the last Book revealed by Allah (SWT) and is classified as a primary source of Shariah. The Quraan is a direct revelation by Allah (SWT) to Prophet Muhammad (PBUH) by the Angel Jibrael. The Quraan is made up of 114 Surahs (chapters) and 6 666 ayats (verses) which are directions, commandments and messages from Allah (SWT) to guide mankind. The Quraan has not been changed or tampered with since it was revealed (Ayub, 2007).

2.2.2.2 Sunnah

The Sunnah is another primary source of Shariah and is the practices, actions and sayings of the Prophet Muhammad (PBUH). These actions and sayings are recorded in scriptures called Hadith. As the Prophets life, actions and sayings were according to the teachings of the Quraan, the Sunnah is a means of understanding the Quraanic teachings. For instance, the Quraan states that a Muslim should pray five daily Salaah (prayers) however it does not provide the detail as to how to perform these prayers. The Prophet (PBUH) explained the process of performing these prayers (Ayub, 2007 and Abdul-Rahman, 2010). The Sunnah is an important belief for a Muslim in Islam.

2.2.2.3 Ijma (Consensus)

Ijma is a secondary source of Shariah Law. It is the consensus of opinion by the Ulema (religious scholars) on various Islamic matters. If there is no clear ruling that can be obtained from the Quraan and Sunnah then a ruling will be made by the Ulema. The Ulema will be consulted and once a consensus has been reached, the ruling will be known as Ijma (Venardos, 2005).

2.2.2.4 Qiyaas (Analogy)

Qiyaas is the fourth source of Shariah Law and is based on analytical deduction. According to Venardos (2005), Qiyaas means to make a comparison between two things with the view of evaluating the one matter in light of the other matter. Qiyaas rulings are new cases or

matters and are not found in the Quraan, Sunnah or Ijma. For instance theft through cybercrime is not found in the Quraan, Sunnah or Ijma however theft in Islam is prohibited so through analytical deduction, a judge will be able to give a verdict that cyber theft is also prohibited.

2.3 Islamic Economic System

The conventional economic system is based on interest which has resulted in wealth being concentrated to a select few. This has created monopolies and has widened the gap between the rich and the poor (Usmani, 2002). Conventional systems are governed by man and as such are open to abuse. According to Western economic philosophy, man is regarded as inherently selfish who acts in his own interest before anyone else (Presley and Sessions, 1994). An Islamic economic system on the other hand is an economic system that must conform to Shariah and is derived from Divine law, not manmade. Islamic Economics according to Mohsin Khan (2007), a senior economist at the IMF is defined as "a complete system that prescribes a specific pattern of social and economic behaviour for all individuals. It deals with a wide-ranging set of issues, such as property rights, incentive system, allocation of resources, types of economic freedom, system of economic decisionmaking and proper role of the government. The over-riding objective of the system is social justice and specific patterns of income and wealth distribution and consequently economic policies are to be designed to achieve these ends". On the other hand, S.M. Hasanuz Zaman, an IDB Laureate in Islamic economics, defines Islamic Economics as "the knowledge of application of injunctions and rules of the Shariah that stop injustice in the acquisition and disposition of material resources in order to provide satisfaction to individuals and enable them to perform their obligations to Allah and society." (Ayub, 2007).

The main difference between a conventional economic system and the Islamic economic system is that the Islamic system rules are from Allah (SWT) and offers economic justice whereas the conventional system is made up by man (Lovells, 2004). Economic justice requires that the economic system be viable and be supported by an efficient banking system. According to Usmani (2002) the current banking system that is based on interest has proved to be inefficient as it promotes economic injustice and sociably irresponsible

banking. Islamic Banking on the other hand promotes efficient and sociably responsible banking through its principles and product structures. The Islamic economic system promotes economic justice through the manner in which the distribution of wealth occurs. The Quraan clearly states "Give to them from the property of Allah which He has bestowed upon you." (Quraan, 24:33) & "Seek the other world by means of what Allah has bestowed upon you" (Quraan, 28:77). The above two verses show that it is permissible to have economic goals and utilize the earth's resources however Allah (SWT) is the owner of all property & wealth. Whilst man can make the effort to achieve the economic goal, it is Allah (SWT) alone that decides whether his efforts are successful or not as shown in the following verse, "Have you considered what you till? Is it you yourselves who make it grow, or is it We who make it grow?" (Quraan, 28:77). Having economic goals are permissible, however it is not the true purpose of us being on the earth and is a means for us to achieve success in the hereafter. In Islam, man does not have an unconditional right to the wealth that he has, as this wealth was acquired through Allah (SWT) (Usmani, 2002).

According to Usmani (2002) analysis of the following verse, "Seek the other world by means of what Allah has bestowed upon you, and do not be negligent about your share in this world. And do good as Allah has done good to you, and do not seek to spread disorder on the earth." (Quraan, 28:77), the following are guidelines regarding wealth in Islam:

- 1. Whatever wealth man does possess has been received from Allah.
- 2. Man has to use it in such a way that his ultimate purpose should be the other World.
- 3. Since wealth has been received from Allah, its exploitation by man must necessarily be subject to the commandment of Allah.

The Islamic Economic System is very different to the capitalist and socialist systems. Capitalism according to Adam Smith, is a system of social organization by which private money-making is its chief end (Cahn, 2012). It gives man the absolute and unconditional right to private property and wealth. Socialism on the other hand is based on the public ownership and gives man no right to private property. Socialism and capitalism are the only economic systems that have been created by man whereas Islam is a complete way of life which incorporates economics. Islamic Economics is just one part of Islam and is complete

and perfect as it has been designed by Allah (SWT). The Quraan states, "This day I have perfected your religion for you and completed my favour upon you and I am pleased with Islam as your religion" (Quraan, 5:3), lays confirmation that Islam is a perfected religion for man (Desai, 2012). Islam lies somewhere in-between capitalism and socialism as it acknowledges the right to private property and freedom of trade but doesn't allow unconditional and unrestricted use of this property or wealth. In Islamic economics, although livelihood is necessary and cannot be ignored, it is a means of achieving success in the hereafter and not the sole purpose of human life. On the other hand, in conventional economics, livelihood is a significant problem and economic growth is the goal of human life. This is the fundamental difference between the conventional and Islamic systems.

According to Ayub (2007), an economic system comprises the following three main elements which are the ownership of property, commodities and wealth, the disposal of ownership and the distribution of wealth among the people. Compared to other economic systems, the Islamic economic system is different with regards to distribution and ownership of resources which lends support to the above view.

The current economic system has resulted in both social and economic disasters as it favours greed. The economist Keynes sums this up in his lecture given at Oxford "The world is not so governed from above that private and social interests always coincide. It is not so managed here below that in practice they coincide. It is not a correct deduction from the principles of economics that enlightened self-interest always operates in the public interest. Nor is it true that self-interest generally is enlightened; more often individuals acting separately to promote their own ends are too ignorant or too weak to attain even these." (Keynes, 1926)

2.4 Islamic Financial Systems

An Islamic financial system cannot be simply referred to as a system that is free from interest. Whilst the prohibition of interest is at the centre of the system there are other principles that need to be supported to ensure that the system can be Shariah compliant.

To promote fairness and equality in dealings, the Islamic financial system places emphasis on the social, religious, moral and ethical dimensions as well. The system also takes into account wealth distribution, economic and social justice, work ethic and the role of the State. Shariah Law has set down the framework for an Islamic financial system and according to the Institute of Islamic Banking & Finance and Shanmugam and Zahari (2009), the following are the main principles:

- Prohibition of Interest
- Risk Sharing
- Prohibition of Gharar (speculative behaviour)
- Sanctity of the contract
- Shariah approved activities
 (Institute of Islamic Banking and Insurance, 2015)

The main difference between the conventional and the Islamic financial system is that the Islamic system is an ethical system which leads to a social obligation of ensuring that all parties benefit from the transaction (Venardos, 2005). The relationship between the client and the bank is very different to that of a conventional system. In the Islamic system, the client and bank have a partnership relationship whereas with the conventional system the relationship is that of a creditor-investor (Venardos, 2005).

2.5 Islamic Banking

As discussed above, Islamic economics and financial systems are very different to its conventional counterparts. Islam is a way of life and promotes justice and equality in all aspects of life including banking. When Islamic Banking also known as Islamic Finance was initially launched many thought it was the same as conventional banking minus the word "interest". However Islamic Banking is more than changing terminology or structures (Abdul-Rahman, 2010). According to Shanmugam and Zahari (2009), Islamic Banking and Finance refers to "financial market transactions, operations, and services that comply with Islamic rules, principles, and codes of practice". The values and belief system of Islam guide

the way that Islamic transactions are done. In other words, Islamic Banking is a faith based form of banking as all of its activities and principle must conform to and are derived from Shariah Law.

Islamic Banking has enjoyed excellent growth over the last few years and as a result has attracted many organisations into this niche business. This attraction is also due to the fact that the Islamic financial sector has been extremely resilient during the recent global recession and whilst most conventional banks were posting poor results, Islamic Banks were posting good growth in their net profit positions. Islamic Banking is not much different from conventional banking in terms of their objectives which is to maximize profits. The main difference however, is that Islamic Banks have to conduct all their affairs within the ambit of Shariah Law as well as the legal framework in the country that it operates in. The growth in the Islamic financial sector is not only being driven in Muslim countries but also in non-Muslim countries with many Western countries aiming to be at the forefront of this lucrative market. The UK is hoping to be the leading hub in Islamic Banking globally and hopes to be the first Western country to issue a sovereign Sukuk (Islamic Bond) (Vizcaino, 2013). Another reason for this growth can be attributed to the fact that Islam is the fastest growing religion in the world and this niche market is extremely lucrative and relatively untapped.

Due to the competitiveness of the financial industry, the demand for Shariah compliant products and the desire to lure Islamic investments, conventional banks have recognized the importance of the Islamic Banking sector and have started to offer Islamic banking products and services through Islamic Windows. Major global banks such as HSBC & Standard Chartered have Islamic Windows and the growth in the number of Islamic Windows has been phenomenal with over 191 Islamic Windows offering Islamic products (Sanusi, 2011).

The following Table 2.1 summarises the key differences between Islamic and Conventional Banking.

Table 2.1 – Key differences between Islamic and Conventional Banking

Adapted from Suliman, (2015)

Conventional Banking

Conventional Banks are based on fully man-made principles

Depositors are guaranteed a predetermined rate of return (interest)

It aims at maximizing profit with only legislative restrictions

Lend money with a predetermined rate of return

The relationship of the bank with its client, is that of creditors & debtors

Islamic Banking

Islamic Banks are based on principles of Divine Law

Profits are shared between the bank & the depositors according to a preagreed ration & these profits are not guaranteed

It also aims at maximizing profit but subject to Shariah and legislative restrictions

Participates in partnerships & joint ventures with customers. We share in profit, and assume losses incurred by our customers

The relationship of an Islamic Bank with its client is that of partners, investors & entrepreneur, buyer & seller

In the above Table 2.1, it shows that whilst Islamic Banks like conventional banking do try to maximize profits, it has to do so within the Shariah and legal framework. Another key difference between Islamic Banking and conventional banking is that there can be no guaranteed rate of return for the depositor and when Islamic Banks lend money to their clients, there is more risk compared to that of the conventional bank as Islamic Banks can also share in the losses incurred by its customers.

2.5.1 History of Islamic Banking

Whilst the practice of Islamic Banking has been around for 50 years and is still relatively speaking a new phenomenon, the Islamic economic system which Islamic Banking is based on has been around for more that fourteen hundred years. Early in the history of Islam, the use of cheques and deposits into current accounts were prevalent which were all governed by Islamic economic principles (Kahf and Khan, 1992). According to Presley and Sessions (1994), Islamic Banking is an integral part of Islamic Economics and Islamic Economics is not a new paradigm.

In 1963, Dr Ahmad Elnaggar from Egypt pioneered the modern Islamic Banking through the launch of the first Islamic savings bank which was based on the profit-sharing model. Thereafter in the early seventies, Islamic Development Bank and Dubai Islamic Banking opened their doors. Islamic Development Bank was started with the aim of funding OIC (Organisation of Islamic Cooperation) countries whereas Dubai Islamic Banking was the first commercial Islamic Bank. In the following 10 years, 27 more Islamic institutions were opened with many conventional banks beginning to offer Islamic products and services through Islamic Windows (Suliman, 2012).

According to Mughal (2014), the number of Islamic Banking and Financial Institutions at present are more than 1500 in over 90 countries and the industry is still growing.

