

**ADOPTION OF ISLAMIC BANKING AMONGST
MUSLIM ACCOUNTANTS AND LAWYERS in
KWAZULU- NATAL**

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ABSTRACT

Sub-Saharan Africa accounts for less than 2% of total Islamic Banking assets despite its 500 million Muslim population. As a consequence of low adoption in Africa, particularly in South Africa, there is a need to navigate this challenge and understand what drives the development of Islamic Banking in order to identify ways to stimulate its growth. Given the role and esteem of Muslim Accountants and Lawyers in the business sector of KwaZulu-Natal, this quantitative study aimed to determine the motivational factors for adopting Islamic Banking amongst Muslim Accountants and Lawyers in KwaZulu-Natal. A self-administered questionnaire was used, which contained specific questions relating to knowledge, perceptions and bank selection criteria. The study identified a lack of understanding and scepticism about the underlying principles of Islamic Banking. The original contribution of the study is the availability of a set of ranked factors that increase adoption of Islamic Banking. Further, the study addressed effective ways to bridge the education gap and promoted a collaboration between various stakeholders to find solutions to implement Islamic Banking in the ever-complex and dynamic business environment, whilst still adhering to the principles of Islam. The study identified the need for a single unified regulatory body and provided insights about its role and composition thus provides policy makers with useful information to inform policy formulation and implementation.

Adoption of Islamic Banking amongst Muslim Accountants and Lawyers in KwaZulu-Natal

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List of Terminology and Acronyms

<i>Mudaraba</i>	A form of partnership where funds are provided by one party while expertise and management is provided by the other party. The profits are shared on a pre-agreed basis, whilst the loss is borne by the providers of the capital.
<i>Musharaka</i>	Similar to a joint venture, that allows for equity participation by the parties who finance a project on a pre-agreed basis. The profits are shared on a pre-agreed basis, whilst the loss is borne by each partner in proportion to their investment. All providers of capital may participate in management, but are not necessarily required to do so.
<i>Murabaha</i>	Goods are sold for cost plus profit. This form of trade financing instrument is used by Islamic banks.
<i>Sukuk</i>	Islamic bonds that are structured in such a way as to generate returns to investors without breaching Islamic law. Sukuk are undivided shares in the ownership of tangible assets that relate to particular projects or investments.
<i>Riba</i>	Unjustified addition in the borrowing or lending of money above the amount of the loan. This condition is imposed by the lender.
<i>Shariah</i>	Divine guidance as given by the Holy Qur'an and the Sunnah of the Prophet Muhammad (PBUH) and encapsulates all aspects of the Islamic faith, including beliefs and practice.
<i>Gharar</i>	Any element of absolute or excessive uncertainty about the subject, content or price in business or in a contract. It refers to speculative risk that leads to undue loss to a party with an unjustified enrichment of other, which is prohibited in Islam.
<i>Madressah</i>	Islamic institution
<i>Ijara</i>	

	Ownership of the right to the benefit of using an asset for a period in return for a consideration or lease agreement
<i>Takaful</i>	Insurance system that complies with <i>Shariah</i> rules
<i>Quran</i>	The Islamic sacred book which is believed to be the word of God and written down in Arabic. The book includes all aspects of human existence, matters of doctrine, legislation and social organization.
<i>Sunnat</i>	The utterances or habit or way of life of the Prophet Muhammad (PBUH).
<i>Aqidah</i>	Islamic principles relating to worship and prayer
<i>Mu'amalat</i>	Transactional activities according to Islam
<i>Ulema</i>	A body of Muslim scholars who are recognized as having specialist knowledge of Islamic sacred law and theology.

List of Acronyms

SSB	<i>Shariah</i> Supervisory Board
AMAL	Association of Muslim Accountants and Lawyers

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Chapter One: Introduction

1.1 Introduction

This chapter presents an overview with background information of Islamic Banking, followed by the adoption of Islamic Banking amongst Muslim Accountants and Lawyers in KwaZulu-Natal. Thereafter, the chapter seeks to outline the problem statement, the objectives, research questions and the rationale for the study.

1.2 Background

With assets reaching the US\$ 1 trillion, the growth of Islamic finance as an alternative financial management model continues to flourish in Africa, therefore the value proposition of the Islamic finance market is appealing (Ahmad & Said, 2010). Islamic finance provides an alternative to clients that prefer a more socially responsible form of finance and investing as it prohibits economic activities that are socially and morally injurious. Whilst the traditional western financial system focus primarily on economic financial aspects of transactions, the Islamic system places equal emphasis on the ethical, moral, social and religious dimensions, to enhance equality and fairness (Alotaibi, 2015). This prohibition arises from Islamic principles that advocate for the establishment of an economic system where any forms of exploitation is eliminated (Saini, et al., 2011). The principles governing Islamic Banking prohibit investment, production or sale in items or activities deemed to have a negative impact on society, such as prostitution, gambling, alcohol, pornography or other Muslim prohibitions (Abdul Ghafoor, 2009; Khan, 2010). Avoidance of such activities will discourage unethical business practices and promote socially sustainable decisions (Rajak, 2014). Thus, all transactions involving exploitation and injustice, risk and speculation have been prohibited as all business transactions should be based on transparency, accuracy and disclosure of all necessary information so that no one party has an unfair advantage over the other party (Khan, 2010).

Islamic Banking is gaining popularity due to interest free products, the risk sharing activities and strong ties with Islamic religion (Ahmad & Said, 2010; Mansour, et al., 2015). Islamic Banking promotes the development of the financial sector by broadening financial inclusion. 1.6 billion Muslims are underbanked (Imam & Kpodar, 2010). Financial institutions stimulate economic growth by providing savings, allocating capital efficiently and enabling risk diversification. A financially inclusive economy allows households to accumulate assets thereby increasing their net worth and cushion themselves against unfair lending practices (Rhine & Greene, 2013).

The relative stability and continued growth during the global financial crisis evidences Islamic Banking's resilience and potential. Despite the ravage caused by the 2008 global financial crisis, Islamic financial institutions remained relatively untouched, protected by their fundamental operating principles relating to risk sharing and the avoidance of speculative financial products (Imam & Kpodar, 2010). The ethical foundations of Islamic Banking principles have contributed to its appeal, post 2008 global crisis (Mansour, et al., 2015).

Since Islam is the fastest growing religion in the world, Muslims continue searching for financial instruments that adhere to the principles and teachings of Islam (Zaher & Hassan, 2001). The World Muslim population in relation to the total world population has increased steadily from 17% in 1950 to 26% by 2020 (Kettani, 2010). Since the world's Muslim population is expected to grow by 35% by 2030, there will be greater demand for the specialist Islamic financial market especially in Asia and Africa, as this is home to more than 95% of the World's Muslim population (PWC, 2013). Islam is a predominant religion in the Middle East and parts of Asia, Africa and Europe (Saini, et al., 2011). Almost one-third of World Muslim population resides on the African continent, since Africa was the second continent that Islam spread into (Kettani, 2010).

South Africa has the potential to be the finance hub into Africa (Vahed & Vawda, 2008). Firstly, the total African population is expected to be 1,302 million by 2020, the percentage of Muslims in Africa is expected to be 41% of the total African population by 2020, according to (Kettani, 2010). Africa will thus be home to more than 533 million Muslims. Therefore, the continent holds promising growth opportunities. Secondly, Saini, et al., (2011) reported that South Africa has sophisticated legislative and regulatory structures, risk management frameworks and compliance structures in order to promote the development of the Islamic financial industry in Africa. South Africa's well-developed and well-regulated banking system compares favourably with regulatory environments in other developed countries (Moloi, 2014).

South Africa has the most sophisticated stock exchange market in Africa and is comparable to those stock exchanges in developed countries with 40% of Africa's assets (Akinboade, 2005). Promoting South Africa as the Islamic financial hub of Africa may have the significant potential of attracting foreign investment into the country. "As an on-going part of the process of simplifying our tax system, government proposes further measures to reduce red tape and

enhance our attractiveness as a viable and effective location from which businesses can extend their African and other worldwide operations. We will also review the tax treatment of financial instruments to ensure appropriate accommodation of Islamic-compliant finance” (Budget Speech, 2010, p.14). The issuance of a Government *sukuk* will attract larger capital inflows to South Africa and will make South Africa a more attractive destination for foreign (offshore) investors. “South Africa is an important centre for financial services such as fund and asset management. These funds will support South Africa as a hub for African fund management and provide a domestically-regulated channel for investors to obtain foreign exposure” (Budget Speech, 2014, p.22). “Our first *sukuk* (Islamic bond) will be launched this year” (Budget Speech, 2014, p.23).

1.3 Aim of the study

This study aimed to determine the motivational factors for adopting Islamic Banking amongst Muslim Accountants and Lawyers in KwaZulu-Natal.

1.4 Problem Statement

The market for Islamic finance in Africa remains small as African financial institutions hold less than 3% of global Islamic financial assets (Faye, et al., 2013). Given that the African continent has a predominant Muslim population, this gives rise to an untapped market with potential growth opportunities in our South African emerging economy (PWC, 2013). However, the development of Islamic finance is constrained due to a lack of detailed information and understanding about this market and its participants in South Africa. Vahed & Vawda, (2008) concluded that fewer than 9% had an account with an Islamic Banking institution in South Africa. Saini, et al., (2011) later attempted to estimate consumer awareness and usage of Islamic Banking products in South Africa and reported that although majority of Muslims in South Africa were aware of Islamic banks, they do not use them. Vawda, et al., (2013) concurred that the awareness of the principles and methods of Islamic Banking in South Africa was not as high as it should be. Chetani, (2014) reported that 70 percent of the respondents in South Africa do not use Islamic banks and the study highlighted a serious misconception and lack of understanding about Islamic Banking. This study highlighted a significant problem relating to adoption of Islamic banking.

The stability of Islamic Banking during the current global financial crisis offers prospects of an untapped emerging market of Islamic Banking, where growth potential is significant. It is important to understand the concepts of Islamic banking and finance among its constituents.

Academics and financial institutions should stimulate the demand for Islamic Banking products and services through the provision of Islamic finance literature (Vawda, et al., 2013). Ghafoor & Azhar, (2014) reported that more qualified experts and knowledge based work forces is required to promote greater innovation of Islamic financial products. Participation of universities is also required for designing Islamic financial instruments as well as for the growth and development of the Islamic Banking.

15 Objectives

This study seeks to:

- Establish whether respondents who are Muslim Accountants and Lawyers in KwaZulu-Natal understand the underlying principles of Islamic Banking;
- Determine whether respondents believe that Islamic banks are working strictly according to *Shariah* practices;
- Ascertain and rank the motivational factors for using or not using an Islamic Bank; and
- Establish the main reason for choosing Islamic Banking.

1.6 Research questions

In fulfilling the research objectives, the following research questions were posed:

- Do Muslim Accountants and Lawyers understand the underlying principles of Islamic Banking?
- Are Muslim Accountants and Lawyers unaware or insufficiently educated about Islamic Banking principles;
- Do respondents believe that Islamic Banking is working strictly according to *Shariah*?
- Is Islamic Banking a credible alternative to conventional banking?
- What are the motivational factors to increase adoption of Islamic Banking?
- Is the primary criteria for selection of Islamic Banking amongst Muslim Accountants and Lawyers in KwaZulu-Natal a religious one?
- What is the main reason for adopting Islamic Banking?

1.7 Rationale of the study

Most countries in the sub-Saharan region of the continent are awakening to the ideological and practical richness and relevance of this niche market of Islamic Banking (Vawda, et al., 2013).

The literature review highlighted the need to conduct further academic research into the low adoption of Islamic Banking in South Africa. Research in this field is limited and insufficient. By examining the reasons for low penetration into the niche South African market, this study will benefit the academic domain.

The results of the study can help foster growth of the Islamic Banking industry in South Africa and will support National Treasury's strategy to become the finance hub into Africa. This will create more opportunities for foreign investment, increase trade and provide new business growth opportunities. The research findings will benefit banks who are assessing the possibility of entering the market and those that have their sights set on expansion by identifying ways to stimulate its growth. The research findings will also provide academic insight to educational institutions who are developing curriculum design. The availability of factors that increase adoption of Islamic Banking will deliver better insights into customer perceptions of and attitudes towards Islamic Banking. This study will provide more insight into the need for a collaboration between various stakeholders who can navigate the challenges faced and find solutions to implement Islamic Banking in the ever-complex and dynamic business environment, whilst still adhering to the principles of Islam. The research findings will thus contribute to an improved success rate of Islamic Banking and a more vibrant South African economy and democracy.

1.8 Dissertation outline

The dissertation comprises five chapters. Chapter one introduces the study, while chapter two examines the literature. Chapter three discusses the methodology used to carry out the study. Chapter four presents, analyses and discusses the data and finally Chapter five presents the conclusions and recommendations.

1.9 Chapter summary

The concept of Islamic Banking is one of the most emerging concepts in global economies. It is thus important to understand what drives the development of Islamic Banking and identify ways to stimulate its growth (Ghafoor & Azhar, 2014). This study will contribute to improving the standard of Islamic Banking and enhancing its development in South Africa. The chapter provided a background to the study, the aim and problem statement of the study, the research objectives and research questions. It also outlined the rationale for the study. The following chapter presents the literature review.

Chapter Two: Literature Review

2.1 Introduction

Chapter 1 contextualised the importance of the study. This chapter presents theoretical frameworks that underpin the study. Thereafter the chapter will present an empirical review of the literature.

2.2 Theoretical Frameworks

2.2.1 Banking theories

The services that financial intermediaries provide by way of mobilising savings, evaluating projects, managing risk, monitoring managers, and facilitating transactions are crucial for technological innovation and economic development (Schumpeter, 1912). Later studies concur with the view that there exists a positive relationship between economic growth and financial development. Financial services stimulate economic growth by increasing the rate of capital accumulation and improve the efficiency of the economies that utilise the capital (King & Levine, 1993). In Mexico, this was supported by Bruhn & Love (2014) who established that an increase in financial access amongst low income groups resulted in a reduction in poverty. The study concluded that increased access to finance promotes economic growth through opening new businesses and ensuring their continued existence, therefore reducing unemployment and significantly alleviating poverty (Bruhn & Love, 2014).

Islamic banks serve as intermediaries between savers and investors and offer custodial and other services that are similar to traditional banking systems. Islamic banks mobilize funds from depositors and then lends them to borrowers, which is similar to conventional banks (Mansour, et al., 2015). Islamic banks are similar to other banks as they are profit-maximizing entities. Islamic banks emerged to fulfil the need of Muslims to use banking services that are in accordance with *Shariah*. Therefore, the constraints facing Islamic banks are different as they are based on the law of Islam (Imam & Kpodar, 2010). The framework of an Islamic Banking system is based on the tenets of Islam. Therefore, Islamic Banking is described as the act of providing financial products or services that conform to the laws of *Shariah*. The distinguishing characteristic of Islamic financial products is the avoidance of *riba* (interest). The Holy *Quran* stipulates that only goods and services, and not money itself be allowed to carry a price. Rather, *Shariah*-compliant finance promotes risk sharing or profit and loss sharing principles in all forms of business transactions (Demirguc-Kunt , et al., 2013). Muslim customers of Islamic banks consider whether the banks comply with *Shariah* in all stages of

their banking activities (Naser, et al., 1999; Haron, et al., 1994; Metawa & Almosawi, 1998). “Islamic Banks can be defined as a financial institution that (a) abides by *Shariah* principles in all of its activities through its role as a financial intermediary between savers and investors;(b) provides banking services within the framework of legitimate contracts; and (c) achieves a balance between economic and social return” (Alharbi, 2015, p.1).

2.2.2 Principles of Islamic Banking

The literature review of Islamic Banking in practice revealed four principles upon which Islamic Banking is based.

2.2.2.1 Prohibition of interest

The core belief of an Islamic Banking system stems from divine injunctions from the *Quran* that prohibit interest (Alotaibi, 2015). The *Quran* was revealed about 1400 years ago and considers the charging of interest as an injustice. The Quran prohibits receiving and charging interest. Over the centuries, the *ulema* (scholars of Islamic law) have maintained that *riba* (translated as “interest” or “usuary” but having a literal meaning of “excess”) is banned outright in the Holy *Quran* (Aburime, 2008).

The ill effects of interest on the economy results in an unequal distribution of capital (Alotaibi, 2015). Since loans are advanced to mainly rich customers who are able to offer security whilst deposits are obtained from the broader population, the benefit usually goes to the rich. Large businesses are able to repay their debts and tend to monopolize the economy. This negatively affects the small industrial base of the country due to increased economic dependence on larger businesses (Ahmed, 2003). Vahed & Vawda, (2008) further note that people only seek loans when in desperation and others should not feed off their tribulations. Siddiqi (2004) explained that interest creates artificial wealth. Money has the effect of creating artificial wealth that does not exist when it passes different hands through lending. Thus, money is sold when there is no money and one simply cannot sell assets before they exist. Islam stipulates that money cannot change value with the passage of time and this has disastrous consequences as interest accumulates and compounds. Lending and borrowing in interest was the main contributor to the financial crisis of the Western capitalist world, due to the inequality between the lender and the borrower. By its very nature, interest has to be repaid even if the debtor is experiencing financial strains. South Africa remains rife with malpractices, despite the National Credit Act 34 of 2005 and the Consumer Protection Act under the *in duplum* rule, according to South African consumers have entered into unaffordable credit contracts. This has increased in the

post-apartheid era as many historically disadvantaged South Africans were able to obtain credit, but not in formal financial markets. As a result, they sought loans from micro lenders and loan sharks who charged exorbitant interest rates (Swartz, 2012).

2.2.2.2 Profit and loss sharing

The *Quran* explicitly encourages trade and trade profits by sharing profits and losses (Nienhaus, 2010). Instead of lending money at a fixed rate of return, the banker forms a partnership with the borrower and shares in the profits and losses (Warde, 2000). This type of risk sharing is also known as profit and loss sharing (Alotaibi, 2015). Since Islamic Banking principles ban interest, it allows an uncertain rate of return based on trade profits instead of interest (Khan & Mirakhor, 1989). As a result, all transactions must involve real assets or real economic activity in order to generate income since money by itself cannot be an instrument of trade. Real economic activity will ensure equitable management and distribution of wealth through fair trade and service provision. This will in turn, stimulate overall economic growth and employment as the primary objective of this system of social justice (Alotaibi, 2015). Equity participants place less of a burden on a business as equity holders only receive returns if profits are earned (Nienhaus, 2010). Khan (2010) supports this viewpoint by stating that all financial transactions should reflect an equitable distribution of risk between each of the participants of the transaction. Trade is encouraged, through participating in a proportionate share of risk that is involved in the business transaction by acquiring a share of equity. Therefore, profits are not earned risk-free. Profit and loss sharing arrangements foster prosperity by providing financial support to productive entities that may generate jobs. (Alotaibi, 2015). The main features of Islamic Banking is the avoidance of exploitative contracts based on *Riba* or unfair contracts that involve risk or speculation. Therefore, the return on capital on a profit or loss sharing contract depends on productivity and the allocation of funds is dependent on the viability of the project (Zaher & Hassan, 2001).

2.2.2.3 Prohibition of transactions involving uncertainty and risk

Shariah prohibits uncertainty and risk (*Gharar*) in transactions (Mansour, et al., 2015). All transactions involving exploitation and injustice, risk and speculation are prohibited (Alotaibi, 2015). This implies that all business transactions should be based on transparency, accuracy and disclosure of all necessary information so that no one party has an unfair advantage over the other party (Khan, 2010).

2.2.2.4 Prohibition of transactions involving sinful activities

All investment, production or sale transactions in items or activities deemed un-Islamic are prohibited (Mansour, et al., 2015). These may include prostitution, gambling, trading in wine, alcohol, pornography, pig farming, or any other Muslim prohibitions (Khan, 2010). Avoidance of such activities will discourage unethical business practices and promote socially sustainable decisions (Rajak, 2014).

2.2.2 Theory of Reasoned Action (TRA) and Theory of Reasoned Behaviour (TRB)

TRA suggests that a person's behaviour is determined by a person's intention to perform the behaviour. This intention is, in turn, a function of person's attitude (intrinsic factor) and social influence (extrinsic factor). This factor is termed subjective norm as this deals with perceived prescriptions (Ajzen & Fishbein, 1980).