2.5.2 Principles of Islamic Banking

According to Mufti Ahmed Suliman (2015), Shariah Scholar at FNB, there is a misconception that for a financial institution to offer Islamic products and service the system needs to be free from Riba (interest) only. Whilst the basis of Islamic Banking is seen as the prohibition of Riba, it would be incorrect to state that interest free banking is the same as Islamic Banking as there are other aspects of Shariah Law that will need to be addressed to ensure that the banking system being used is Shariah compliant. For instance, the Central Bank of Japan offered zero interest for many years and whilst this means that there banking system was free from Riba, it was never regarded as Islamic Banking as it was not based on the principles of Shariah Law (Oda and Ueda, 2005). The principles of Islamic Banking go further than Riba and include the prohibition of Gharar and activities that are prohibited by Shariah Law. According to Shanmugam and Zahari (2009), the following are principles of Islamic Banking and will be discussed in further detail below:

2.5.2.1 Prohibition of Riba (Interest)

Probably the most controversial aspects from a Western perspective is the prohibition of Riba. Riba is one of the key principle and differences between Islamic Banking and the conventional banking system in that all transaction must be free from Riba. Riba is an Arabic word which means "increment" or "addition". According to Ahmad (2014), "Riba is an unjustified increment in borrowing or lending money, paid in kind or in money above the

amount of loan, as a condition imposed by the lender or voluntarily by the borrower". Riba is also associated with the terms interest and usury as the definition of usury is the action of lending money at exorbitantly high rates of interest (Oxforddictionaries.com, 2014). Islamic Banks must ensure that all its transaction are free from any form of interest. There is no concept of Riba in Islam as it deemed to be a curse to society. According to Usmani (2002), Riba creates monopolies, promotes greed, oppression and injustice whereas Islam on the other hand promotes social justice and fairness. The Quraan which is the primary source of Shariah explicitly prohibits Riba through the following four revelations:

1. First Revelation

"That which you give as interest to increase the peoples' wealth increases not with God; but that which you give in charity, seeking the goodwill of God, multiplies manifold." (Quraan, 30:39)

2. Second Revelation

"And for their taking interest even though it was forbidden for them, and their wrongful appropriation of other peoples' property. We have prepared for those among them who reject faith a grievous punishment." (Quraan, 4:161)

3. Third Revelation

"O believers, take not doubled and redoubled interest, and fear God so that you may prosper. Fear the fire which has been prepared for those who reject faith, and obey God and the Prophet so that you may receive mercy." (Quraan, 3:130-132)

4. Fourth Revelation

"Those who benefit from interest shall be raised like those who have been driven to madness by the touch of the Devil; this is because they say: "Trade is like interest" while God has permitted trade and forbidden interest. Hence those who have received the admonition from their Lord and desist, may keep their previous gains, their case being entrusted to God; but those who revert shall be the inhabitants of the fire and abide therein forever." (Quraan, 2:275)

"God deprives interest of all blessing but blesses charity; He loves not the ungrateful sinner." (Quraan, 2:276)

"Those who believe, perform good deeds, establish prayer and pay the zakat, their reward is with their Lord; neither should they have any fear, nor shall they grieve."

(Quraan, 2:277)

"0, believers, fear Allah, and give up what is still due to you from the interest (usury), if you are true believers." (Quraan, 2:278)

"If you do not do so, then take notice of war from Allah and His Messenger. But, if you repent, you can have your principal. Neither should you commit injustice nor should you be subjected to it." (Quraan, 2:279)

"If the debtor is in difficulty, let him have respite until it is easier, but if you forego out of charity, it is better for you if you realize." (Quraan, 2:280)

"And fear the Day when you shall be returned to the Lord and every soul shall be paid in full what it has earned and no one shall be wronged. "(Quraan, 2:281)

The above verses from the Quraan clearly show that Riba has no place in Islam. In the first revelation, Allah (SWT) advises that the one who charges interest will be deprived of blessings, in the second revelation, a warning of a painful punishment is mentioned. The third revelation advises that to prosper they should stay away from Riba and the fourth revelation states that those that continue to deal in Riba then they have waged war with Allah (SWT) and his Messenger (PBUH).

There are numerous Ahadith regarding the prohibition of Riba such as the following narrated by Jabir (RA):

The Prophet (PBUH), may cursed the receiver and the payer of interest, the one who records it and the two witnesses to the transaction and said: "They are all alike [in quilt]." (Muslim, Book 10: No 3881)

For Muslims Divine instructions are a matter of Iman (faith). The prohibition of Riba as shown above is a Divine instruction and therefore there is no need for debate or justification as to whether it is permissible or impermissible.

2.5.2.2 Prohibition of Gharar (speculative behaviour)

Another key principle of Islamic Banking is the prohibition of Gharar (uncertainty). Gharar is an Arabic word as is derived from the root word Ghoroor which means arrogance and deception. According to Abdul-Rahman (2010), Gharar occurs when a party is dissatisfied in a transaction upon it being revealed and includes defrauding and acquiring property or money improperly. Gharar could be in the form of excessive risk taking, uncertainty in a transaction and gambling. The late Professor Mustafa Al-Zarqaa defined Gharar as the "the sale of probable items whose existence or characteristics are not certain, the risky nature of which makes the transaction akin to gambling."(El-Gamal, 2006). Professor Al-Dhareer has listed the following four conditions that if found in a contract will invalidate based on Gharar:

- 1. The Gharar should be excessive or exorbitant.
- 2. The contract is a contract of exchange (e.g. Sale).
- 3. The object of the contract is the principal item. (e.g. price of object).
- No need has impelled the concluding of the contract.
 (Al-Dhareer, 1997)

For instance, if an asset is sold and the price of the asset is not clear or unknown, then the transaction will have Gharar and be prohibited. The Quraan, states that full disclosure needs to be made in all dealings as shown in the following verse, "Give full measure when ye measure, and weigh with a balance that is straight: that is the most fitting and the most advantageous in the final determination" (Quraan, 17:35). It is impossible to remove all Gharar from a contract and therefore the goal of Shariah is to reduce the amount of Gharar in the contract. As such minor uncertainties and risk are permissible however any excessive uncertainty or risk will invalidate the contract.

2.5.2.3 Risk and Return Sharing

As shown in the previous section, Riba is prohibited in Islam and as such in an Islamic transaction the relationship between the party that supplies the funds is that of an investor as opposed to conventional transaction where the supplier of the funds is called a creditor. Shariah permits Muslims from generating income through the use of risk and reward sharing mechanisms. In an Islamic transaction, the supplier of the funds (investor) and the receiver of the funds (entrepreneur) both share in the risks and profits of the business. A popular risk sharing mechanism for Islamic transactions is the use of the Mudharabah (partnership) structure. According to Shanmugam and Zahari (2009), the use of profit sharing mechanisms promotes people to work together as both parties have a responsibility for ensuring the success of the venture.

2.5.2.4 Sanctity of the contract

In Islam, a contract is an extremely important component of any dealings. The disclosure of information and the obligations attached to the contract is treated as sacred duty. The purpose of having full disclosure is to reduce Gharar as well as it allows the parties to make informed decisions. According to Iqbal and Mirakhor (2011), Islam places great importance on the rights of individuals, society and the state and the contract plays an important role in ensuring that these rights and obligations are adhered to. The conditions for a valid contract is that there must be a willing buyer and seller, a competent understanding of the asset and profit-share ratio, as well as the contract must not break any other Shariah laws or principles (Shanmugam and Zahari, 2009).

2.5.2.5 Shariah approved activities

Only transactions that are not in violation with Shariah Law will be allowed to take place. For instance, an Islamic Bank may not get involved in the financing of a casino because gambling is prohibited in Islam. According to the Dow Jones Islamic Market Indexes, the industries that have been excluded by their Shariah Board as they are not in accordance with Shariah Law are:

- Alcohol
- Pork-related products
- Conventional financial services

- Entertainment
- Tobacco
- Weapons and defence (Djindexes.com, 2015)

2.5.3 Islamic Banking Structures

Currently there are 4 operating structure that are used to sell Islamic products and services which are shown in Figure 2.3.



Figure 2.3 – Types of Islamic Banking structures

Adapted from Suliman, (2012) - Islamic Banking

2.5.3.1 Islamic Banks

An Islamic Bank is a standalone bank that does not have any group association with any conventional bank. The entire bank conforms to Shariah Law and there is no contamination of funds as the bank does not generate any non compliant income. An example of an Islamic Bank is Albaraka Bank which is a Banking group that has over 550 branches in 15 countries around the world (Albaraka.com, 2015). In an Islamic Bank, all departments within the group must conform to Shariah Law. Islamic Banks sell their products and services through their own distribution channels such as branches. Generally the number of branches and sales force of an Islamic Bank is far less than that off a conventional bank given that it operates in a niche market with high fixed and operating expenses. Islamic Banks have to prepare annual financial reports which show the performance of the institution.

2.5.3.2 Islamic Windows

The growth of the Islamic financial industry over the last few decades has resulted in many conventional financial institutes being lured into the Islamic financial arena. These institutions have created Islamic Windows to offer the Islamic products. Islamic Windows are not stand alone but are a niche offering that is provided by the conventional bank to

those clients that wish to engage in Shariah compliant instruments (Iqbal and Mirakhor, 2011). The products offered through Islamic Windows are typically simple retail products such as investments, transactional accounts, vehicle and property finance. Whilst Islamic Windows are housed within a bigger conventional bank, the Bank must ensure that the Islamic Windows products are not mixed or contaminated with conventional banking products. Islamic Windows usually have a team of Islamic bankers and Shariah scholars that ensure that the products and processes are compliant. According to Sole (2007), the use of Islamic Windows as a means for getting into the Islamic financial industry is a preferred method for many Western and South East Asia countries, whereas in the Middle East the preference is to establish stand alone Islamic Banks. There are many examples of conventional banks that have established Islamic Windows such as Standard Chartered Bank, Barclays Bank and HSBC Bank to name a few (Hassan and Lewis, 2007. According to Muhammed Ismael (2015), Islamic Windows offer their products and services through the conventional banks distribution channels. This means that a client can be serviced through any branch within the FNB network and by any sales staff. Islamic Windows do pose some challenges such as lack of control over sales, however it does offer the Islamic Window a larger footprint, cost savings and better efficiencies as compared to a standalone Islamic Bank. The financial performance of an Islamic Windows is not reflected separately and is combined with the conventional banks annual financial report.

2.5.3.3 Islamic Branches

Islamic branches are similar to Islamic Windows in that they utilize the conventional banks systems and various departments to run their business. The main difference is that the Islamic branch has its own dedicated distribution network and sales force. This allows the Islamic branch to take advantage of the conventional banks efficiencies as well as have the advantage of having its own dedicated sales force. An example of an Islamic Branch is HBZ Bank Limited, which has an Islamic stand alone branch but is part of a conventional HBZ Bank Group. The HBZ Islamic Branch has its own dedicated sales force however utilizing the conventional banks back office functions (Hbzbank.co.za, 2015).

2.5.3.4 Islamic Subsidiaries

An Islamic Banking subsidiary is a conventional bank that has been granted a license to run an Islamic Bank that is independent from the conventional bank. The Islamic subsidiary is a separate legal entity and has better Shariah credibility in the market than an Islamic Window or branch. Generally conventional banks open subsidiaries as to show commitment, increase credibility or a requirement for greater Shariah compliancy (Rosly, 2005). The main advantage of having a subsidiary as opposed to a full conversion of the conventional bank is that the conventional bank can have the best of both worlds. This means they can continue to service their conventional customers whilst the Islamic subsidiary is completely separate and can continue to grow its business (Sole, 2007). Islamic subsidiaries have they own distribution channels and sales force. The performance of an Islamic subsidiary is also shown separately on its own annual financial report.

2.6 Islamic Banking Products & Services

Islamic Banking offers a wide range of financial structures that range from simple retail banking products such as transactional accounts to property and leasing transactions. Below are some of the more popular Islamic financial structures that are being offered

2.6.1 Ijarah (Lease)

According to Shanmugam and Zahari (2009), Ijarah refers to a contract where the lessor (Bank) purchases an asset and leases this asset to the lessee (client). The amount of the rental, the duration of the contract, the timing of the payments and all responsibilities of both parties are clearly documented in the contract. In Ijarah, only usufruct is transferred to the lessee. Ownership of the asset remains with the lessor or could be transferred to the lessee upon termination of the contract. Although Ijarah is not an original form of financing, Islamic Banks have used this mode to finance assets for clients instead of the conventional interest bearing basis (Usmani, 2002). An example of an Ijarah transaction is when a Bank (Lessor) purchases a vehicle and leases it out to a client (lessee) at a certain rental amount that needs to be paid on a set date over a predetermined period. Upon completion of all rentals, the Bank may gift the vehicle to the client at no additional charge.

2.6.2 Musharakah

The term Musharakah is an Arabic word which literally means sharing. The root of the word Musharakah is Shirkah which is also Arabic which means being a partner. According to Hassan and Lewis (2007), Musharakah is an ideal or preferred mode of Islamic financing as opposed to the conventional interest bearing structures. The reason for this is because Musharakah adheres to the Islamic principle of profit and loss sharing. In Musharakah, partners contribute capital which in turn allows them to share in the profit or loss that the project makes. The profits are calculated based on a pre-agreed ratio that is determined upfront in the contract whereas if there is a loss to be borne then the loss is shared based on the proportion of capital that was invested by each partner. Some of the salient features of the Musharakah product are:

- Mutual contract between parties.
- Profit proportion must be agreed at the time of the contract and is not based on proportion of capital invested.
- Loss is shared according to proportion of investment.
- Each partner has a right to manage the venture however this needs to be agreed upfront.
- Investment by parties should be in a liquid form.
 Usmani (2002)

2.6.3 Mudarabah

According to Obaidullah (2005), Mudarabah is a mode of financing that has similarities to the Musharakah product and is essentially a partnership in where one partner who is known as the rabb ul-mal (investor) provides the capital while the other partner, the mudarib (the borrower) manages it. For the contract to be valid, the profit ratios will need to be agreed upfront. There are two types of Mudarabah structures which are:

1. Al Mudarabah Al Muqayyadah (restricted) – the investor specifies the type of business or venture that he wants the borrower to get in to.