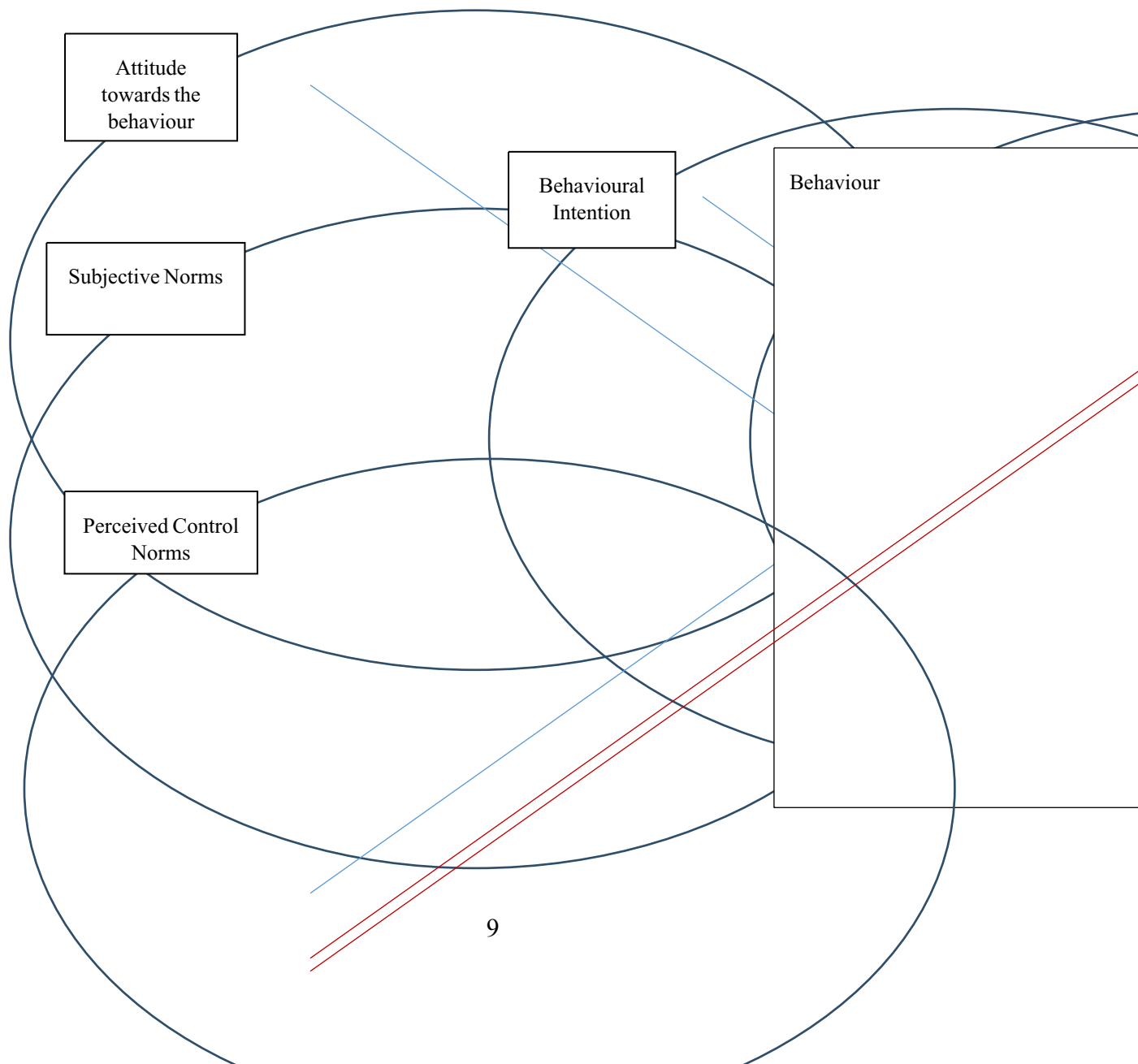


Figure 1 Theory of Reasoned Action and Theory of Planned Behaviour

Source : Adapted from (Ajzen & Fishbein, 1980).

The theory also states that attitudes are a function of beliefs. An individual will therefore hold a favourable attitude towards performing a behaviour where the person believes that performing a given behaviour will lead to mostly positive outcomes. Therefore, if an individual believes that the result of engagement with Islamic banking services is positive, he or she will have a positive attitude to carry out that behaviour. Conversely, an individual will therefore hold an unfavourable attitude towards performing a behaviour where the person believes that performing a given behaviour will lead to mostly negative outcomes (Ajzen & Fishbein, 1980). The beliefs that underlie a person's attitude toward the behaviour are termed behavioural beliefs (i.e. the act of adopting Islamic Banking).

Subjective norm is also a function of beliefs that specify individuals or groups to think whether he/she should or should not perform the behaviour. These beliefs underlying a person's subjective norm are termed normative beliefs. A person who believes that most referents with whom he is motivated to comply think he should perform the behaviour will receive social pressure to do so.

Theory of Planned Behaviour (TRB) is an extension of TRA. TRB seeks to explain why people perform certain actions. The element of perceived behavioural control was lacking in TRA and caused limitation within TRA. Therefore, in this model an individual's actions are governed by their intention. Intention is influenced by a) attitude b) subjective norm and c) perceived behavioural control (whether the person feels in control of the action). The TPB is the most widely used behavioural theory, with a history of applications among various domains. One of the desirable features of this model is that it remains fundamentally open to the inclusion of other constructs if they boost its explanatory power (Ajzen, 1991).

2.2.3 TRA and TRB: decision to adopt Islamic Banking

The research model was underpinned by the TRA and TRB. The TRA has been considered to be as a useful model in understanding the formation of a favourable or unfavourable attitude towards the intended behaviour. In the realm of Islamic literature, the application of TRA is evidenced by (Lada, et al., 2009; Hanudin, 2017). Islamic business philosophy does not reject its application to Islamic home financing as the TRA is a psychology theory that places an emphasis on attitude and subjective norm to predict behaviour (Hanudin, 2017).

Mathras, et al., (2016) noted that religion is an important aspect of life for most individuals around the world. For centuries, scholars and theologians have sought to understand the role that religion plays in shaping the behaviours of humans. The conceptual framework for studying the effects of religion on consumer behavior as noted in Mathras, et al., (2016) highlighted that religious values provide normative guidance to individuals about what, when and how much to consume. Allowed consumption behavior is differentiated from forbidden behavior due to religious values. Mathras, et al., (2016) proposed that researchers uncover the psychological mechanisms underpinning the relationship between religion and consumer behaviour to stimulate research in this field.

2.3 Empirical Literature

This section covers the four significant themes that were evident in the literature relating to adoption of Islamic Banking. Religious motives to adopt Islamic Banking, understanding of Islamic Banking principles, Islamic Banking as a credible alternative to conventional banking and success factors for adoption of Islamic Banking.

2.3.1 Religious motives to adopt Islamic Banking

Mathras, et al., (2016) noted that additional research is required to determine whether and when religious consumers are motivated more by the desire to adhere to normative religious values or by the fear of punishment for violating a religious value. It is difficult to measure the tradeoff between financial wealth and religious adherence as religious motives are complex, similar to any human endeavor (Warde, 2000). Religion was the most influential factor when patronising an Islamic bank (Haron, et al., 1994; Metawa & Almosawi, 1998). Adherence of Islamic principles ranked the highest when choosing a bank followed by profitability (Gerrard & Cunningham, 1997; Bley & Kuehn, 2004). Naser, et al., (1999) stated the three main reasons as to why respondents bank with Islamic Banking were all religious reasons. The religiosity level of customers plays a significant role towards influencing their intention to adopt Islamic Banking, according to a recent study in Malaysia (Alam, et al., 2012). The results in Souiden & Rani, (2015), have depicted that the more a person believes in Islamic laws and fears divine punishment, the more favourable his/her attitude towards Islamic Banks become. However, in Singapore, Gerrard & Cunningham, (1997) observed that about two-thirds of Muslims consider economic as well as religious factors in deciding to patronize the Islamic bank. Religion alone was not the only motivating basis for attracting customers. Banks could

no longer rely on the fact that Muslim customers are loyal due to the religious affiliations and connotations only. Other significant factors affected customer loyalty apart from the religious aspect (Dusuki & Abdullah, 2007). South African Muslims are not concerned with the financial consequences of their banking but rather the religious connotations. Both Muslims and non-Muslims believe that religion and faith is the most important criteria for selecting an Islamic bank (Vawda, et al., 2013).

There is little literature known about how Muslims in South Africa are affected by religious convictions in their decision to adopt Islamic Banking.

2.3.2 Understanding of Islamic Banking principles

The ignorance amongst customers about the principles and practice of Islamic Banking is prevalent. There is a tremendous lack of understanding about the principles governing Islamic Banking. Islamic banks should seek better methods to educate customers about borrowing products (Gerrard & Cunningham, 1997; Naser, et al., 1999; Oldenboom & Abratt, 2000; Halim, et al., 2001; Karbhari, et al., 2004; Bley & Kuehn, 2004; Khan, et al., 2008; Rashid, et al., 2008; Ahmad & Said, 2010; Rustam, et al., 2011; Fada & Bundi, 2012). Haron, et al., (1994) highlighted that the knowledge of Islamic Banking in a predominantly Muslim country was still inadequate among their customers. Halim, et al., (2001) highlighted that more than 60% of Muslims could not differentiate between Islamic Banking and conventional banking products. As Islamic law covers all the facets of one's life, the study found that Malaysian students need to be educated on *Aqidah*, Islamic principles relating to worship and prayer but little emphasis is given to *Mu'amalat*, the daily transaction activities according to Islam. The author concluded that a new revised curriculum should be designed to cater for this gap in the Islamic education system. This will ensure a good understanding about the differences between Islamic and conventional banking. Arabic terms used to describe the products were a huge problem due to the language barriers (Bley & Kuehn, 2004). A proposal for a united body to be formed in South Africa highlighted the need for the inclusion of Islamic scholars in the discussion with Islamic banks. The purpose of such body is aimed at benefitting and providing a better understanding amongst the various constituents with the intention of protecting the principles of Islamic economics. Furthermore, in order to produce and distribute the correct information on the technical and economic aspects of Islamic Banking, some form of alliance has to be set up to create a training institute to educate students, banking staff, Islamic scholars and others. The scholar is of the opinion that this will increase awareness and acceptance

(Buksh, 2005). Vahed & Vawda, (2008) studied perceptions of Muslims in South Africa and reported that Islamic Banking principles were still not well understood. It found that some high earners had no awareness of Islamic Banking and finance as 30% of professionals were unaware of Islamic Banking. Little information is known about the practice of Islamic Banking in South Africa (Saini, et al., 2011). Vawda, et al., (2013) stated that the awareness of the principles and methods of Islamic Banking was not as high as expected with a majority of respondents having no knowledge of the terms used in Islamic Banking. More efforts need to be made to educate customers about the products. In order for all parties to embrace the concepts of Islamic Banking and finance, it is important to stimulate demand by providing literature and awareness campaigns as well as advertising for these products and services. Ghafoor & Azhar, (2014) reported that banks should consider consumer's inadequate knowledge of Islamic Banking when promoting Islamic financial services and restructure their marketing initiatives accordingly. In order to promote greater innovativeness with Islamic financial products, experts that are more qualified should be absorbed into this banking industry. Chetani, (2014) found that it is important for banking institutions to educate customers on the mechanisms of the Islamic Banking system through education campaigns or informative advertising campaigns. Education is necessary, as there is a lack of understanding of Islamic Banking products in South Africa. Language barriers worsened the problem. Further, this lack of awareness has led to misconceptions surrounding Islamic Banking in South Africa. In another study in Karachi, respondents agreed that they have little knowledge about the Islamic banks (Ali, 2016). Customers are not fully aware about Islamic Banking, as the contexts of Islamic Banking are still not clear to many people. Therefore, Islamic banks should take further action to attract more customers in order to increase awareness of Islamic Banking (Jameel, 2017).

2.3.3 Islamic Banking as a credible alternative to conventional banking

Conceptual criticisms of contemporary Islamic Banking was noted since inception (Kholvadia, 2016). The foundations of the present economic and financial systems are weak (Ahmed, 2003). The application of Islamic Banking principles in practice was criticized for various reasons (El-Gamal, 2000; Ahmed, 2003; Aburime, 2008; Vahed & Vawda, 2008; Imam & Kpodar, 2010; Nienhaus, 2010). In contrast to conventional loans, Islamic bank loans are limited to financing the purchase of physical assets, to which the financier has recourse in case of default. Islamic banks do not offer overdraft facilities, or loans for consumption purposes

(Vahed & Vawda, 2008). The goal was to create an alternative financial system upon introduction. However, due to pragmatism the industry developed products that mimicked those used in conventional finance. Furthermore, profit can be just as exploitative as interest if profit is excessive (Aburime, 2008). Although Islamic banks wish to take advantage of the desire for pious Muslims to adhere to strict Islamic principles but they are unable to do so. As a result, they employ scholars who are willing to certify “*de facto*” conventional instruments as *Shariah* compliant. They do so by simply replacing conventional banking terminology with classic Arab terminology by offering almost identical services but with a higher cost. Islamic banks may be unattractive as the higher fees are associated with Islamic Banking for nothing more substantial than impersonating conventional banking and this is exploitative in its very nature (Khan, 2010). There is an increased criticism amongst scholars that the *Shariah* compliant products are increasingly diverging away from the spirit of the law to conform to the letter of the law (literal interpretation of the words, by using technicalities and loopholes) according to Imam & Kpodar, (2010). Islamic Banking does not often embrace the spirit of *Shariah*, instead, it focuses on how to make the instruments *Shariah* compliant (Mansour, et al., 2015). No modern state in the Muslim world has practically implemented an Islamic economic system, except perhaps Sudan and Iran. Due to its secular nature, there exists a huge gap from Islamic philosophy (Nienhaus, 2010).

Chetani, (2014) carried out a study in South Africa and found that the product knowledge of Islamic Banking products is perceived as being more complex than banking products offered in a conventional banking system. In a study carried out in Karachi, respondents indicated that Islamic banking was operating in the same manner as conventional banks. The research found multiple significant misconceptions among under-graduate and graduate university students. This was due to the procedure which makes the banking system immoral (Ali, 2016). Islamic Banking has come under criticism globally for merely putting an Islamic veneer on conventional products. A disconnect between *Shariah* law and the execution of Islamic banking transactions is evident (Kholvadia, 2016). The spirit of Islamic banking philosophy should encompass non-financial factors in its operations by placing emphasis on societal welfare. However, Islamic banking philosophy has regressed such that societal welfare is deficient (Kholvadia, 2016). The two financing modes of Islamic banks are debt-like (or mark-up) modes such as *Ijara* (financing lease) and participatory modes, namely *Mudaraba* and *Musharaka*. The main criticism of the first category is that it similar to interest-bearing financial modes and these dominate the Islamic Banks, whilst participatory financing is almost

non – existent (Khan, 2010).

2.3.4 Success Factors for adoption of Islamic Banking

It is imperative to study the factors that determine the survival of Islamic Banks (Vawda, et al., 2013). The main reason for low adoption of Islamic Banking in South Africa is convenience, as Muslim customers are looking for efficiency such as ATM availability and accessibility. Therefore, Muslim banks have to understand their potential customers and develop products that will suit their needs without relying solely on religious factors as a strategy for securing customer support (Saini, et al., 2011). “The five most important criteria considered by Muslims are the provision of fast and efficient service, confidentiality of bank, confidence in the bank’s management (skills and expertise), the bank’s reputation and image and friendliness of bank personnel” (Vawda, et al., 2013, p.102). Interestingly, “for Muslims, the five criteria that were not considered important at all included higher interest payments on savings, overdraft privileges on current accounts, mass media advertising, counter partitions in banks, and recommendation/advice of relatives” (Vawda, et al., 2013, p.102). Ghafoor & Azhar, (2014) reported that more qualified experts and knowledge based work forces is required to promote greater innovation of Islamic financial products. Proper marketing and promotion of Islamic financial products and services will improve the goodwill and reputation of Islamic banks. Participation of universities is also required for designing Islamic financial instruments as well as for the growth and development of the Islamic Banking.

Banks offering sharia-compliant products should have a *Shariah* Supervisory Board (SSB) in place, made up of well-respected Islamic scholars who oversee and monitor activities (Warde, 2000). Islamic banks should have a SSB consisting of various well-known religious scholars in order to improve growth (Ali, 2016). The “multi-layer” corporate governance model used in Islamic Banks helps them perform better than the conventional banks, due to inbuilt *Shari’ah* mechanisms provided in Islamic Banking. However, there remained concerns about their independence and limited monitoring ability. There is potential for improving Shari’ah supervision, especially the independence and monitoring ability of SSBs (Mollah & Zaman, 2015).

2.4 South African Literature

There is a sparked curiosity into the field of Islamic economics for a possible solution for a modern economy to survive without interest. The educational gap highlights the need for a

collaboration between various stakeholders and ultimately more rigorous research in the realm of customer awareness and adoption practices (Swartz, 2012). In the review of literature, dating from 2005, all articles in the context of South Africa echoed the similar sentiment, that adoption of Islamic Banking is rated as weak and low (Buksh, 2005; Vahed & Vawda, 2008; Saidi, 2009; Saini, et al., 2011; Vawda, et al., 2013). Saini, et al., (2011) concluded that although the majority of Muslims in South Africa were aware of Islamic banks, they did not use them. Vawda, et al., (2013) concurred that the level of awareness of the principles and methods of Islamic Banking in South Africa was generally low. The South African researchers suggested research that is more comprehensive to determine the reasons for low penetration into the South African market.

2.5. Summary and Conclusion

An extensive empirical literature has emerged over the last two decades in the realm of Islamic Banking. While there are volumes of literature surrounding success factors and challenges for adoption of Islamic Banking worldwide, there is a dearth of literature in South Africa generally. Whilst it was apparent that religious values supersede perceived economic benefit, there is little literature about how Muslim professionals situated in KwaZulu-Natal in South Africa are affected by their knowledge, perceptions and religious convictions in their decision to patronize Islamic Banking. Research into this topic is insufficient and more, rigorous research should be carried out into the realm of customer awareness and adoption practices in Kwa-Zulu Natal. There needs to be a collective effort to navigate this challenge and find solutions to implement Islamic Banking in the ever-complex and dynamic business environment, whilst still adhering to the principles of Islam.

2.6 Chapter Summary

The literature review in this chapter focused on the theoretical frameworks underpinning this research. Thereafter, the chapter presented an empirical review of the literature. Literature was examined in the South African context and gaps in the literature identified. The following chapter presents the research methodology.

Chapter Three: Research Methodology

3.1 Introduction

This chapter presents the methods used for data collection and analysis. It highlights the research approach, the population and sampling methods, data collection instrument, data analysis, validity and reliability, data storage, and the ethical considerations taken into account while conducting the study.

3.2 Research paradigm

There are two main research methods, quantitative and qualitative. The choice of a quantitative versus qualitative study depends on whether an exploratory study (where not much is known about the research area) is undertaken, or whether a descriptive study (where characteristics of the variables of interest are to be described under certain situations) is undertaken (Sekaran & Bougie, 2014). The study is descriptive in nature, as the characteristics studied are known to exist and the researcher intends to describe them clearly (Sekaran & Bougie, 2014). Since this study is descriptive in nature, a quantitative approach will be used in order to ascertain respondents knowledge and perceptions of Islamic Banking and describe the characteristics relating to adoption of Islamic Banking. Numbers are processed for interpretation using statistical methods, in quantitative research. The quantitative method was supported by (Gerrard & Cunningham 1997; Vawda, et al. 2013; and Chetani 2014). Questionnaire surveys are an inexpensive way to undertake any research due to financial and time resource constraints (Ali, 2016).

3.3.1 Population

The researcher needs to identify the population in order to select a sample that will participate in the study. The first step to understand and represent a population is to be able to name that population (O'Leary, 2004). A population is the pool of information that the researcher is interested in, in order to define or explain a research question or a specific phenomenon (Wahyuni, 2012). Thereafter, respondents are selected from this pool for data collection.

The population for this study consisted of Muslim Chartered Accountants and Lawyers in KwaZulu-Natal. The reason for choosing Muslim Accountants and Lawyers in KwaZulu-Natal is that as educated professionals, they would be familiar with banking terminology. Further, as high income earners they may hold bank accounts at conventional banks, Islamic Banks or both. This will ensure adequate that input is obtained (Vawda, et al., 2013). Albashir, et al.,

(2018) selected the population based on their knowledge and experience and ability to make a decision on Islamic banking products and *Shariah* compliance. Another reason for choosing Muslims is that the study of Muslims' identity in the post – apartheid South Africa is significant (Hassan, 2011). Religion could be a source of drawing meaning in the South African context, along with race, class and other sources of identification. *Ulema* organisations, due to their religious knowledge are the key agents in shaping, negotiating and constructing Muslim identity in South Africa although participants were not always in favour of their strong role (Kettani, 2010). In their pilot study, they found that since Non-Muslims were unaware of Islamic Banking, the research was limited to Muslims only (Saini, et al., 2011). Islamic Banking has its roots in the bedrock of Islam and as a result, these two aspects are heavily espoused to each other. Muslim Accountants and Lawyers will provide meaningful information about their perceptions of Islamic Banking, as they are knowledgeable about the complex and challenging legal and business world of today and are familiar with Islamic *Shariah* rules.