 Al Mudarabah Al Mutlaqah (unrestricted) – the investor doesn't specify specifically the type of business that he wants the borrower to get into which allows more flexibility for the borrower (Usmani, 2002).

An example of a Mudarabah transaction is where the client (rabb ul-mal) deposits money to the bank and the Bank (mudarib) utilizes those funds either on a restricted or unrestricted basis to generate a profit. The following Table 2.2 summarises the key differences between Mudarabah and Musharakah:

Table 2.2 – Key differences between Mudarabah and Musharakah

Musharakah	Mudarabah
All partners invest.	Only Rab-ul-Maal invests.
All partners participate in the management of	Rab-ul-maal has no right to participate in the
the business and can work for it.	management which is carried out by the
	Mudarib only.
All partners share the loss to the extent of the	Only Rab-ul-maal suffers loss because the
ratio of their investment.	Mudarib does not invest anything. However this
	is subject to a condition that the Mudarib
	hasworked with due diligence.
The liability of the partners is normally	The liability of Rab-ul-maal is limited to his
unlimited. If the liabilities of business exceed	investment unless he has permitted the
its assets and the business goes in liquidation,	Mudarib to incur debts on his behalf.
all the exceeding liabilities shall be borne pro	
rata by all partners. But if the partners agree	
that no partner shall incur any debt during the	
course of business, then the exceeding	
liabilities shall be borne by that partner alone	
who has incurred a debt on the business in	
violation of the aforesaid condition.	
As soon as the partners mix up their capital in	The goods purchased by the Mudarib are solely
a joint pool, all the assets become jointly	owned by Rab-ul-maal and the Mudarib can
owned by all of them according to the	eam his share in the profit only in case he sells
proportion of their respective investment. All	the goods profitably.
partners benefit from the appreciation in the	
value of the assets even if profit has not	
accrued through sales.	

Adapted from Usmani, (2002)

According to Ayub (2007), "By allowing Mudarabah, Islam has intended to fulfil an important economic function by way of encouraging the hiring of capital and that of trade skills on judicious terms of risk sharing, leading to the benefit of society and the concerned parties".

2.6.4 Murabaha (cost-plus financing)

Murabaha also referred to as "cost-plus financing" or "mark-up financing" is the most common type of short term financing instrument used by banks and accounts for nearly 75 per cent of all Islamic products marketed worldwide (Hassan and Lewis, 2007). In a Murabaha contract, the seller (Bank) sells an asset to the buyer (Client) with a mark-up. The seller clearly discloses the cost of the asset, the mark-up as well as any other cost that is required to conclude the sale. The payment of the asset can be paid upfront, paid at a later date or over a predetermined period of time. The seller however cannot charge the client extra for any late payments. The seller owns the item until they receive full payment for the item and as such the asset is only transferred to the client so there is less risk for the Bank in a Murabaha transaction (Hassan and Lewis, 2007).

2.6.5 Qardh (loan)

The term Qardh is simply defined as a loan. The loan given by the client is free of any obligation by the receiver and as such the receiver only has to return the original amount back. The Qardh structure entitles the giver of the loan to receive the full loan amount at the end of the term (Usmani, 2002). According to Obaidullah (2005), although the Qardh structure is an alternative Shariah mechanisms that can be used for transactional accounts, it is not a preferred structure due to its limitation regarding marketing spend that cannot be passed onto the depositor as it will be deemed as Riba.

The above Shariah compliant product structures are a viable alternative option to the conventional banking products. Islamic products are unique and can be used in a wide range of uses. It brings about equity and fairness in the transactions and can also be as profitable as conventional products if the risks are managed correctly.

2.7. Shariah Boards

All Islamic Banks, Windows, Branches or Subsidiaries need to ensure that the principles of Shariah Law are strictly followed. In order for Banks to ensure that the process, products and activities are not in contravention with Shariah laws, a Shariah Board also know as a Shariah Supervisory Board (SSB) is needed to oversee the Islamic Bank. The Islamic Bank and its management rely upon the Shariah Board as it is the expert when it comes to Shariah and application of it. According to AAOFI Governance standard no.1, a Shariah Board is an independent body of jurists that are specialists in the field of Fiqh al-Mu'aamalaat (Islamic commercial jurisprudence). The IFSB (Islamic Financial Services Board) which is another set of standards states: "To safeguard the credibility and integrity of the Islamic Financial Services industry at large and the Islamic Financial Institution in particular, the professionalism and independence of the Shariah Scholars must be upheld with the highest respect" (Suliman, 2012). The Shariah Board is a key element in an Islamic Bank as it has the responsibility of ensuring that all the banks products, services and processes are in accordance with Shariah law (qfinance.com, 2015). Any decision or ruling that is made by the Shariah Board is binding and the Islamic Bank will need to abide by it.

According to Abdul-Rahman (2010), the following is a list of duties that are performed by a Shariah Board:

- Detailed documentation of the recorded religious bases and foundations as extracted from Shariah, with a complete record of the Shariah Board's deliberations and the reasons for and against a specific fatwa ruling. These proceedings, ideally, should be made transparent.
- Help in the process of innovating, manufacturing, and devising new Shariah-based products and services with the banking professionals.
- Help in devising a detailed set of operating manuals and transactional procedures
 that will be competitive with existing riba-based banking services and products.

- Review and analysis of any contracts and/or agreements related to the services,
 operations, or outside vendors of the bank, to make certain that such agreements
 comply with Shariah.
- Participation in the design of the bank's training programs, including education about the foundations of the faith, the rules on compassion and honesty, the importance of fair and equal rights without discrimination, and the character of an RF banker who shuns misrepresentation of facts and the culture of pure selling at any cost to meet a sales goal and make a high commission.
- Participation in a hands-on training program on Shariah compliance, including the models used for financing and how they differ from those offered by the conventional riba-based banks.
- Supervision of the bank's day-to-day operations, interaction with the staff, and pursuit of the highest quality of work in processing customers' applications and communicating with the outside world regarding truthful representation of the products and services offered by the sales force. This includes random checking of incoming and outgoing mail, telephone conversations on help lines, incoming and outgoing e-mails, and faxes.
- Attention to developments pertaining to Shariah issues and new products and services at other competing banks, as well as riba-based banks. The Shariah Board is required to submit a complete annual report to the board of directors of the bank, summarizing all the issues referred to the Board, as well as the Board's opinion on the bank's transactional procedures.

According to Suliman (2012), the following are roles and responsibilities of a Shariah Board:

The SSB will review and approve the legal and operational structure of the products.

- The SSB is entrusted with the duty of directing, reviewing and supervising the activities of the Islamic Financial Institution.
- Provide a certificate (the "Compliance Certificate") declaring the product/s to be in compliance with Shariah.
- Undertake a quarterly audit/review of the products to ensure its operational activities and all investment transactions of the Islamic Financial Institution are in conformity to Shariah.
- Attend the Shariah Board meetings.
- Approve the allocation of profits and losses; including the Profit Equalization Reserve
 and the Investment Risk Reserve.
- Approve the calculation of impermissible income and its purification process.
- To supervise and audit transactional procedures.
- To supervise in the development of innovative Shariah-compliant investment and financing products and services.
- Issue a SSB report confirming that the SSB have conducted a Shariah review and the findings of the review are outlined (normally incorporated in the annual report).
- Supervising Islamic finance training for staff.

2.8. Perception and Awareness of Islamic Banking

When it comes to selling any products and services, the attitude of the individual is critical for its success. According to Haque (2009), attitude is an extremely important aspect in predicting and understanding the way customers behave in certain situations. According to Azjen, (1982), most social psychologists view attitude as "a predisposition to respond in a generally favourable or unfavourable manner with respect to the object of the attitude". This means that the attitude of a person influences the perception of that person.

A simple definition of perception is, "the way that you notice or understand something using one of your senses" (Merriam-webster.com, 2015). However a more detailed definition according to Rao and Narayana (1987) from a psychology perspective is that, "perception is the process whereby people select, organise, and interpret sensory

stimulations into meaningful information about their work environment." They further state that "there can be no behaviour without perception" and that the most important factor in determining human behaviour is perception.

This means that to effectively sell products, the sales force needs to have a positive perception of the products and services that they are marketing. According to Wisegek (2015), perception regarding a product, is defined as determining the way that customers think and respond to the various types of goods and services available. All companies want to have a positive perception of their products that are offered to their customer because it has an impact on the bottom line.

A customer is someone that buys goods or services from a seller (Investorwords, 2015). Customers can be categorized as both external and internal. An external customer merely utilizes the products and services and is not part of the company. They are essential to the success of the company as they provide the revenue. For instance, an external customer is someone who opens a bank account at a branch or someone who buys a shoe from a shop. An internal customer on the other hand is part of the company and requires the assistance of others so that they can fulfil their duties. Whilst they do not directly buy the products, their interactions and dealings with the external customer affect the bottom line. For instance, an internal customer is the employee that opens the account for the external customer (Joseph, 2015). For the purpose of this literature review when we refer to customer we are referring to the internal customer i.e. employee. According to Allison (2012), any breakdown with the internal customer has a direct impact on the external customer. For a company to be successful, the reality is that the company needs to satisfy the needs of the internal customer if they wish to satisfy the needs of their external customers. To ensure that the internal customer's needs are satisfied, one of the key elements is that training on the products and services for the employees is to be conducted. By increasing the knowledge and understanding of the product, it will give the employee greater awareness of the product and increased confidence to meet the external customers needs (Farias, 2010).

According to Muhammed Ismael (2015), the Head of Transactional Banking at FNB Islamic Banking, Islamic products and services that are offered through an Islamic Window are generally sold through the conventional distribution channels of a bank. This means that both Muslim and non-Muslim frontline sale consultants can conclude an Islamic Banking transaction. The challenge however is getting the frontline sales staff to buy in to the concept of Islamic Banking as they all come from different faiths and may not necessarily be comfortable with selling a "religious" product. The perception and attitude of a customer has a significant impact on an Islamic Banks survival (Hassan & Kabir, 2011). As Islamic Banking products and service are sold by both a sales force that comprises of both Muslim and non-Muslim employees, Islamic Banks need to put extra effort in trying to modify or reinforce the perception of Islamic Banking (Haque, 2010). Islamic Banking is a change from the conventional way of banking in that it needs to conform to Shariah Law. The fact that it is also labelled as a religious offering leads to the perception that the product is only for Muslims or cannot be sold by non-Muslims sales staff. However this is not the case as Islam is a religion for all and the fact that it is labelled as "Islamic" is irrelevant as the offering is an ethical and sociably responsible way of banking.

Islamic Banks need to continuously create awareness through internal marketing, by ensuring the frontline sales staff have sufficient education and knowledge on the products and services. According to the research done by Hamid and Nordin (2001), education on Islamic Banking is extremely important as customers have very limited knowledge and understanding of Islamic Banking. In their study, they found out that over 60 per cent of the respondents did not know the difference between conventional and Islamic Banking products and services. In another study that was conducted by Hassan and Ahmed (2002) on employees in an Islamic Bank in Bangladesh, it was found that the respondents were not willing to do Islamic transactions as they felt that whilst the name reflected an Islamic Bank, that interest was still being practiced. This again came down to the lack of understanding of the principles, values and concepts of Islamic Banking. In the above cases, recommendation was given that adequate training was needed to be provided to the employees so that their understanding and perception changes (Arshad et al., 2011).

2.9. Summary

Islamic Banking over the years has proven to be a lucrative market that is extremely profitable and resilient during tough economic conditions. The primary reason for this success is that the guidelines and principles that govern Islamic economic behaviour is based on morality, equality and transparency that are derived from the sources of Shariah Law. The purpose of the literature was to provide an overview of the Islamic Banking universe. To fully understand this, the framework within which Islamic Banking operates in as well as the principles needs to be understood. Although there is not much literature regarding the perception of Islamic Banking products by a sales forces, it does provide an opportunity for further research to be done in this field as there is an increase in conventional banking groups that are looking at getting into the Islamic Banking sector through the use of Islamic Windows.

In the next chapter the research methodology of the study will be discussed. In Chapter 3, the methodology used, data collection procedures and various instruments will be covered.