3.3.2 Sub-Population

The population comprised all Muslim Accountants and Lawyers in KwaZulu-Natal. However, the researcher had no way of identifying only “Muslims” as the database of the professional bodies for Accountants and Lawyers do not specifically contain a list of Muslims specifically. Therefore, a sub population comprised all paid up members of AMAL (Association of Muslim Accountants and Lawyers KwaZulu-Natal), a non-profit organisation comprising Muslim Accountants and Lawyers. The members of AMAL share the mission of the organisation which is:

- “To bring together individuals involved in law, accounting and commerce, whether professionally or academically, with a view to fostering the spirit of brotherhood, research and co-operation.
- To assist and encourage professionals to develop, understand, appreciate and promote an Islamic ethos in practice and administration of their respective professions.
- To promote research and education in law and commerce for the benefit of the community.
- To facilitate and promote effective learning in the fields of law, commerce and accounting.

- To liaise and interact with other professional and community organizations with a view to promoting and fostering mutual co-operation on matters of common interest.
- To participate in relevant national and international conferences to facilitate the process of continuing education for its members and community.”

Source : [online] Available at <http://www.amal.org.za/index.php/about-us1/mission-vision> Accessed 20 June 2018

The researcher was thus able to focus on this precise similarity in the group of Muslim Accountants and Lawyers and assess how they relate to adoption of Islamic Banking. The membership base of AMAL comprises 102 members as at 26 July 2018, therefore the sub population consists of 102 Muslim Accountants and Lawyers in KwaZulu-Natal.

3.4 Sample size

A sample is a subset of the population that ought to be relevant to the study and representative of the population. Since it is most impractical and uneconomical to gather information from every single person in a given population, sampling is a cost and time effective process (Kelley, et al., 2003). Business research requires collecting information to improve decision-making. Collecting information requires contacting a small subset of individuals selected from a set of people who are knowledgeable about a particular topic. This subset constitutes the sample that will be investigated in order to derive conclusions about the characteristics of the population (Creswell, 2009). A sample of the population were surveyed and inferences made about the wider population of Muslim Chartered Accountants and Lawyers in KwaZulu-Natal, as it would have been both impractical and uneconomical to collect data from every single person in the given population (Creswell, 2009).

With a population size of 102 people, the sample size was determined to be 81 people using the formula below, with a 5% margin of error and a 95% confidence level.

$$x = Z(c/100)^2 r(100-r)$$

$$n = N x / ((N-1)E^2 + x)$$

$$E = \text{Sqrt}[(N-n)x / n(N-1)]$$

Equation 1 Sample size calculator

Source: [online] Available at <http://www.raosoft.com/samplesize.html> Accessed 20 June 2018

3.4 Sample technique

In order to generalize findings we look for samples that involve the most practical procedures to be representative of the larger population (O’Leary, 2004). Sampling strategies consist of those that find samples through random selection and those that find samples strategically through non- random ways (O’Leary, 2004). The most appropriate sampling method was considered by the researcher to be a non-random sampling technique, called convenience sampling. The common and simplest method for selecting participants is "purposive" or "convenience" sampling which is a form of non-random sampling (O’Leary, 2004). This requires the identification and selection of individuals or groups of individuals that are proficient and well informed with a phenomenon of interest. They possess knowledge and experience and are available and willing to participate. They will be required to communicate experiences and opinions in an articulate, expressive, and reflective manner (Etikan, et al., 2016). The study used a convenient sampling method to achieve better results as the study focuses on the sample within reach (Ali, 2016). The convenience sampling method was also supported by Saini, et al., (2011). “Researchers are recommended to: 1. elicit the aid of authority figures, known personnel or organizations to the target population to distribute the survey, when possible. 2. Target a population that is more likely to hold interest in the research” (Saleh & Bista, 2017, p.71). A purposive sampling technique was employed to ensure the collected data were from valid sources. This ensured that the sample of respondents matched the purpose of the study (Albashir, et al., 2018). This study uses a purposive sampling technique with a homogeneous sampling method. This form of sampling focuses on respondents who share specific characteristics or similar characteristics such as ages, cultures, jobs or life experiences (Etikan, et al., 2016). It was found that traditional sampling techniques would not yield an adequate number of participants, due to the relatively low percentage of Muslims in the United States population. Therefore, an external market research service provider who maintained a panellist database by-invitation-only, provided participants who met the definition of the population of interest (Zinser, 2017).

Using the preceding convenience sampling technique, the researcher had informal discussions with the conference planners of a seminar held at AMAL offices. The attendance rate was estimated to be 90%. AMAL granted permission to the researcher to hand out the questionnaires at this conference. The expected attendees at the conference fulfilled the required sample size of 81 respondents. There were 84 attendees at the conference and they fulfilled the minimum sample size requirement for the study. The questionnaire was handed out to all attendees at the conference. It was found that 8 were not usable as they were not filled out properly and some were not completed at all. Only 30 completed responses were received. This yielded a 37% response rate.

For convenience sampling, the researcher selects subjects that are more readily accessible. Therefore, the opportunity to participate is not equal for all qualified individuals in the target population and the study results are not generalizable to the population (Etikan, et al., 2016). The researcher is subjective and biased in choosing the subjects of the study, therefore the findings could not be generalised (Etikan, et al., 2016). The sample obtained in Zinser, (2017) was a limitation in the study, due to the bias in convenience sampling used. It is imperative to point out that the convenience sampling technique is considered to be a limitation in this study and the researcher acknowledges this limitation. This could be viewed as an avenue for further research. Furthermore, tests were carried out to ensure that the results were statistically significant, reliable and accurately interpreted.

3.6. Data collection

3.6.1 Instrument

The researcher employs the use of a questionnaire to gather information, which will be evaluated using statistical models (O'Leary, 2004). The merits of administering questionnaires is that it is inexpensive and may be used when the sample is geographically dispersed. The demerits of using questionnaires is the likelihood of a low response rate. This method was the most appropriate for the current survey, since the administration of questionnaires is an inexpensive, efficient data collection method (Sekaran & Bougie, 2014).

A structured questionnaire was used in this study, as suggested by (Jameel, 2017; Ali, 2016; Zinser, 2017). Close ended questions were coded in terms of a Likert Scale that will enable quantitative statistical methods and descriptive statistics to be conducted based on the responses obtained from the questionnaire (Chetani 2014; Ali 2016). The questionnaire, found

in appendix A comprised of closed-ended questions in order to address the objectives of this study. Questions 1 to 3 was designed to collect demographic information relating to the age, race and gender of participants. In addition, questions 4 to 5 addressed the participants' level of education and area of specialisation. Question 6 related to the forms of banking used. Thereafter the questions addressed the research objectives as follows:

The first research objective which required the researcher to establish whether respondents who are Muslim Accountants and Lawyers in KwaZulu-Natal understand the underlying principles of Islamic Banking was addressed by questions 7-11. The second research objective which required the researcher to determine whether respondents believe that Islamic banks are working strictly according to *Shariah* practices was addressed by questions 12-19. The third research objective required the researcher to ascertain the motivational factors for using or not using an Islamic Bank. This was addressed by questions 20, 21 and 23. Question 22 addressed the fourth research objective by establishing the main reason for choosing Islamic Banking.

3.6.2 Data collection

Paper surveys were distributed at a conference held by members of AMAL. Paper surveys may be more appropriate for smaller populations (Saleh & Bista, 2017). Online survey response rates are nearly always very much lower than using on-paper surveys (Nulty, 2008). Several previous studies had comparatively high response rates when surveying customers' perceptions on various banking issues using similar data collection techniques. For example, Gerrard & Cunningham (1997) yielded 62%; Metawa & Almosawi (1998) yielded 75%; Naser, et al., (1999) yielded 69%. Haque (2010) yielded 86%, Rustam, et al. (2011) yielded 60%, Fada & Bundi (2012) yielded 89%.

3.7. Data analysis

In order to code the data, a number was assigned to it. Thereafter, the respondents' responses were captured into a database. Non-responses were also coded in a consistent manner. The data from the questionnaires was imported into an Excel spreadsheet and then exported into the Statistical Package for the Social Sciences (SPSS) version 24 for analysis, and was supported by Ali, (2016). The Statistical Package for Social Sciences (SPSS) software programme is one of the most common analysis programmes used and makes it possible to enter, edit and view the contents of the data file. During the editing phase, illogical and inconsistent responses that are not consistent with other responses must be identified and investigated as they may skew

the results (Sekaran & Bougie, 2014).

A section on graphical and descriptive statistics was carried out, as supported by Saini, et al., (2011). Bar graphs and frequency tables were processed using SPSS to gain an overview of the perceptions of respondents with respect to adoption of Islamic Banking. The descriptive statistics included the mean, mode, median and standard deviation and range of scores for the dependent and independent variables. These statistics served to confirm the results of the graphical statistics and frequency tables.

The Kolmogorov Smirnov test is used to determine if data is from a Normal distribution. Thereafter, the researcher may determine the type of statistical tests permissible to use. Parametric tests such as the independent sample t-tests may be used to check for differences between the mean scores of the males and females with respect to adoption of Islamic banking since this group has only two categories. Mann Whitney U test may be used to check for significant differences between males and females with respect to adoption of Islamic banking if the data on these variables are found via the Kolmogorov Smirnov test to be non-normal in nature (Coakes & Steed , 2010).

Frequency distribution, chi-square and cross tabulation was used to analyse the data. A test will be carried out to determine whether the data comes from a normal distribution using the Kolmogorov Smirnov test. The researcher will thereafter determine the type of statistical tests to be carried out. For example, the researcher may use parametric tests such as the independent sample t-tests to check for differences between adoption of Islamic Banking in the mean scores of the males and females since this group has only two categories. Alternatively, the researcher could use the Mann Whitney U test to check for significant differences between males and females with respect to adoption of Islamic Banking if the data on these variables are found via the Kolmogorov Smirnov test to be non-normal in nature. Likewise, the researcher may use the Kruskal Wallis test to check for differences in the age group and the race group with respect to adoption of Islamic Banking. The research questions will be tested using the chi-square goodness of fit test using the relevant questions from the questionnaire. The chi-square goodness of fit test ascertains whether a hypothesis is true or not based on the distribution of responses within the categories or cells of a nominal type question i.e. do the responses tend towards a “agree” and “strongly agree” perception as opposed towards a “disagree” and “strongly disagree” perception (Coakes & Steed , 2010).

Hypothesis testing will be carried out. The researcher deems it useful to test whether the underlying distribution is normal or not. The implication of normality is that if the variables/questions are normally distributed then parametric tests such as Analysis of Variance (ANOVA), the independent sample t-test, and certain parametric hypothesis tests will be acceptable to use on the data. However if the underlying distribution is not normal, then non-parametric tests such as the Mann Whitney U test, Wilcoxon sign rank test and Friedman test are allowed on the data to test certain hypotheses and infer results (Field and Miles, 2010).

3.8 Data validity and reliability

Data validity in this study was established from prior literature (Gerrard & Cunningham, 1997; Vawda, et al., 2013) in the construction of the questions. To ensure validity, the questionnaire was piloted and sent to ten participants who were not part of the study prior to sending it to all the respondents. The results and comment of the pilot study were analysed and reviewed. There were minor modifications made, based on the feedback, in line with Zinser, (2017).

3.9 Ethical considerations

A letter of consent was obtained from AMAL in order to be able to conduct this research (Appendix 3). Ethical clearance, with a reference number of HSS/1401/017M was obtained from the University of KwaZulu-Natal. This was granted in the form of an ethical clearance letter (Appendix 2). Informed consent was requested from all respondents in the preamble to the questionnaire (Appendix 1). The purpose of the research was explained in detail to ensure good response rates and respondents were assured of their anonymity.

3.10 Chapter summary

This chapter presented the research methodology employed to carry out this study. It discussed a quantitative approach that highlighted the population and sampling technique, data collection instrument, data analysis, validity and reliability, data storage, and the ethical considerations taken into account in conducting the study. The next chapter focuses on presenting the results of the research, as well as an analysis of these results using the quantitative method adopted.

Chapter Four: Presentation, Analysis and Discussion

4.1 Introduction

Chapter three discussed the research design and methodology for the study. This study employed a quantitative approach using a structured questionnaire that was administered to members of AMAL (Association of Muslim Accountants and Lawyers). Data was gathered, codified, and separated into groups that corresponded to the research objectives in previous chapters. This chapter provides a discussion of the findings of the research. An initial screening of the data that collected was conducted so as to delete inaccurate data from the data set. The revised data set was used for further analysis. Data was presented graphically and in table format to ensure that the interpretation of the results is easily understood. Descriptive and inferential statistics were used to present the data. The questionnaire was categorised into the various types of scales, which allowed for visual summary, measures of dispersion and tests of significance to be carried out.

4.2 Reliability

As a reliability test, Cronbach's alpha was also calculated to determine how consistent the results were and whether the researcher will get similar results to generalize if the sample size was increased (Coakes & Steed , 2010). The Cronbach's alpha may range from 0 to 1. A value of 0.7 or higher is a very good value that can implies that the same results will be achieved if this survey with a larger sample of respondents. The Cronbach's alpha was determined for all the questions that have the same scales in each section.

Table 1 Cronbach's Alpha

QUESTION	CRONBACH'S ALPHA
11-15	0.713
16	0.954
17-21	0.754
11-15 and 17-21	0.715

The alpha values in Table 1 above are indicative of a good internal consistency, reliability and integrity.

4.3 Demographic profile of respondents

Questions 1 to 5 of the first section of the questionnaire investigated biographical data of the respondents, such as their age, race, gender, highest level of education and area of specialisation. The respondents' demographic distribution is presented below:

Table 2 Demographic profile of respondents

CHARACTERISTIC		PERCENTAGE
Age	21-30 years	23.3
	31-40 years	26.7
	41-50 years	23.3
	51-60 years	20
	61 and over	6.7
	Total	100.0
Race	African	0
	Coloured	30
	Indian	66.7
	White	3.3
	Total	100.0
Gender	Female	26.7
	Male	73.3
	Total	100.0
Education		
	Postgraduate Diploma/Honours	83.3
	Masters	16.7
	Doctorate	0
	Total	100.0
Area of specialisation	Chartered Accountant	46.7
	Lawyer	46.7
	Academia	6.9
	Total	100.0

The modal age group was 31-40 years (26,7%) followed by 21-30 years (23,3%) and 41-50 years (23,3%).

Majority of the respondents were from the Indian race group (96,7%). Although the research appears to be predominantly Indian, most Muslims living in KwaZulu-Natal are Indian. Ethnically, ‘Indian’ (42.93%) and ‘Malay’ (45.25%) Muslims comprise the majority of South Africa’s Muslims. Majority of Indian Muslims reside in KwaZulu-Natal and Gauteng while most Malays reside in the Western Cape according to (Vahed & Vawda, 2008).

There were more males (73.3%) than females (26.7%) in the sample of respondents. Based on the race and gender of the respondents, the findings reveal that majority of the respondents were Indian males.

The highest level of education amongst respondents was a Postgraduate Diploma/Honours (73.3%) followed by those with attained a Masters degree (16.7%).

46.7% of respondents were in the Auditing/Accounting field, while 46.7% of respondents in the Legal profession (13.8%). Based on the highest level of qualification and the area of specialisation, these respondents possess a high level of competence and theoretical knowledge in their respective fields which is highly prized by both the accounting and legal professions. This is due to the stringent assessment methods that are used to certify accounting and legal professionals who also possess non-technical skills such as critical thinking skills, analytical and problem-solving skills, strategic thinking skills as well as competency in citizenship which is described as the ability to display social conscience across cultures.

4.3.1 Cross tabulation of demographic data

4.3.1.1 Gender by Age

		age					Total
		21-30 years	31-40 years	41-50 yers	51-60 years	61 years and over	
gender	Male	10.0%	10.0%	16.7%	20.0%	6.7%	63.3%
	Female	13.3%	16.7%	6.7%			36.7%
Total		23.3%	26.7%	23.3%	20.0%	6.7%	100.0%

The results show that there majority of the males comprising the sample are in the age group 51-60 years (20%), 41-50 years (16.7%) and 31-40 years (10%) whilst the majority of the females are in the age groups, 31-40 years (16.7%) and 21-30 years (13.3%). Therefore, the respondents are a mature sample of individuals.

4.3.1.2 Gender by Race

		race		Total
		Indian	White	
Gender	Male	60.0%	3.3%	63.3%
	Female	36.7%		36.7%
Total		96.7%	3.3%	100.0%

Indian males dominated the sample (60%) and Indian females (36.7%) comprised 36.7% of the sample.

4.3.1.3 Race versus Age

		age					Total
		21-30 years	31-40 years	41-50 yers	51-60 years	61 years and over	
Race	Indian	23.3%	26.7%	23.3%	16.7%	6.7%	96.7%
	White				3.3%		3.3%
Total		23.3%	26.7%	23.3%	20.0%	6.7%	100.0%

26.7% of Indians were clustered in the age groups 31-40 years, 21-30 years (23.3%) and 41-50 years (23.3%) and the Whites were also clustered as 31-40 years (26.7%), 21-30 years (23.3%) and 41-50 years (23.3%).

4.3.4 Qualification (Education) versus Specialization

		specialization			Total
		Auditing/Accounting	Legal	Academia	
education	Degree	3.3%	3.3%	3.3%	10.0%
	Postgraduate Diploma/Honours	36.7%	33.3%	3.3%	73.3%
	Masters	6.7%	10.0%		16.7%
Total		46.7%	46.7%	6.7%	100.0 %

A majority of the Postgraduate Diploma/Honours were in the Auditing/Accounting (36.7%) field and Legal field (33%) whilst majority of the Masters graduates were in the Legal field (10%).

4.4 Form/s of Banking used by respondents

Question 6 of the questionnaire required respondents to indicate the form/s of Banking that they currently utilise.

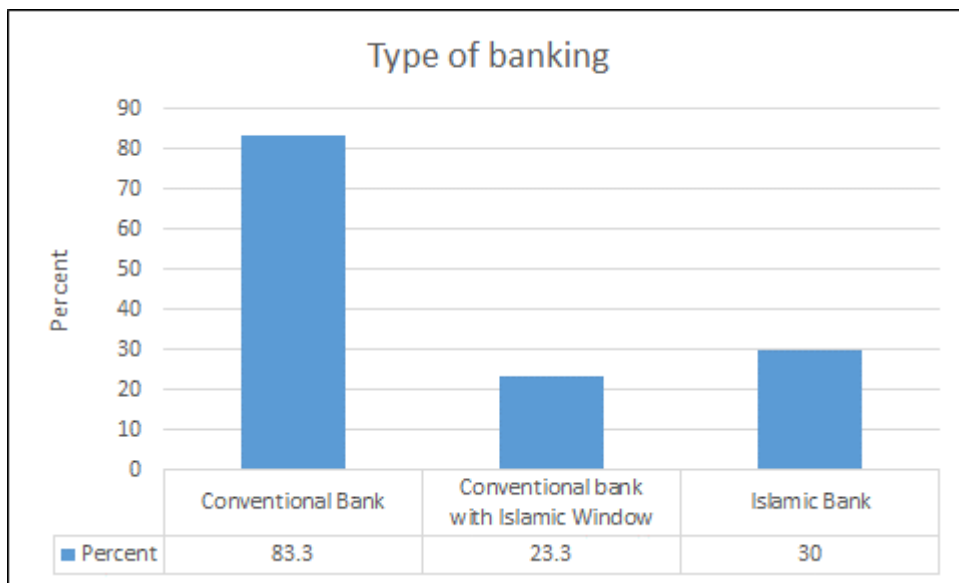


Figure 2 Type of banking

Majority of the respondents use conventional banks (83.3%) followed by a minority of respondents who bank with a conventional bank with an Islamic window (23.3%). The distribution of responses as to the types of banking used were conventional banking (83.3%) and Islamic bank (30%) followed by Conventional bank with an Islamic window (23.3%). These responses do not add up to 100% since respondents were permitted to choose more than one category.

The data indicates that most of the respondents do not use Islamic Banking. The findings is consistent with various South African literature dating from 2005 that echoed a similar sentiment. Adoption of Islamic Banking was considered to be low and weak (Buksh, 2005; Vahed & Vawda, 2008; Saidi, 2009; Saini, et al., 2011; Vawda, et al., 2013). Several years later, this study indicates that adoption of Islamic Banking remains weak amongst the respondents.

To determine if a relationship exists between the area of specialisation and the choice of bank to adopt, a correlational analysis was carried out. The Chartered Accountants (23.3%) and the Legal (26.7%) respondents both use the Conventional bank mostly. Hence we see that the area of specialization does not affect the type of banking used since the robust chi-square test statistic is reported as 5.929(p-value=0.821) meaning that there is no relationship between one's specialization and the type of bank used.