CHAPTER 3 – RESEARCH METHODOLOGY

3.1 Introduction

The objective of this chapter is to present an overview of the research methods used in this study. The methodology that is used in a study is extremely important as it helps to determine the reliability and validity of the findings. Research according to Sekaran and Bougie (2013) is defined simply as "a process of finding a solution to a problem after a thorough study and analysis of the situational factors". Another definition of research is that it is "a scientific and systematic search for pertinent information on a specific topic" (Kothari, 2004). The purpose of research is to find answers to a specific problem through the use of scientific procedure. This chapter focuses on the research design, research methodology, research instruments and measurement, sample population and ethical consideration that were used during this study as well as the justification for using these methods.

3.2 Research Design

According to Kothari (2004), a research design shows the state the conceptual structure within which research would be conducted. The purpose of a good research design is that through preparation, the most amount of information is obtained through the most efficient manner. Based on the type of research being done, the study may either be an exploratory study, a descriptive study or a causal study (Sekaran and Bougie, 2013). According to Sekaran and Bougie (2013), descriptive research is a study that is used to describe and specifically in this study the researcher is trying to describe the respondents perception and knowledge of Islamic Banking. A researcher can describe a research project through the use of the following three data collection methods:

- Observational defined as a method of viewing and recording the participants.
- Case Study defined as an in-depth study of an individual or group of individuals.

 Survey – defined as a brief interview or discussion with an individual about a specific topic.

(Kowalczyk, 2015)

There are 2 main approaches when it comes to research which is the quantitative and qualitative approach. Qualitative research is used to find out how and why things happen as they do. The data obtained through qualitative research is also difficult to quantify. On the other hand, quantitative research involves the collection of data so that it may be precisely measured (Cooper and Schindler, 2014).

This research is aimed at obtaining data from a group of individuals through a structured approach so that a collective conclusion may be drawn. Therefore for the purpose of this study, the researcher conducted a descriptive study using a quantitative approach, as this would be the most appropriate approach. The reason that it's a descriptive study is because it looks at the characteristics of a group of people and in this case, their perception towards Islamic Banking within a financial institution.

3.3 Research Instrument/Data Collection Method

Data collection methods are a critical component of a research design. There are various methods of collecting data such as interviews, observation and surveys and each have their advantages and disadvantages. For the purpose of this study a questionnaire was used as the method of collecting data. A questionnaire is a preformulated set of open or closed ended written questions that the respondent has to record their answers on and for a descriptive study is the most appropriate way of gathering information (Sekaran and Bougie, 2013). According to (Taylor-Powell, 1998), based on the type of questions asked, information such as knowledge, opinions, behaviour and attitude of the respondent can be extracted. The questions in this study were clear, simple and to the point to enable the respondent to answer the questions and to remove any misunderstanding as this could result in irreparable damage to the data. This was confirmed by the respondents that took part in the pilot study prior to sending out the final questionnaire. According to Kothari

(2004), questions should be impartial and constructed so that they are easily understood, simple and should conform as much as possible to the respondents way of thinking. Questionnaires are a flexible method of collecting data and there are many advantages of using them such as the ease of sending out to large numbers, the anonymity & standardized factor and the reliability of the data (Sociology, 2014). According to (Rahman, 2012), the other advantages of a questionnaire is that it is better from an ethics perspective as the respondent has the free will to participate or withdraw from the process which makes the issue of ethics more observed in this method of data collection. Below are some of the advantages and disadvantages of using a questionnaire according to Kothari (2004):

Advantages

- There is low cost even when the universe is large and is widely spread geographically.
- It is free from the bias of the interviewer as answers are in respondents own words.
- Respondents have adequate time to give well thought out answers.
- Respondents, who are not easily approachable, can also be reached conveniently.
- Large samples can be made use of and thus the results can be made more dependable and reliable.

Disadvantages

- Low rate of return of the duly filled in questionnaires and bias due to no-response is often indeterminate.
- It can be used only when respondents are educated and cooperating.
- The control over questionnaire may be lost once it is sent.
- There is inbuilt inflexibility because of the difficulty of amending the approach once questionnaires have been despatched.
- There is also the possibility of ambiguous replies or omission of replies altogether to certain questions; interpretation of omissions is difficult.
- It is difficult to know whether willing respondents are truly representative.
- This method is likely to be the slowest of all.

Even though the use of a questionnaire does have disadvantages, based on the benefits of using a questionnaire, for the purpose of this study, the researcher used a structured questionnaire as the primary source of collecting information. The reasons for the researcher using a questionnaire were primarily due to the lower costs and the fact that due to the respondents role, they were not readily accessible and this form of data capture allowed them to complete the information at their own time without any time pressures. A comprehensive questionnaire was developed to find out the views of Islamic Banking by the bank sales staff in the region. A copy of this questionnaire is included in the appendix. The questionnaire was designed to suit the knowledge and mental capacity of the employees of the bank. The questions cover areas such as the perception and knowledge of Islamic Banking as well as effectiveness of the training that has been done.

3.3.1 Pilot Study

The researcher conducted pilot testing with 3 sales staff members on the 07 May 2015 at the FNB Umhlanga offices. A pilot study is a mini version of a full study as well as the testing of a particular research instrument such as interview of questionnaire (van Teijlingen et al., 2001). It can be based on quantitative or qualitative methods and a good research design includes the use of pilot studies as they a crucial element and greatly increases the likelihood of the studies success. According to van Teijlingen et al (2001), an advantage of conducting a pilot study is that it could provide advance warning on issues in the research project, if research protocols are not followed or whether the techniques and methods used by the researcher are too complicated or inappropriate.

The following Table 3.1 shows the steps that are used to pilot a questionnaire on small group of participants so that the internal validity of the questionnaire improves.

Table 3.1 – Procedure to improve internal validity of the questionnaire

1.	Administer the questionnaire to pilot subjects in exactly the same way as it will be administered in the main study							
2.	Ask the subjects for feedback to identify ambiguities and difficult questions							
3.	Record the time taken to complete the questionnaire and decide whether it is reasonable							
4.	Discard all unnecessary, difficult or ambiguous questions							
5.	Assess whether each question gives an adequate range of responses							
6.	Establish that replies can be interpreted in terms of the information that is required							
7.	Check that all questions are answered							
8.	Re-word or re-scale any questions that are not answered as expected							
9.	Shorten, revise and, if possible, pilot again							

Adapted from (Mellis et al., (2002)

These participants represented the target population and a printed copy of the questionnaire was handed and completed by the participants. The purpose of the pilot was to get feedback from the participants to see if they understood the questions as well as to check the reliability of the measures being used.

3.3.2 Questionnaire

After taking into account the feedback from the pilot study, the final version of the questionnaire was sent on the 01 May 2015 to 100 employees at various FNB branches via email. The questionnaire was set up on an online website called Questionpro and the participants were emailed a covering letter, the link and instructions for them to complete the questionnaire online. The respondents were given 14 days to complete the questionnaire with a reminder being sent through after 7 days via email. The due date for the questionnaires to be completed was the 15 May 2015. After completion, the responses

were checked and thereafter the researcher used the Statistical Package for the Social Sciences (SPSS) software to analyse the data.

The questionnaire was made up of five sections with 43 questions over these sections. A copy of the questionnaire has been included in the Appendix. The first part covered the demographics of the participants such as gender, age and religion. These types of questions are relevant as they assist the researcher in identifying the perception of Islamic Banking by specific demographic groups.

The rest of the sections in the questionnaire covered the four objectives that were identified for this study. Most of the questions were measured using the five-point Lickert Scale (Strongly Disagree; Disagree; Neutral/Unsure; Agree; Strongly Agree). A Likert scale is a rating scale that is used to measure attitudes or opinions by using a fixed choice response format (McLeod, 2008). According to LaMarca (2011), the advantages of using a Likert scale method is that they are universal when it comes to surveys which means that it is easy for the participant to understand. Based on the format of the response type, it does not force the participant into a particular stance by forcing them into a yes or no answer. The fact that it allows the participant to respond to a degree of agreement or disagreement makes this type of questions easier on the respondent.

Data collected from secondary sources was obtained from existing literature that can be found in books, dissertations, journal articles and industry experts

3.4 Population and sample

Population is a full set of cases from which a sample is being taken from by a researcher. According to Sekaran and Bougie (2013), the population in a research project refers to the "entire group of people, events or things of interest that the research wishes to investigate". Whilst it may be possible to collect data from the entire population through the use of a census, it should not be assumed that the census results will be more useful that collecting the data from a sample which represents the entire population (Saunders,

Lewis and Thornhill, 2012). A subgroup or subset of an entire population is called a sample. A sample gives the researcher the ability to draw a conclusions that a generalization of the entire population that the researcher is interested in. According to Saunders, Lewis and Thornhill (2012), sampling provides an alternative to using the entire population when:

- It is not practical to survey the entire population
- Budget constraints do not allow the researcher to survey the entire population
- Time constraints do not allow the researcher to survey the entire population

For the purpose of this research, the relevant population consisted of employees of First National Bank (FNB) whose job role is to sell the bank products and services. The reason for choosing the sales staff for this study is because they would be familiar and have knowledge of all the banks products and services. Secondly these are the individuals that decide whether to offer clients the Islamic Banking offering or not and finally the respondents will be from different branches in the KwaZulu-Natal region which will give good access to the various cultural, race and religious groups. In this study the population size and the sample were the same which was 100 employees and was determined by the number of sales staff in the various branches that were used.

As part of this quantitative study, the researcher used a simple random sampling design as every member in the population will have a known and equal chance of being selected to complete the questionnaire (Sekaran and Bougie, 2013). This technique allows every sales staff in the KwaZulu-Natal region to have an equal chance or has the same probability of being selected during the sampling process. The sampling process involves randomly selecting sales staff from various branches within the KwaZulu-Natal region. According to Sekaran and Bougie (2013), simple random sampling offers the most amount of generalizability of the population with the least amount of bias.

For this study a sample size of 100 employees were selected which was considered sufficient for this study. According to Roscoe (1975) in Sekaran and Bougie (2013),"sample sizes larger than 30 and less than 500 are appropriate for most research".

3.5 Data Analysis

Once the questionnaires had been completed, the data was checked for completeness and any outliers, inconsistencies or blank responses which if occurred were handled in a consistent and specific manner. The researcher then inputted the data into a Microsoft Excel spreadsheet document to ensure that there is an electronic copy of the summarized information. The data was then coded, edited and keyed in on the spreadsheet. Coding involves assigning numbers to the participants responses and is a critical part of data analysis as it is better for interpretation of the results. As human error could occur at this stage, at least 10 per cent of the coded questionnaires were checked by the researcher for accuracy (Sekaran and Bougie, 2013). All files and documents relating to the questionnaires were saved on the researchers personal computer which is password protected. The researcher used Statistical Package for the Social Sciences (SPSS) software for management and analysis of the data.

3.6 Reliability

According to Cooper and Schindler (2014), reliability is concerned with the estimated degree to which measurements are free of unstable or random errors. A measure is reliable to this degree in that it supplies consistent results. For a study to have validity, reliability is a necessary contributor however it is not a sufficient condition for validity. Reliable instruments may be used with confidence in the knowledge that transient and situational factors will not interfere. In addition, reliable instruments are robust and they work well at different times and under different conditions (Cooper and Schindler, 2014).

3.7 Validity

Validity refers to the extent to which a test measures what it is actually supposed to measure. There are two major forms of validity namely, internal and external validity. External validity in a study refers to the data's ability to be generalized across persons, times and settings. Internal validity on the other hand is further limited to the ability of a research

instrument to measure what it is purported to measure. This means that for a test to have perfect validity it would need to contain no measurement error. (Cooper and Schindler, 2014).

3.8 Ethics

Ethics in research is doing what is legally and morally right when conducting the study (Cooper and Schindler, 2014). There are many ethical issues that need to be taken into consideration and whilst many are generic some of these issues are specific to the various techniques and methods that are used by the researcher. Before conducting any data collection for this study, the researcher obtained permission from the respondents company as well as from the University of KwaZulu-Natal Ethics Committee.

According to Sekaran and Bougie (2013), confidentiality, anonymity, informed consent from the participants and the option to not participate without prejudice or withdraw from the process are some of the important ethical considerations in a study. For the purpose of this study the following was taken into account:

- Participation in the study was voluntary, confidentiality was assured and participants could withdraw from the process at anytime without any consequences.
- Permission from the participants to participate was obtained and was covered in the cover letter of the questionnaire
- The questionnaire did not require any personal information such as names,
 identification numbers or employee numbers which ensured privacy and anonymity.
- The cover letter explained the purpose of the study as well as provided the contact details of the researcher and Universities Ethics Committee should the participants have any issues, concerns or queries

3.9 Summary

In chapter 3, the researcher discussed the research approach that was used for this study. The research design, research methodology and ethical considerations were also discussed. The use of a questionnaire as the primary source of data collection was also presented for this research. In the next chapter, the results of the questionnaire will be presented.