4.5 Objectives of the study

Each of the objectives of the study were linked to the questions in the research instrument to ensure that data was collected in an attempt to appropriately and completely answer the research question. The presentation and discussion of results are set out below for each objective of the study.

4.5.1 Objective 1

Establish whether respondents who are Muslim Accountants and Lawyers in KwaZulu-Natal understand the underlying principles of Islamic Banking.

4.5.1.1 Respondent's perception of their own level of knowledge

The researcher deemed it necessary to test the participants' perception of the participants' own level of knowledge, regardless of how they answered the questions that followed below. The opinion of respondents are illustrated in Figure 8 below.

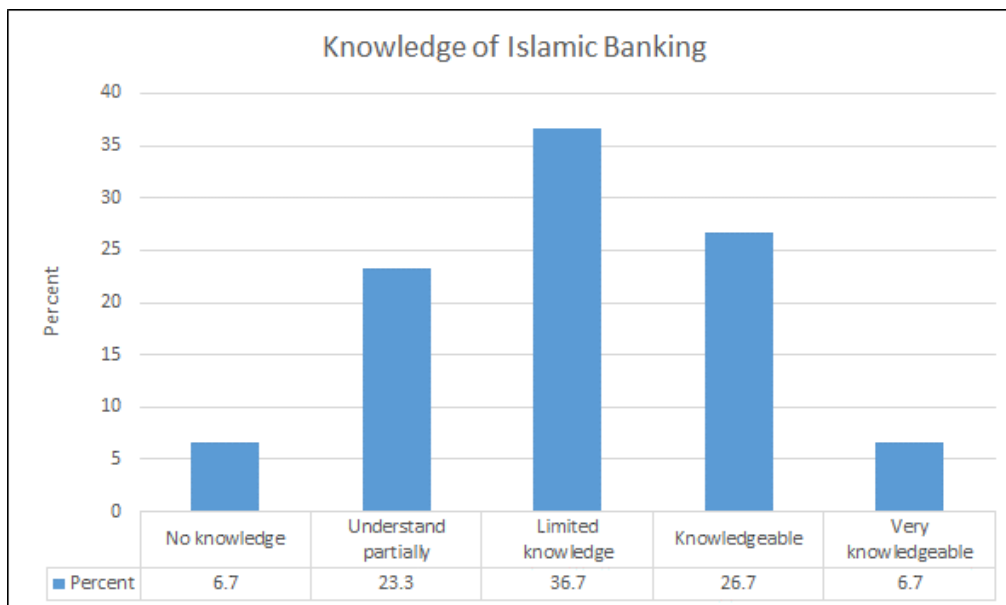


Figure 3 Knowledge of Islamic Banking

According to Figure 4.7, 36, 7% of the respondents perceived themselves to have limited knowledge of Islamic Banking, 23,3% perceived that they partially understand Islamic Banking whilst 26,7% perceived that they were knowledgeable in this field. A normal distribution was evident. The categories that were of concern were the “limited knowledge”, “understand partially” and “no knowledge” categories, which collectively accounted for 66, 7% of the responses.

The empirical data are in keeping with the earlier study by Vawda, et al., (2013) who reported that the level of awareness of the principles and methods of Islamic Banking amongst Chartered Accountants in South Africa was not as high as it should be. However, Islamic Banking has enriched the Islamic legal system by providing *Shariah* compliant solutions developed in response to the real world business questions put to it by the industry, according to Usmani, (1999). In the South African context, Muslim accountants and lawyers are knowledgeable about the complex and challenging legal and business world of today and are also familiar with Islamic *Shariah* rules, thus should provide a meaningful contribution to business problems faced by industry. However, this finding highlights that 66, 7 % collectively consider themselves to have “limited knowledge”, “understand partially” and “no knowledge” of Islamic Banking. This was supported in another study, which found that respondents have poor knowledge on Islamic banking principles and even basic rules (Jameel, 2017).

4.5.1.2 Respondents’ level of knowledge of the terminology used in Islamic Banking and finance

Basic Islamic Banking instruments include cost-plus financing (*Murabaha*), profit-sharing (*Mudaraba*), partnership (*Musharaka*). These are the basic building blocks for developing a wide range of more complex Islamic financial instruments. Further, *Ijara* relates to operational or financial leasing contracts while *Sukuk* relates to certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services. *Takafful* refers to Islamic Insurance.

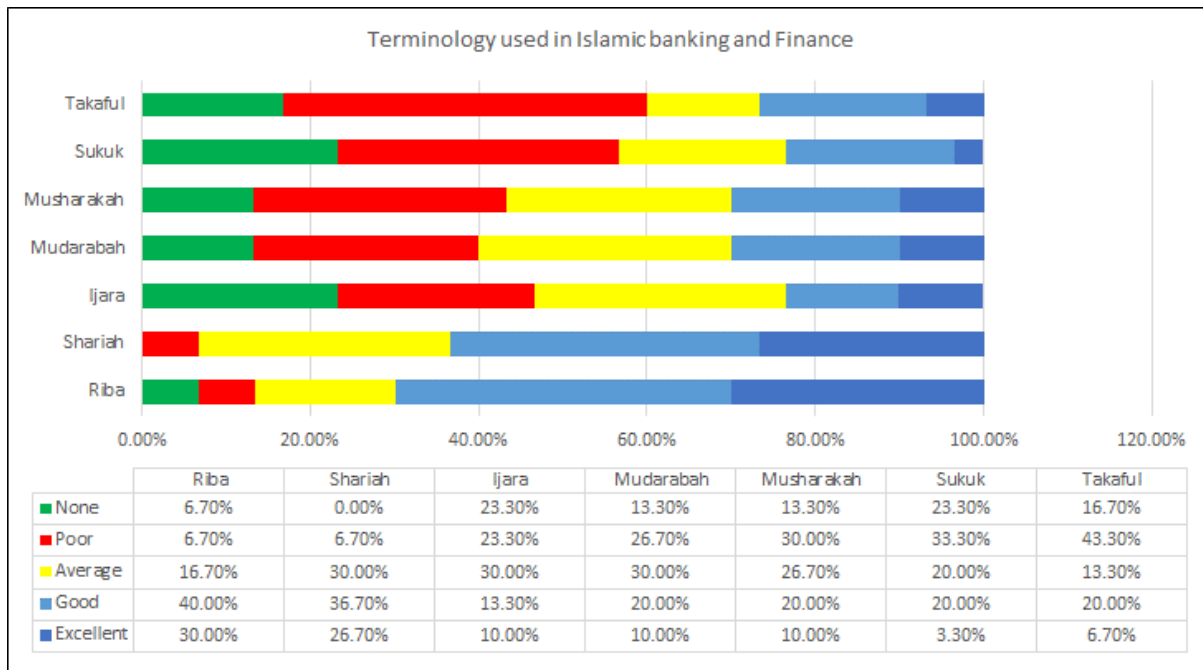


Figure 4 Terminology used in Islamic Banking and Finance

As depicted in Figure 4.8, a large number of respondents (40% and greater) rated their knowledge of the terminology that is generally used to describe Islamic Banking instruments in the study of Islamic Banking as “none” or “poor”. The highest rate of knowledge pertained to two Islamic terms, namely *Shariah* and *Riba*. These findings are consistent with Chetani, (2014) who reported that product knowledge of Islamic Banking products was perceived as being more complex than banking products offered in a conventional banking system. In earlier research, Arabic terms used to describe the products were a huge problem due to language barriers (Bley & Kuehn, 2004).

4.5.1.3 The three main sources of your knowledge in Islamic Banking

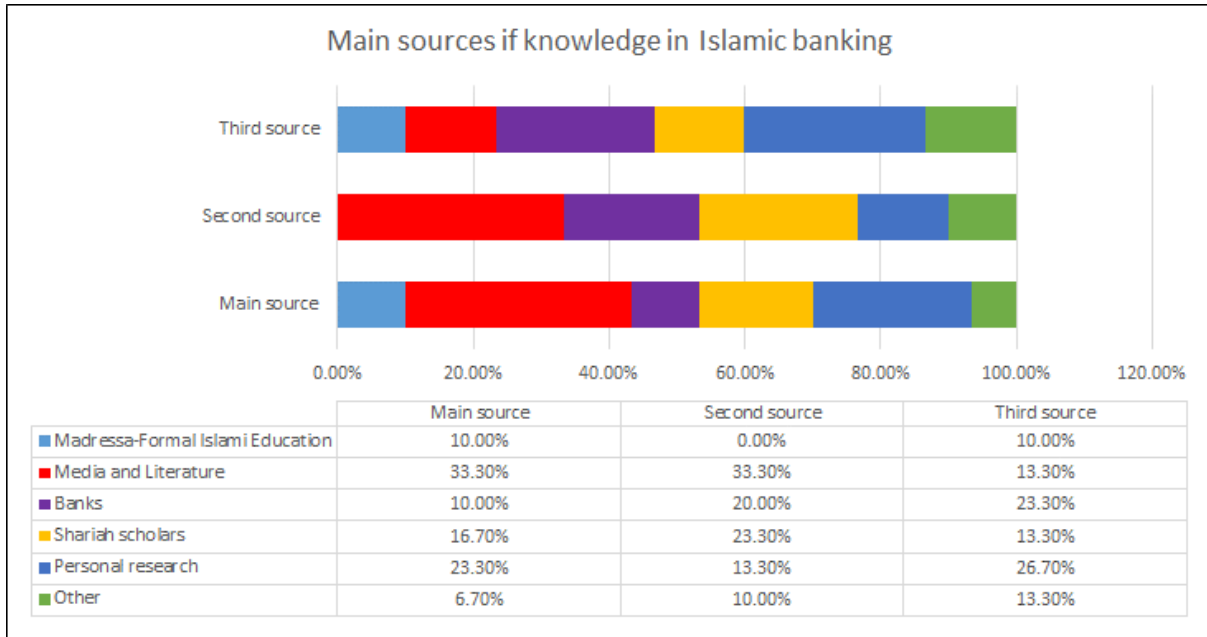


Figure 5 The three main sources of knowledge of Islamic Banking

As illustrated above, respondents obtained their primary knowledge of Islamic Banking from media and literature sources (33.3%). Thereafter, they obtained knowledge from *Shariah* scholars (23.3%) whilst the third source of knowledge was personal research (26.7%).