CHAPTER 4 – RESULTS & DISCUSSION

4.1 Introduction

The research being conducted has generated information through the data that has been collected and this data needs to be analysed. In the previous chapter it was advised that for the purposes of this study a quantitative approach was conducted using a questionnaire as the method for collecting the data. Data analysis was done on the information collected through the questionnaires and the information was summarised and reduced to a manageable size. Data analysis also involved looking for patterns in the data that has been collected. The questionnaire was distributed to the respondents with the aim of understanding the perception of the FNB sales force on Islamic Banking. A simple random sampling design was used and a total of 58 responses were received. A statistical package (SPSS) software was used to analyse the data obtained from the questionnaires.

4.2 Demographic profile of the respondents

The questionnaire investigated the background of the respondents in terms of seven categories, including religion, gender, age, years at work, education level, nature of employment and type of position.

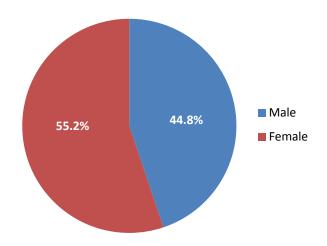


Figure 4.1 – Gender of respondents

The demographics of the 58 respondents reflected that 55.2 per cent (32) were female and 44.8 per cent (26) were male. It is interesting to note that when looking at this ratio and comparing it to the FNB workforce profile (Firstrand, 2014) that out of a workforce of 33 143 employees, 60.9 per cent are women. This may possibly indicate why more females responded to the questionnaire in this study than males.

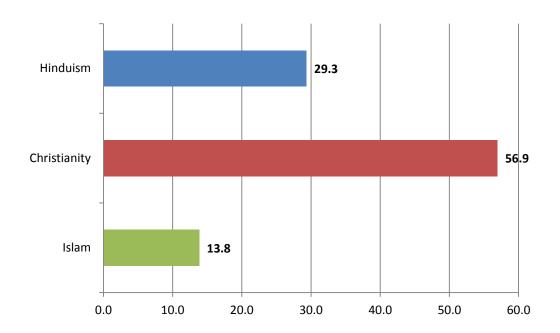


Figure 4.2 - Religion of respondents

In Figure 4.2, it shows that the majority of the respondents were non-Muslim (86.2%), whilst the remainder (13.8%) were made up of Muslims. What was interesting to note was that more than half (56.9%) of the respondents followed Christianity and only 13.8 per cent followed Islam. These results are indicative of the fact that Muslims are a minority population in South Africa and that Christianity in its different forms is the most dominant religion in this country (Stats SA, 2011).

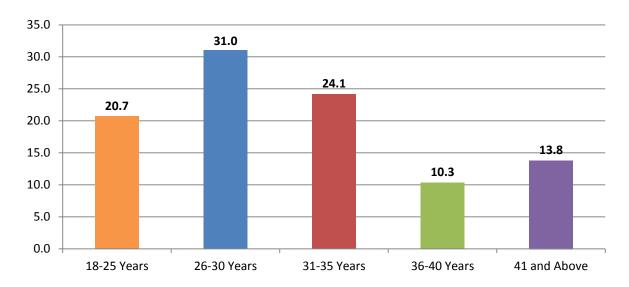


Figure 4.3 – Frequency distribution of age

The age of the respondents are shown in Figure 4.3. The results showed that more than half (51.7%) of the respondents were 30 years or younger. The remaining 48.3 per cent was made up of 24.1 per cent (31-35 years old), 10.3 per cent (36-40 years old) and 13.8 per cent (41 and above). The sample was collected from a group ranging in age from 18 to 41 years and older. The results clearly show that majority of the respondents are young and this characteristic is not uncommon as banks usually employ young graduates or matriculants in the role of sales consultant as this is an entry level position within the banking sector.

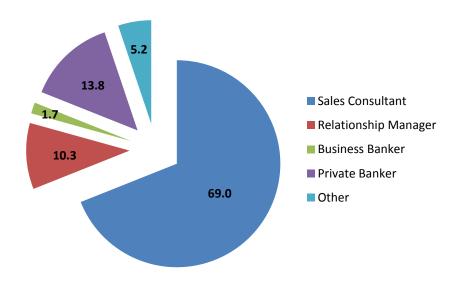


Figure 4.4 – Position at the company (%)

As can be seen in Figure 4.4, of all the respondents, more than two-thirds (69%) of the respondents were employed in the position of sales consultant with the balance being made up of private bankers (13.8%), relationship managers (10.3%) and business bankers (1.7%). These results are in line with the branch banking model were majority of employees are in the sales consultants role.

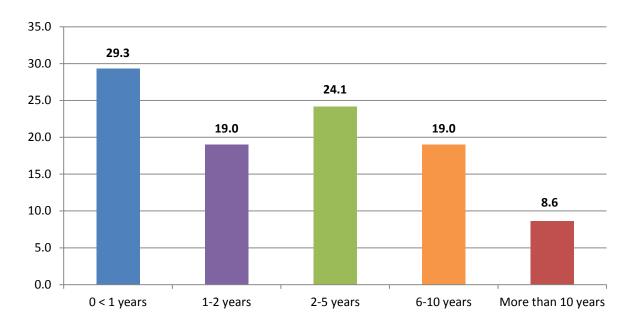


Figure 4.5 – Years of working experience

Based on the findings presented in Figure 4.5, of the 58 respondents, 72.4 per cent have less than 5 years experience with just over a quarter (29.3%) having less than 1 years experience. Given the fact that majority of the respondents are in a sales consultant position (see Figure 4.4) and are young (see Figure 4.3) these results do make sense as entry level jobs in the banking sector are sales consultant at a branch level.

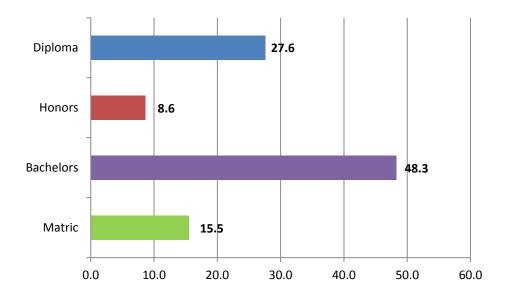


Figure 4.6 – Academic qualification of the respondents

According to Figure 4.6, it was found that over half (56.9%) of the respondents had bachelor's qualification or higher. From the remaining respondents, 27.6 per cent of them had diploma qualifications whilst only 15.5 percent had matric. All the respondents in this study were employed permanently.

The following sections will address the four research questions presented earlier in Chapter

1. These sections contain a discussion on the results relating to the:

- Need and perception of Islamic Banking
- Knowledge and awareness of Islamic Banking
- Effectiveness of Islamic Banking training
- Effectiveness of the hybrid model

4.3 Need & perception of Islamic Banking

This section addresses the first of the research question that forms part of this study. Its purpose was to measure the respondents perception of Islamic Banking. Does the sales staff feel that there is a need for Islamic Banking and that there is a benefit for themselves, the Bank and the client? Should the client's needs supersede the Banks needs?

Sales staff at the branch level have a suite of products that they offer existing and potential clients. Islamic Banking products and services are in essence just another offering that is on the shelf of products that FNB sales staff can offer clients. There should be no difference in terms of reward and recognition that the sales staff receives if they sell the Islamic Banking offering or not. This essentially means that there should be no arbitrage between Islamic and conventional banking products. The goal of the sales staff is to offer the client the right product to suite that particular clients needs.

Table 4.1 – Perception regarding Islamic Banking products and services

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. There is a need for Islamic Banking products & services	3.4	5.2	20.7	31.0	39.7
2. It's important to provide products and services that meet the needs of a client	3.4	0.0	1.7	24.1	70.7
3. You would offer a client a product that suits his need although the revenue to the bank may be lower on that particular product	0.0	8.9	16.1	39.3	35.7
4. The clients religious needs should be catered for by FNB	3.4	6.9	15.5	32.8	41.4
5. The client benefits by using Islamic Banking products & services	1.8	3.6	21.4	37.5	35.7
6. There is any benefit for FNB by offering Islamic Banking products & services	1.8	5.3	15.8	36.8	40.4
7. You receive any benefit for selling Islamic Banking products & services	3.4	17.2	27.6	31.0	20.7
8. You sell Islamic Banking products & services only to Muslims	3.4	24.1	31.0	29.3	12.1
9. FNB should have Islamic Banking products specifically for Muslim clients	8.8	29.8	22.8	28.1	10.5
10. Islamic Banking provides FNB with a competitive edge in the market	1.7	3.4	24.1	36.2	34.5
11. Muslim clients want to use Islamic Banking products & services	0.0	6.9	24.1	44.8	24.1
12. Have you ever sold an Islamic Banking product or service	8.6	20.7	6.9	31.0	32.8

There were 12 likert-type statements that were asked to the respondents regarding Islamic Banking products and services. Results have shown that majority of the respondents agreed

or strongly agreed to most of the statements. In question one, 70.7 per cent agreed that there is a need for Islamic Banking products and services and only a small number of respondents (8.6%) or 5 people said that there was no need for Islamic Banking. This means that the sales staff understand that there is some benefit of having this offering in their arsenal of products. It could be because having this offering will give them a competitive edge in the market place as not all conventional banks offer Islamic Banking.

Question two showed that majority of the respondents (71%) strongly agreed that it's important to provide products and services that meet the needs of a client. Question three and four supported question two in that 75 per cent positively reported that they would offer a client a product that suits their need although the revenue to the bank may be lower on that particular product, and 74 per cent mentioned that the clients religious needs should be catered for by FNB. This was no surprise sales staff that do not offer clients products that meet their needs will eventually lose the customer to a competitor bank.

Question five, six and seven all related to whether Islamic Banking offers a benefit to the client, the bank and the sale staff respectively. Whilst in all three questions, majority agreed there is benefit, in question seven interestingly only 51.7 per cent agreed or strongly agreed that they get any benefit from selling Islamic Banking products and services. This means that just under half (48.3%) disagree or are unsure of whether they get any benefit. There could be many reasons for this but the most common reason is the lack of understanding and awareness of Islamic Banking and its operating model. Sales staff that do not get any benefit will be reluctant to sell the product as they can use their efforts on products where they do get benefits.

In question eight, 27.5 per cent of the respondent disagreed with the statement that they offer Islamic Banking products only to Muslims. This was surprising as it meant that over a quarter of the respondents offered or sold Islamic Banking products to non-Muslims.

The ninth question related to whether FNB should have Islamic Banking products specifically for Muslim clients and here more than a third of the respondents (38.6%) disagreed with

this statement. This could be because they feel that bank doesn't have a tailored offering for the other religions so why should there be one specifically for Muslims.

Question ten asked the respondents whether Islamic Banking provides FNB with a competitive edge in the market. Majority of respondents agreed (70.7%) that it does in comparison to the 5.1 per cent that felt it didn't give them a competitive edge.

Question eleven related to whether the respondents felt that Muslim clients wanted to use Islamic Banking products and services. Only 6.9 per cent disagreed with 68.9 per cent stating that clients wanted to use Islamic Banking products & services.

Table 4.2 – Perception regarding Islamic Banking

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. Islamic Banking products are similar to conventional banking products	5.3	28.1	26.3	36.8	3.5
2. Islamic Banking products & services are complicated	10.3	22.4	32.8	22.4	12.1
3. Management promote the selling of Islamic Banking products & services	6.9	15.5	32.8	27.6	17.2

Based on the findings presented in Table 4.2, question one asked the respondents if they felt that Islamic Banking products were similar to conventional banking products. Just over 40 per cent state that it is similar to conventional banking, whilst 33.4 percent disagreed with this statement.

The results of question two show that over one third (35%) of the respondents agreed or strongly agreed that Islamic Banking products and services were complicated. If sales staff find a product to be complicated they tend to not actively promote the product and only provide it if it is requested by the customer.

In question three, only 45 per cent indicated that management promote the selling of Islamic Banking products and services. As management have a direct influence in driving the sales forces behaviour, it would seem that training and brand awareness is not only needed

at sales staff level but also at their level. To get buy-in at the sales level it is imperative to get buy-in at management level as well.

With regard to perception of Islamic Banking, the sales staff, whilst mostly non-Muslim (86.2%) do believe that there is a need for Islamic Banking products and services. This is surprising as one would assume that generally non-Muslims would not understand the religious need or be very comfortable with offering a "religious" product. It is also surprising that 17 respondents (29.3%) have never sold an Islamic product which is an extremely worrying factor as these respondents are the primary distribution channel of the Islamic Banking offering. However, what was not surprising was that less than one third (32.7 per cent) of the respondents felt that Islamic Banking was not complicated, whereas 32.8% were neutral and 34.5% of the respondents indicated that Islamic Banking product were complicated. Given that Islamic Banking is still relatively new in South Africa and Islamic Windows such as FNB have a predominantly non-Muslim sales force reveals a problem that there is a need to remove the negative perception of Islamic Banking specifically with regards to that it is more complicated. Banks will need to provide adequate training for all sales staff as well as increase their brand awareness.

4.4 Knowledge and awareness of Islamic Banking

This subsection addresses the second research question of the study, which is related to the awareness and knowledge of Islamic Banking products by the sales staff. Are the sales force aware off and have knowledge of Islamic Banking products that are offered by FNB?

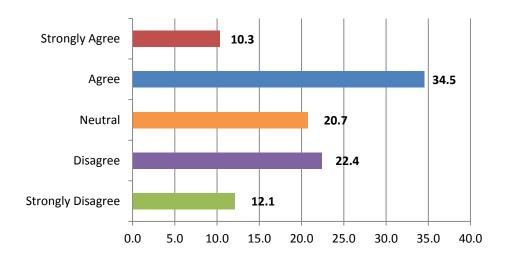


Figure 4.7 – Have a good understanding of Islamic Banking products and services

Based on the finding depicted in Figure 4.7, whilst 44.8 per cent of the respondents have a good understanding of Islamic Banking products and services, over half (55.2%) did not have a good understanding or were neutral in their understanding. The lack of understanding of the Islamic Banking products and services will hamper growth as sales staff found it easier to sell products that they understand.

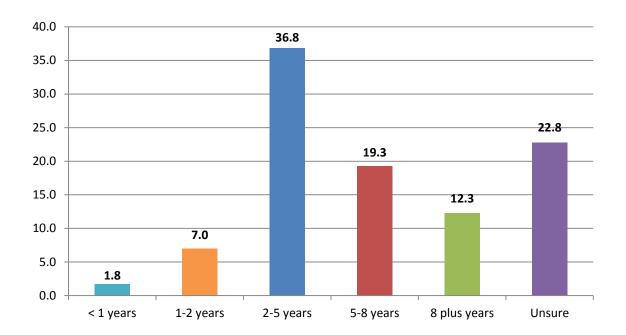


Figure 4.8 – Number of years FNB has been offering Islamic Banking

When asked, how many years FNB has the Islamic Banking offering for, about a quarter were unsure (23%) and over one third (37%) indicated between 2 years and 5 years (Figure 4.8). The fact that only 7 respondents (12.3%) actually got the question correct as Islamic Banking has been offered for over 8 years at FNB could be related to a lack of awareness.

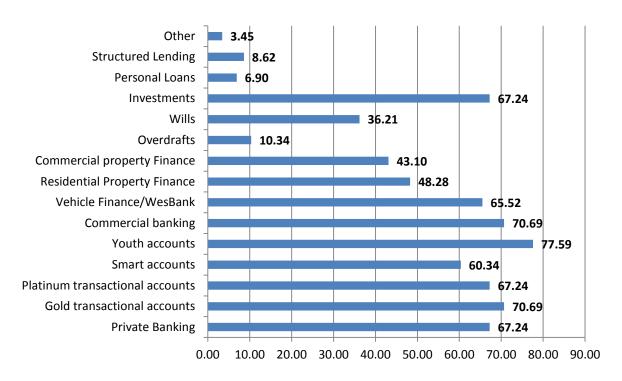


Figure 4.9 – Which of the following products does FNB Islamic Banking offer

Figure 4.9 shows the summary of the products that the respondents believe that FNB Islamic Banking offers. It was found that the majority of the respondents reported that FNB offered transactional banking accounts such as youth accounts (78%), commercial banking (71%), platinum accounts (67%), private banking (67%), and gold transactional accounts (71%). The data also revealed that 65.5 per cent of the respondents selected vehicle finance as well and the above analysis is not surprising given that transactional banking and vehicle finance are the two longest standing products offered by Islamic Banking. However, what was surprising is that although Islamic Banking does not offer overdrafts (10%), personal loans (7%), and structured lending (9%), a small number of respondents mentioned that this was offered. These results support and escalate the analysis shown in Figure 4.7 where only 44.8 per cent had a good understanding of Islamic Banking.

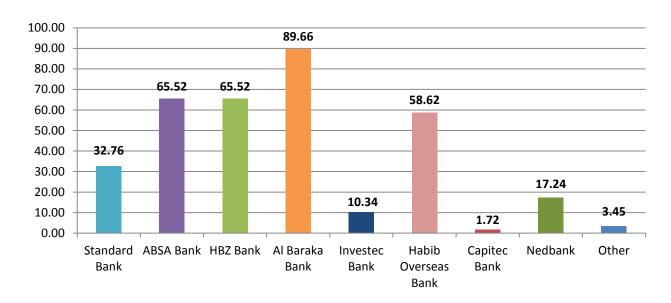


Figure 4.10 - Banks that offer Islamic Banking

In Figure 4.10, the respondents were asked to name other financial institutions that offer Islamic Banking. Majority of the respondents mentioned Al Baraka Bank (90%), followed by HBZ Bank and ABSA Bank respectively (66% each). What was surprising was that the respondents also mentioned that Standard Bank, Habib Overseas Bank, Nedbank and Capitec also offered Islamic Banking however these institutions do not offer Islamic Banking. This clearly indicates that the understanding of the Islamic Banking industry by the sales force is lacking. It is imperative that sales staff understand and know who their competitors are as this is the key in growing and capturing a specific niche market.

Table 4.3 – Types and frequency of Islamic Banking products and services sold

	Frequency					
Product	Daily	Weekly	Monthly	Less than once a year		
Private Banking accounts	5.4	1.8	16.1	76.8		
Gold transactional accounts	1.8	9.1	10.9	78.2		
Platinum transactional accounts	3.6	9.1	10.9	76.4		
Smart accounts	5.5	12.7	18.2	63.6		
Youth accounts	5.4	10.7	23.2	60.7		
Commercial Accounts	1.9	1.9	11.1	85.2		
Vehicle Finance/WesBank	3.6	3.6	5.5	87.3		
Residential Property Finance	1.8	5.5	0.0	92.8		
Commercial Property Finance	0.0	5.5	0.0	94.5		
Investments	8.9	10.7	10.7	69.6		
Wills	0.0	5.5	0.0	94.6		

The analysis in Table 4.3 shows that very few of the respondents indicated that they sold the Islamic products daily. Given that this is a nice market and that Muslims are a minority in South Africa, this is not surprising. What is concerning though is that majority of the products are sold less than once a year. The reasons for this could be that they do not want to sell Islamic Banking products, a lack of understanding discourages them from selling the products or they are unaware Islamic Banking is offered at FNB. Whatever the reason, for Islamic Banking to be successful within FNB as well as within the Islamic Banking industry, the frequency of their products being sold will need to increase.

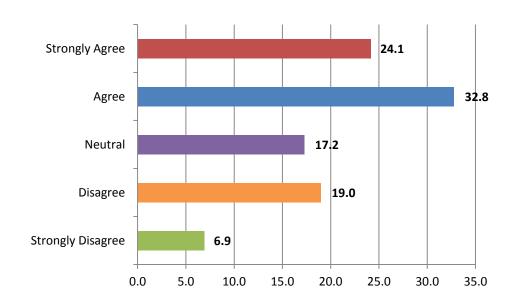


Figure 4.11 – Always offered the option of Islamic Banking to Muslim clients

As shown in Figure 4.11, more than half (57%) of the respondents reported that they always offered the option of Islamic Banking to their Muslim clients. Over a quarter (26%), responded that they do not offer their Muslim clients the Islamic offering. This is surprising as in Table 4.1, 94.7 per cent of the respondents mentioned that it is important to provide products and services that meet the needs of a client and in the above analysis it shows that this is not always the case. Riba in Islam is strictly prohibited and Muslim must abstain from paying or receiving it. Islamic Banking products are free from Riba and as such need to be offered to Muslim clients as it meets their religious needs. If a client is not offered the Islamic Banking products and later finds out that the bank has this offering, it could create a

reputational risk for the bank. Another risk is that if the client is approached by a competitor bank, they could switch banks thinking that FNB does not offer Islamic Banking.

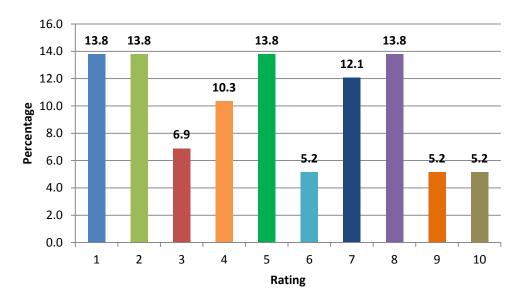


Figure 4.12 – Rating the level of understanding on Islamic Banking products

The analysis in Figure 4.12 shows the respondents level of understanding on Islamic Banking products (1 = poor & 10 = excellent). The results indicate that about 60 per cent of the respondents rated five or less with regards to their understanding on Islamic Banking products. These results support the earlier finding and also indicate that if staff do not understand the offering they will not sell the product offering as they are not comfortable with it.

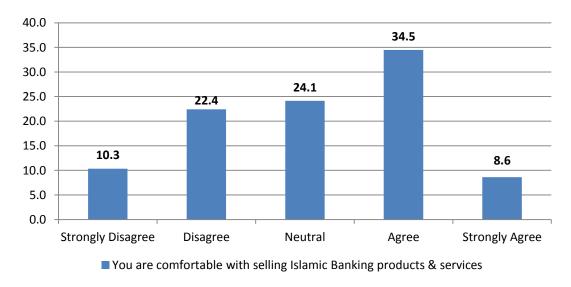


Figure 4.13 – Are you comfortable with selling Islamic Banking products

As shown in Figure 4.13, more than a third (32.7%) of the respondents reported that they were not comfortable with selling Islamic Banking products, 43.1 per cent were comfortable selling the products and just under a quarter (24.1%) were neutral in their response. This analysis supports the analysis in Figure 4.12 as sales staff that have a poor understanding of a offering will not be comfortable selling that product or service

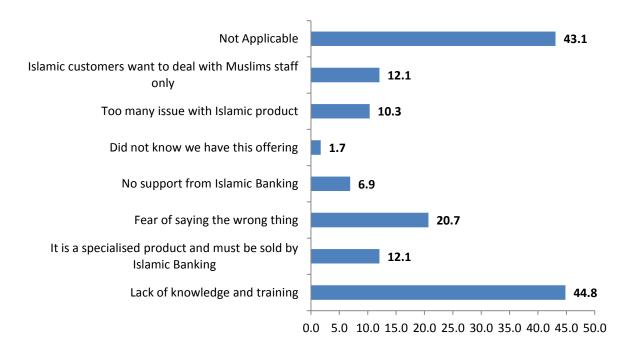


Figure 4.14 – Reasons for not being comfortable regarding Islamic Banking

Further to the previous question regarding how comfortable the respondents were with selling Islamic Banking products, the respondents were asked a follow up question as to the reasons that they were not comfortable selling Islamic products. Majority of the respondents (44.8%) stated that they were not comfortable because of a lack of knowledge and training, 20.7 per cent said that they feared saying the wrong thing to the client, 12.2 per cent stated that Islamic Banking should sell their own products and that clients want to deal with Muslim staff only, 10.3 per cent said there are too many issues with the products, 6.9 per cent said that there was no support from Islamic Banking and 1.7 per cent did not even know that FNB offered Islamic Banking. Out of the 58 respondents, 43.1 per cent stated that this question was not applicable as they were comfortable with selling Islamic Banking products. All of the above responses with the exception of the not applicable option

can be resolved with increased training, understanding and awareness of Islamic Banking and its products and services.

Based on the findings in this subsection, it would appear that there is a lack of knowledge and awareness on the Islamic Banking offerings by the sales staff at the branch level.

4.5 Effectiveness of Islamic Banking training

This section addresses the third question in this study. It will try and determine whether the training initiatives on Islamic Banking are effective.

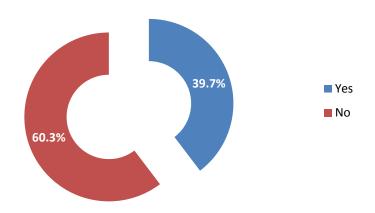


Figure 4.15 – Attended training on Islamic Banking products

Figure 4.15 is a summary of the responses regarding whether the respondents have attended training on Islamic Banking or not. More than half (60.3%) of the respondents reported that they did not attend any training regarding Islamic Banking products and 39.7 per cent stated that they have attended training. Although branches do have regular training by the various product offerings, the reason for the high number of respondents that have not had training could be due to the high turnover of staff at the branch level.

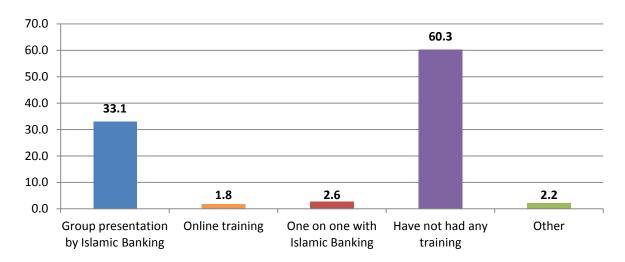


Figure 4.16 - Types of training attended

With reference to the analysis on Figure 4.16, this was a follow up question to the previous question (Figure 4.15) in that the researcher wanted to know if and what types of training the respondents had attended. It was found that 60.3 per cent of the respondents did not receive any training which supports the previous results (Figure 4.15), 33.1 per cent attended a group presentation, 2.6 per cent had one-on-one training and 1.8 per cent did online training.

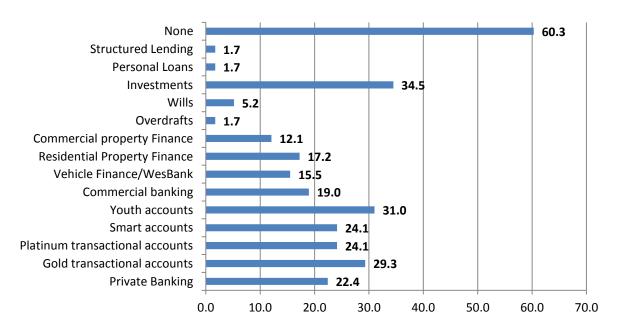


Figure 4.17 - Received training on types of Islamic Banking products & services

In Figure 4.17, the respondents were asked to list the types of products that they were trained on. The analysis shows that more than a third of the respondents reported that they

received training on investment (35%), 31 per cent mentioned youth account, and 29 per cent received training on Gold transactional accounts. The results also showed that products such as overdrafts, structured lending and personal loans which Islamic Banking does not offer were also selected albeit at a very low percentage. What is interesting is that the Islamic Banking training plan covers all the Islamic products however it seems that some products such as investments and youth accounts are easier to understand than the others such as commercial property finance.

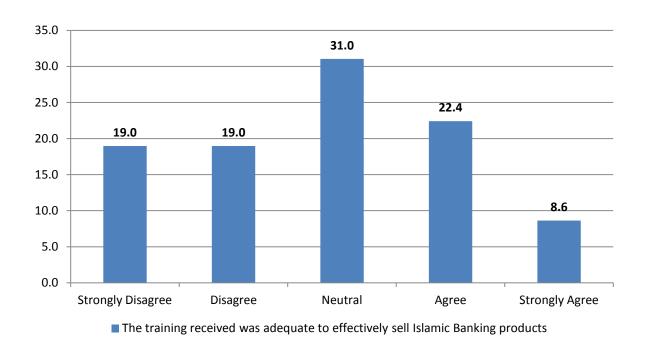


Figure 4.18 – Training received was adequate to effectively sell Islamic Banking products

As shown in Figure 4.18, only 31 per cent of the respondents agreed or strongly agreed that the training received was adequate, whereas 31 per cent were neutral and 38 per cent stated that the training received was not adequate to effectively sell Islamic Banking products. Training of sales staff is an essential element in the success of the product offering and Islamic Banking will need to ensure going forward that the training is adequate for the frontline sales staff.

Based on the findings in this section, it would appear that the current training initiatives that are being conducted by Islamic Banking are not effective in ensuring that the sales staff are adequately prepared to sell the Islamic offerings.

4.5 Effectiveness of hybrid model

The final subsection addresses the last research question of the study, which is related to whether the current hybrid model of Islamic Banking is effective.

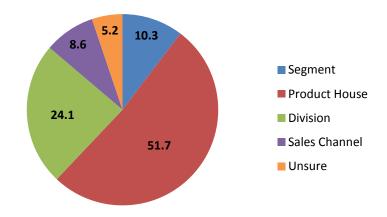


Figure 4.19 – Where does Islamic Banking falls within FNB?

Figure 4.19 is a graphical presentation of where the respondents think Islamic Banking falls within FNB. More than half (51.7%) of the respondents mentioned that Islamic Banking falls under the structure of a product house in FNB, 24.1 per cent stated it was a division, 10.3 per cent a segment, 8.6 per cent a sales channel and 5.2 per cent were unsure. If the primary distribution channel of your product is unaware of your operating model then it can create confusion as to roles, duties and responsibilities of the various stakeholders.

Table 4.4 – Attitudes towards Islamic Banking

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. FNB Islamic Banking should sell, service and manage FNB Islamic clients	3.5	7.0	21.1	38.6	29.8
2. You feel you get enough support from the Islamic Banking team	8.6	20.7	22.4	25.9	22.4
3. You get the recognition for opening and managing Islamic Banking products	10.3	22.4	39.7	17.2	10.3
4. You have targets that you have to achieve for Islamic Banking products	10.3	32.8	43.1	6.9	6.9
5. Muslim clients feel more comfortable with sales people that are Muslim	3.4	10.3	22.4	37.9	25.9
6. You have Muslim clients that are not comfortable dealing with sales people if they are not from FNB Islamic Banking	5.2	19.0	39.7	31.0	5.2

There were 6 likert-type statements that were asked to the respondents regarding their attitude towards the current way that Islamic Banking is being sold and managed. Results varied per question. For question one, 68.4 per cent of the respondents felt that Islamic Banking should sell, service and manage FNB Islamic clients, whereas only 10.5 per cent felt that the current model works. This is surprising as the primary distribution channel for Islamic Banking feels that Islamic Banking should sell and manage their own product which is totally against what the current model promotes.

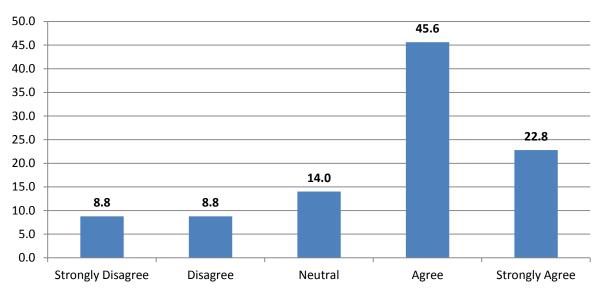
The second question related to whether Islamic Banking provides enough support to the sales team and here the results were mixed with 48.3 per cent agreeing, 29.3 per cent disagreeing and 22.4 per cent being neutral. Sales teams require the necessary support on products as this will ensure that they feel comfortable in selling the products and services.

Question three asked the respondents whether they get the recognition for opening and managing Islamic Banking products. Over a quarter (27.5%) stated that they get recognition, however 32.7 per cent disagreed and 39.7 per cent were unsure. For sales staff to actively sell products they have to get the recognition for doing the sale. According to the above analysis, a minority of respondents stated they receive recognition which could mean that the majority will not actively sell Islamic products because they do not get the recognition for the sale.

Question four asked the respondents as to whether they had targets to achieve for Islamic Banking products. Only 13.8 per cent agreed that they had targets with 43.1 per cent stating that they were unsure and also 43.1 per cent disagreed that they had any Islamic Banking targets. Sales teams are driven to achieve targets and if only a minority of the respondents can confirm that they have targets then this could result in them not actively selling Islamic Banking products as they will focus their efforts on products that they do have targets for.

Question five related to whether the sales staff felt that the Muslim clients felt more comfortable in dealing with sales staff that was of the Muslim faith. Over half (63.8%) of the respondents agreed with this statement, whereas only 13.7 per cent disagreed with the statement.

Question six asked the respondents if they have Muslim clients that are not comfortable dealing with sales people if they are not from FNB Islamic Banking. 36.2 per cent agreed, 39.7 per cent were unsure and 24.2 per cent disagreed that Muslim clients feel more comfortable with dealing with FNB Islamic Banking only.



■ You have Muslim clients in your base that have conventional banking products and not Islamic Banking products

Figure 4.20 – Do you have Muslim clients in your base that have conventional banking products and not Islamic Banking products?

As shown in Figure 4.20, 68.4 per cent of the respondents agreed or strongly agreed that they had Muslim clients in their base that had conventional banking products and not Islamic Banking products. This means that these clients were either not offered Islamic Banking, do not know that FNB has Islamic Banking or that the Islamic Banking offering did not meet their needs as a client.

Based on the findings in this section, it would appear that the current hybrid model that Islamic Banking is using may not be the most effective manner in which they sell their products and services.

4.6 Summary

In conclusion, based on the analysis it seems that there is a lack of understanding and knowledge of Islamic Banking by the sales force. The reason for this is possibly that the training initiatives that Islamic Banking have implemented are not effective as many staff have indicated that they have not been trained and also that they have a poor understanding of Islamic Banking. Based on the above, the perception of Islamic Banking is negative as it seems too complicated and different from the conventional banking products. Furthermore, because of the negative perception, lack of training and understanding of the Islamic Banking model within FNB, the hybrid model creates increased confusion for the sales force.

CHAPTER 5 – CONCLUSION & RECOMMENDATIONS

5.1 Introduction

In the previous chapter, the results of the findings were analysed and presented. These findings were integrated with the problem statement which seeked to gain an understanding on the perception of Islamic Banking by the sales force at FNB.

Chapter five is the final chapter of this study and consolidates all the information from the previous chapters. It reflects and justifies the extent to which the aims and objectives of the research study have been reached. In this chapter, recommendations based on the findings, limitations of the study, possible future studies and a conclusion will be presented.

5.2 Findings

The results and discussion of the study were presented in a more analytical manner in the previous chapter. Through the use of the questionnaire, this study tested a number of perceptions of Islamic Banking. In the next section, a summary of the main findings relating to the main objectives will be presented and this will be followed with some recommendations.

- There is definitely a need for Islamic Banking as well as it is important to meet the needs of a client. However the perception of the sales staff is that Islamic Banking products and services are more complicated when comparing it to the conventional products and services.
- 2. There is an overall lack of knowledge and understanding of Islamic Banking by the sales staff as majority of the respondents have a poor understanding of Islamic Banking and more than a third of the respondents reported that they were not comfortable with selling Islamic Banking products and services.

- 3. The Islamic Banking training initiatives are not effective as over 50 per cent of the respondents reported that they did not attend any training regarding Islamic Banking products and large portion stated that the training received was not adequate to effectively sell Islamic Banking products and services.
- 4. The hybrid model that Islamic Banking uses seem to have conflicting views and has an overall negative perception by the respondents. Majority of the respondents feel that Muslim clients feel more comfortable with sales people that are Muslim and the respondents felt that Islamic Banking should sell, service and manage the FNB Islamic clients.

Based on the findings of this study, it clearly reflects that there are challenges that FNB Islamic Banking face with regards to the sales force and that the overall perception of Islamic Banking in FNB is negative. If FNB Islamic Banking does want to be the market leader for Islamic Banking in South Africa then there needs to be a change in the overall perception of Islamic Banking within the group. These changes will not in any way dilute the excellent brand that FNB has but it will rather improve and build on the existing platform that it currently has. Therefore, based on the finding, the following recommendations are made based on the four broad categories:

5.3 Recommendations

5.3.1 Perception and need for Islamic Banking

Islamic Windows operate within a bigger conventional bank and leverage of the various areas that are available to them. One of the key areas that Islamic Windows leverage to give them an advantage in terms of footprint is the bigger banks distribution channels i.e. the Branch network. As most of the sales force are non-Muslim, it is imperative that there is no negative perception of the Islamic Banking products as this may led to the lack of sales and growth in this area (Ismael, (2015).

Currently the sales force within FNB has a negative perception of Islamic Banking. This negative perception is because the sales force believes that Islamic Banking is too complicated compared to conventional banking, there is a lack of understanding of the products, overall awareness of Islamic Banking is low and there is a lack of recognition for selling the products. It is recommended that Islamic Banking develops a campaign that is aimed at educating and sensitizing the sales force about Islamic Banking products and services as well as the industry on the whole. By educating and creating the awareness it will remove any negative perception of Islamic Banking and will also show the benefits of selling Islamic Banking products for the sales consultant, the client and the bank as well. Islamic Banking management should also engage with the various stakeholders so that the awareness is created at management level as well. Generally if you get buy-in from management, it is easier to get those below them to buy in as well.

5.3.2 Knowledge and awareness for Islamic Banking

Knowledge and awareness of Islamic Banking at FNB is low and this has a direct negative impact on growth and development of Islamic Banking within FNB. If awareness is low, then it limits the number of sales force that will sell your product which impacts sales. It is recommended that Islamic Banking create an increased awareness to the sales force about the benefits of Islamic Banking through the use of dedicated Islamic trainers. The role of the dedicated Islamic trainers is vital in creating awareness at the branch level as they will conduct regular training sessions. This will result in an increase level of awareness of Islamic Banking and support for the sale staff. Islamic Banking management should also conduct road shows on Islamic Banking so that the sales force can get an idea as to the performance and strategy that Islamic Banking is following.

5.3.3 Effectiveness of Islamic Banking training

Training of staff has a direct impact on the knowledge, awareness and perception of Islamic Banking. The current Islamic Banking training initiatives are not effective given that majority of the respondents did not attend any training and many felt that they were not adequately trained to effectively sell Islamic Banking products. Therefore it is recommended that a

training programme is developed specifically on Islamic Banking and that is rolled out to every branch so that all sales staff are trained. These days there are various channels that training can be conducted on such as the use of videos, online training and face to face sessions. Given that there is a high turnover of staff at the branch level, the frequency of training needs to be increased and also all staff members should be required to complete a compulsory online assessment on the basics of Islamic Banking.

5.3.4 Effectiveness of hybrid model

Currently Islamic Banking utilizes a hybrid model which entails that the conventional branches sell Islamic Banking products and services on their behalf. Whilst this model has many benefits it seems to have however created a negative perception and confusion for the sales staff. As majority of the sale staff feel that Islamic Banking should sell, service and manage their own client, if the current hybrid model is to be continued, then it is recommended that Islamic Banking ensure that this model is backed by a clear service level agreement (SLA) between Islamic Banking and the branch network. The SLA needs to ensure that the following is included:

- Sales staff are recognized for selling and managing Islamic Banking products and services.
- Sales staff have targets specifically for Islamic Banking products and services.
- There should be no arbitrage between Islamic Banking & conventional banking products except if it conflicts with Shariah.
- Clear guidelines as to the roles and responsibilities of all stakeholders.

5.4 Limitation of the Study

This study had the following limitations:

 The differences between the responses of the Muslim and non-Muslim sale staff were not compared.

- The study investigated the perception of the respondents at a certain point in time.
 No further investigation was done as to any change in the perception.
- One of the limitations of a quantitative study is that the sample sizes are relatively small. This holds true for this study.
- The sample size was not representative of all sales staff at FNB but was limited to the KZN region only.
- The entire population of sales staff in KZN was not surveyed, only a sample of it was surveyed.
- Whilst they are a few Islamic Windows in South Africa, this study will be limited to FNB only.
- As some of the sales staff who have no prior knowledge of Islamic Banking also answered questions, some of the replies may be based on their own thoughts or understanding of Islamic Banking.

5.5 Future Research

Future research could be on the following:

- A study involving a greater sample size to include sales staff from different regions and banks can also provide better insight on the perception and attitude towards Islamic Banking.
- The same study could be conduct after the sales staff have been sensitized and had training on Islamic Banking to see if the perceptions and attitude have changed or not.
- It would be interesting to compare the results of this study with the findings of a study conducted at FNB in another region or with another bank that also offers Islamic Banking products and services.

 The same study could be conducted but a comparison is done on the responses of Muslims versus non-Muslims to see if the perception of Islamic Banking has anything to do with the religion being followed.

5.6 Summary

Islamic Banking is a faith based offering that follows the principles of Shariah. Even though it is named "Islamic", it is fast gaining popularity by both Muslims and non-Muslims. The rate at which Islamic Banking and Finance is growing is tremendously high and is at a rate that is greater than that of conventional banking. The reason for this is that the Islamic Financial industry has proven to be much more stable and profitable due to its governing principles. This can be seen by its stability during the recent financial crisis where many banks were either collapsing or posting poor results, whereas the Islamic Banks remained relatively unscathed. Due to this fact, many countries and companies are now looking at Islamic Banking as an additional or alternative option to conventional banking (Sanusi, 2011).

Conventional banks looking to get into the Islamic Banking arena have opted to offer there Islamic Banking products and services through the use of Islamic Windows. South African banks are also moving towards Islamic Banking with two (FNB & ABSA) of the big four banks offering Islamic Banking through Islamic Windows. The vast majority of the sales force is non-Muslim and are the channel that sells and manages the Islamic Banking products and services to the clients. Given the competitive nature of the financial services industry, it is important that clients are given the products that best suit their needs. This means that Muslim clients should be offered the Islamic offering when they approach the bank. The sales force can only actively promote the Islamic offering if they have sufficient knowledge and a positive perception of Islamic Banking.

Therefore for Islamic Banking institutions that run as Islamic Windows to succeed in this lucrative space, there has to be positive perception of the offering and this can only be achieved through education and awareness.

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LIST OF APPENDICES

Appendix A – Ethical Clearance



13 May 2015

Mr Ismail Vahed (200274770) Graduate School of Business & Leadership Westville Campus

Dear Mr Vahed,

Protocol reference number: HSS/0341/015M

Project title: The perception of Islamic Banking by FNB Sales in the KwaZulu Natal Region

Full Approval – Expedited Application With regards to your application received on 15 April 2015. The documents submitted have been accepted by the Humanities & Social Sciences Research Ethics Committee and FULL APPROVAL for the protocol has been granted.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

Please note: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

Dr Shenuka Singh (Chair)

/ms

Cc Supervisor: Dr Abdulla Kader

Cc Academic Leader Research: Dr Muhammad Hogue

Cc School Administrator: Ms Zarina Bullyraj

Humanities & Social Sciences Research Ethics Committee
Dr Shenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X54001, Durban 4000

Telaphone: +27 (0) 31 260 3587/8350/4557 Facsimile: +27 (0) 31 260 4609 Email: ximbap@ukzn.ac.za / anymanm@ukzn.ac.za / mohunp@ukzn.ac.za

Website: www.ukzn.pc.za

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Appendix B – Questionnaire

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Survey: IB

The perception of Islamic Banking by the FNB Sales staff in the KwaZulu-Natal Region

1. Hello:

My name is Ismail Vahed, Student No: 200274770. I am a Master of Business Administration (MBA) student studying at the University of KwaZulu-Natal (UKZN). You are invited to participate in my dissertation survey which looks at "The perception of Islamic Banking by the FNB Sales staff in the KwaZulu-Natal Region".

This survey is aimed at any person who is in a sales position within FNB and approximately 100 front end sales staff will be asked to complete a survey that asks questions pertaining to the topic. It will take approximately 10 minutes to complete the questionnaire. Your participation in this study is completely voluntary. There are no foreseeable risks associated with this project. However, if you feel uncomfortable answering any questions, you can withdraw from the survey at any point. It is very important for me to learn your opinions. Your survey responses will be strictly confidential and data from this research will be reported only in the aggregate. Your information will be coded and will remain confidential.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee (031 260 8350 or hssrecIms@ukzn.ac.za)

If you have questions at any time about the survey or the procedures, you may contact the researcher (Ismail Vahed) on +27.83.262.4786 or Dr Abdul Kader on +27.82.901.02.25.

Please start off by ticking the Terms/Acceptance Box.

Thanks and Regards, Ismail Vahed

I hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project. I understand that I am at liberty to withdraw from the project at any time, should I so desire.

□ I Agree

2. Gender

- o Male
- o Female

3. What Religion do you follow?

- o Islam
- o Christianity
- o Judaism
- o Hinduism
- o Other

2000	Age				
	18-25 years				
	26-30 years				
	31-35 years				
	36-40 years				
0	41 and above				
	Please indicate your position	on			
	Sales Consultant				
	Relationship Manager				
	Business Banker				
	Private Banker				
0	Other				
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	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
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21.	Do you know for how many years FNB have been offering Islamic Banking products & services?
	< 1 year
0	1-2 years
0	2-5 years
0	5-8 years
0	8 + years
0	unsure
22.	Please select which of the following products FNB Islamic banking offer?
	Private Banking
	Gold transactional accounts
	Platinum transactional accounts
	Smart accounts
	Youth accounts
	Commercial Banking
	Vehicle Finance/WesBank
	Residential Property Finance
	Commercial Property Finance
	Overdrafts
	Wills
	Investments
	Personal Loans
	Structured Lending
	Other
	Do you know which other institutions offer Islamic Banking products and services?
	Standard Bank
	ABSA Bank
	HBZ Bank
	Investec Bank
	Habib Overseas Bank
	Grindrod Bank
	Nedbank
П	Other

24. Which Islamic Banking products and services do you actively sell and how often?									
	Daily	Weekly	Monthly	Less than once a year	N/A				
Private Clients	0	0	0	0	0				
Gold transactional accounts	0	0	0	0	0				
Platinum transactional accounts	0	0	0	0	0				
Smart accounts	0	0	0	0	0				
Youth accounts	0	0	0	0	0				
Commercial Accounts	0	0	0	0	0				
WesBank	0	0	0	0	0				

Commercial Property Finance	0	0	0	0	0
Investments	0	0	0	0	0
Wills	0	0	0	0	0
Other	0	0	0	0	0

0

0

0

0

25. Do you always offer the option of Islamic banking to your Muslim clients?

0

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
0	0	0	0	0

26. How would you rate your level of understanding on Islamic Banking products? (1 = poor & 10 = poor & 10excellent)

1	2	3	4	5	6	7	8	9	10
0	0	0	0	0	0	0	0	0	0

27. Have you attended training on Islamic Banking products?

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
0	0	0	0	0

28. What type of training have you attended?

- o Group presentation by Islamic Banking
- o Online training
- One on one with Islamic Banking
- O Have not had any training

Residential Property Finance

o Other

29. I have a good understanding of what Islamic Banking products & services to offer a client

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
0	0	0	0	0

30. Do you think that Islamic banking products are similar to conventional banking products?

5 5		27	23		2
	Strongly	Disagree	Neutral	Agree	Strongly Agree
	Disagree				
	0	0	0	0	0

31. Do you think Islamic Bank	ng products & so	ervices are con	nplicated?		
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	0	0	0	0	0
32. Does your management p	romote the sellin	g of Islamic Ba	nking products	& services?	
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	o	0	0	0	0
33. What type of Islamic Bank Private Banking Gold transactional accounts Platinum transactional accounts Smart accounts Youth accounts Commercial Banking Vehicle Finance/WesBank Residential Property Finance Commercial Property Finance Verdrafts Wills Investments Personal Loans Structured Lending None	nts	ervices have y	ou received tra	ining on?	
34. Do you think the training r	eceived was ade	quate to effect	ively sell Islam	ic Banking p	roducts?
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	0	0	0	0	0
35. Do you have Muslim client Banking products?	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	0	0	0	0	0
36. Do you know where Islami Segment Product House Division Sales Channel Other	c Banking falls w	vithin FNB? Is it	a		

37. Are you comfortable wit	h selling Islamic Ba	nkina product	s & services?		
on more your connectable the	Strongly	Disagree	Neutral	Agree	Strongly Agree
	Disagree O	0	0	0	0
	O	O	O	O	0
38. If you are <u>NOT</u> comforta	ble, please indicate	e why			
☐ Lack of knowledge and tra					
☐ It is a specialised product		Islamic Banking			
☐ Fear of saying the wrong t☐ No support from Islamic Ba					
Did not know we have this	1000				
☐ Too many issues with Islan	700 mark 1 m	e same as conve	entional)		
☐ Islamic customers want to			,		
□ Other		conserved Statistical States			
		28			
39. Do you think that FNB Is	lamic Banking sho	uld sell, service	and manage l	FNB Islamic o	clients?
	Strongly	Disagree	Neutral	Agree	Strongly Agree
	Disagree O	0	0	0	0
	-	-			-
40. Do you feel you get eno	ugh support from tl Strongly		king team? Neutral	Agroo	Strongly Agree
	Disagree	Disagree	Neutrai	Agree	Strongly Agree
	0	0	0	0	0
41. Do you get the recogniti	on for opening and	managing Isla	mic Banking pı	roducts?	
	Strongly	Disagree	Neutral	Agree	Strongly Agree
	Disagree O	0	0	0	0
	· ·	Ü	Ü	Ü	· ·
42. Do you have targets tha					Strongly Agrac
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	o	0	0	0	0
43. Do you think that Muslin	ı clients feel more	comortable wit	h sales people	that are Mu	slim?
	Strongly	Disagree	Neutral	Agree	Strongly Agree
	Disagree	0	0	0	^
	0	0	0	0	0
44. Do you have Muslim clie	nts that are not co	mfortable deal	ing with sales _l	people if they	y are not from
FNB Islamic Banking	Strongly	Disagree	Neutral	Agree	Strongly Agree
	Disagree	Disagree	Hodelal	, igi cc	otiongly Agree
	0	0	0	0	0

The End.....Thank you for taking the time to complete this survey

GLOSSARY OF TERMS

Ahadith Plural of Hadith

Akhlaq Refers to the practice of virtue, morality and manners in Islamic theology

and philosophy

Allah The name for God in Islam

Agidah Literally means belief

Ayaat A verse or passage in the Quraan

Gharar Uncertainty or speculation

Hadith A collection of the sayings, actions and doings of the Prophet Muhammad

(PBUH)

Ijarah Letting on lease

Ijma Consensus of opinion of Muslim Jurists

Iman Faith or belief

Islam The religion of the Muslims

Jibrael One of the Angels in Islam

Muamalat All kinds of economic activities related to exchange of goods and services

Mudarabah A partnership where one party provides the funds while the other provides

expertise and management

Mudarib In a Mudarabah contract, the person or party who acts as entrepreneur

Murabaha A contract of sale in which the seller declares his cost and the profit

Musharakah Is a partnership between two parties

Muslim A follower of the religion of Islam

Qardh Interest free loan

Qiyaas Judgement upon juristic analogy

Quraan The Holy Book of Islam

Rabb ul-mal The person who invests the capital in a Mudarabah contract

Riba An unjustified increment in borrowing or lending money. Also known as

interest or usury

Salaah A prayer that Muslims have to do five times a day

Shariah The code of conduct that Muslims subscribe to that is based on Quraan,

Sunnah, Ijma and Qiyaas

Shariah Board A key element of the structure of an Islamic financial institution, carrying

the responsibility of ensuring that all products and services offered by that

institution are fully compliant with the principles of Shariah law

Sukuk Islamic equivalent of bonds

Sunnah The teachings, actions and sayings of the Prophet Muhammad (PBUH)

Surah A chapter of the Quraan

Ulema A body of Muslim scholars who are recognized as having specialist

knowledge of Islamic sacred law and theology