The media and literature provided an effective source of information for Islamic Banking. This is consistent with literature. Access to information are strongly and positively associated with awareness and use of Sharia-compliant banking products (Demirguc-Kunt , et al., 2013). *Madressah* was not selected in the top three sources of information. This is consistent with literature in South Africa. Although *Madressah* serves as the formal primary Islamic education basis in South Africa, most (90%) of respondents do not consider it to provide a source of knowledge in the area of Islamic Banking (Ghafoor & Azhar, 2014). Consistent with this study, Jameel, (2017) found that mass media is a top priority in the criteria selection of the Islamic banking.

4.5.1.4 Understanding of the underlying differences between Islamic Banking and conventional Banking

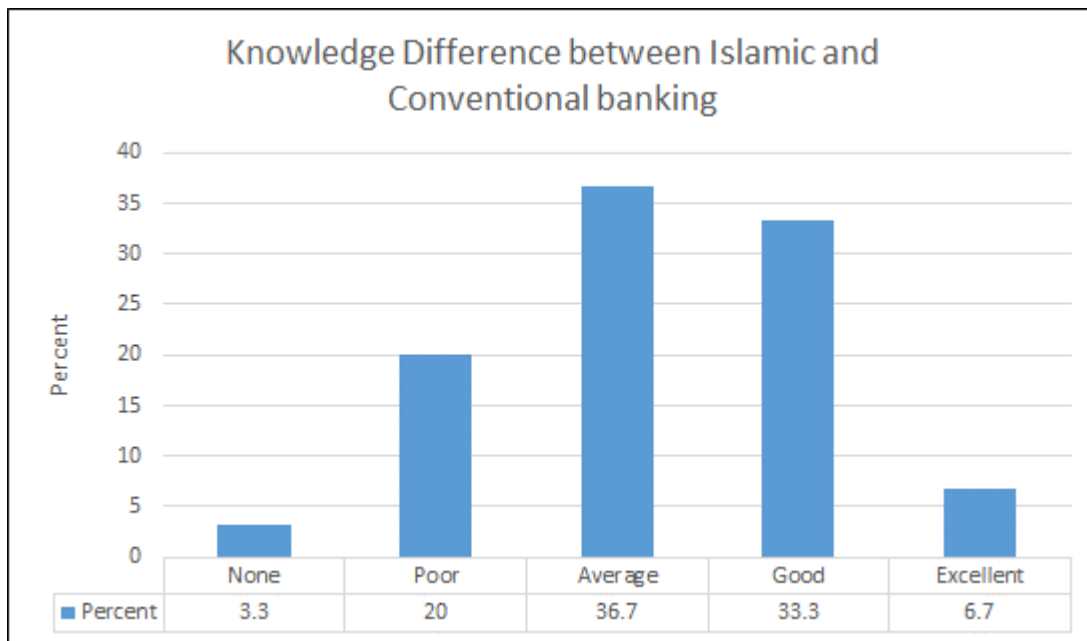


Figure 6 Understanding of the underlying differences between Islamic Banking and conventional Banking

As illustrated in figure 4.10, the knowledge difference between conventional Banking and Islamic Banking was rated as average (36.7%) followed by good (33.3%). The categories that were of concern were that the respondents knowledge between the differences between conventional banking and Islamic Banking “none”, “poor” and “average” categories, which collectively accounted for 60% of the responses. This is consistent with a study that showed that ignorance in the knowledge of these underlying differences is prevalent (Ghafoor & Azhar, 2014).

4.5.1.5 Islamic Banking is based on the values and teachings of the Quran and Sunnat.

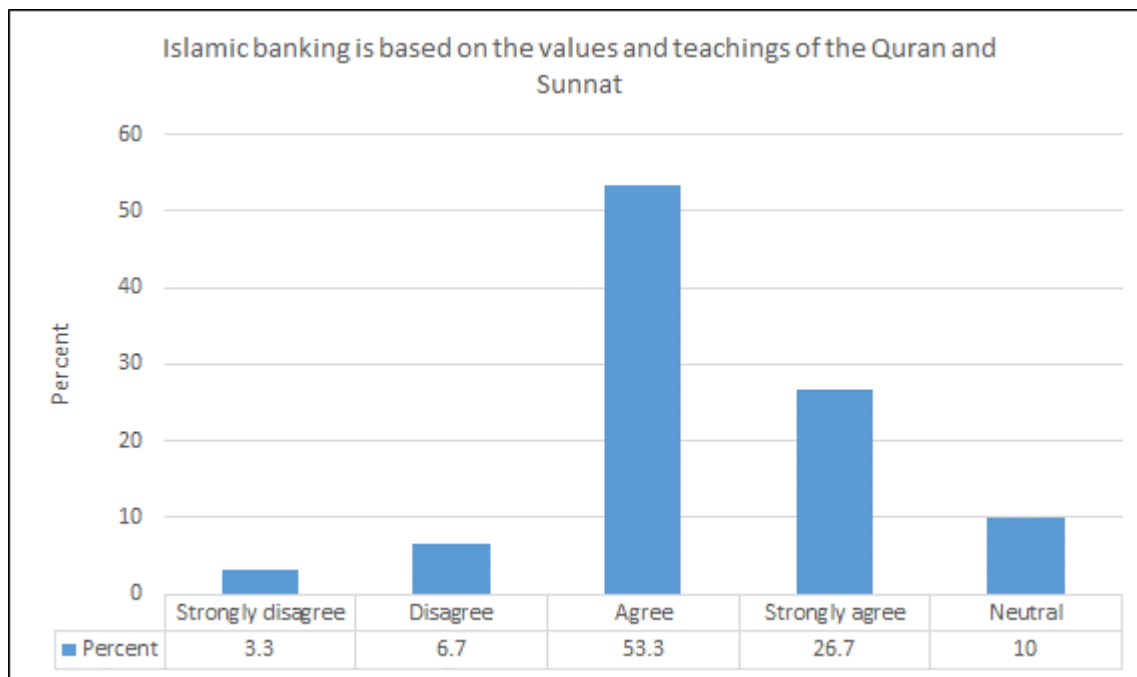


Figure 7 Islamic Banking is based on the values and teachings of the Quran and Sunnat.

There is an overwhelming collective who agree (53.3%) and strongly agree (26.7%) that Islamic Banking is based on the values and teachings of the *Quran* and *Sunnat*. This represents 80% of the sample.

The results of this study are contrary to Jameel, (2017) who found that the majority of respondents are unaware that Islamic banking system is carried out under *Shariah* law. The Holy *Quran* is the book of revelation given to the Prophet Muhammad (Peace Be Upon Him) and is considered to be the true word of God. *Sunnah* is the narrative relating the actions and utterances of Prophet Muhammad. Thus, *Shariah* is the Law of Islam as stated in the *Quran* and *Sunnah* (Rajak, 2014). Islamic banks can be defined as: “a financial institution that (a) abides by *Shariah* principles in all of its activities through its role as a financial intermediary between savers and investors, according to (Alharbi, 2015).

4.5.1.6 Islamic banking institutions have clearly conveyed the value their services add to customers.

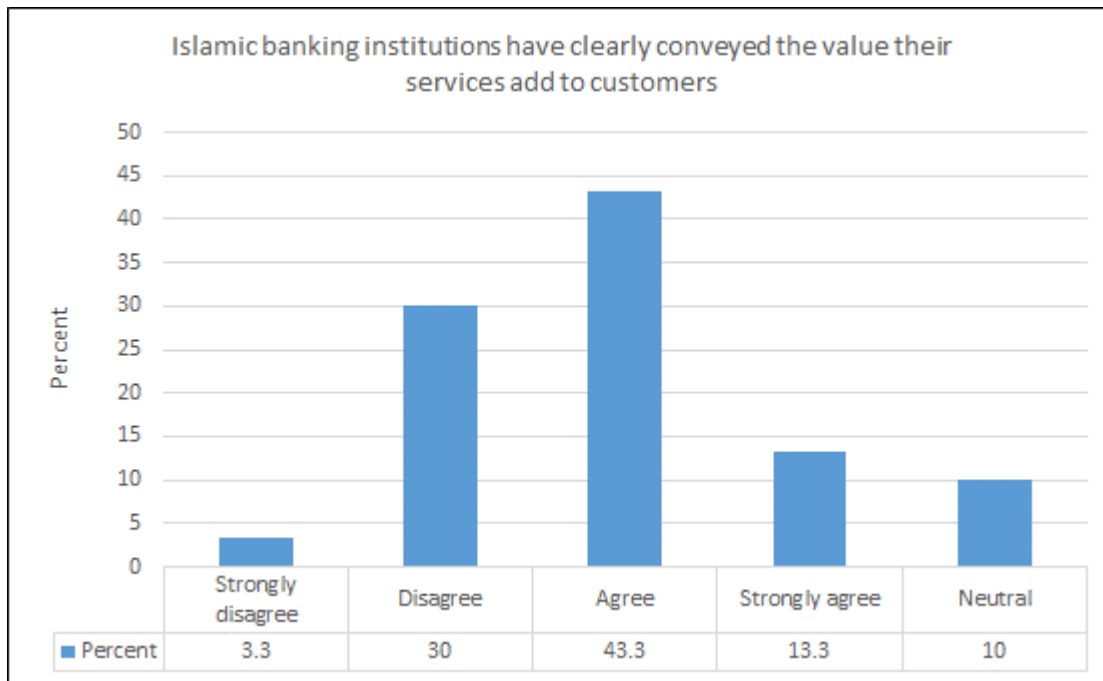


Figure 8 Islamic banking institutions have clearly conveyed the value their services add to customers

A majority (56, 6%) of respondents collectively agree and strongly agree that banking institutions have clearly conveyed the value their services add to customers. 33.3% collectively disagree and strongly disagree that Islamic Banking institutions have clearly conveyed the value their services add to customers. The remaining 10 % are neutral about this statement.

The main reason that majority of respondents did not use Islamic banks is that they were not fully convinced with the product and service offerings of Islamic banks (Buksh, 2005) Literature supports the result of this study. Ghafoor & Azhar, (2014) found that there is a huge amount of people who remain unaware of the concept of Islamic banking and it's products and the services.

4.5.2 Objective 2

Determine whether respondents believe that Islamic banks are working strictly according to *Shariah* practices.

4.5.2.1 Islamic banking in practice is working and operating as per the values and teachings of the *Quran* and *Sunnat*

A further examination was required to determine whether respondents are of the view that Islamic Banking operationally is diverging from the spirit of the law to conform to the letter of the law.

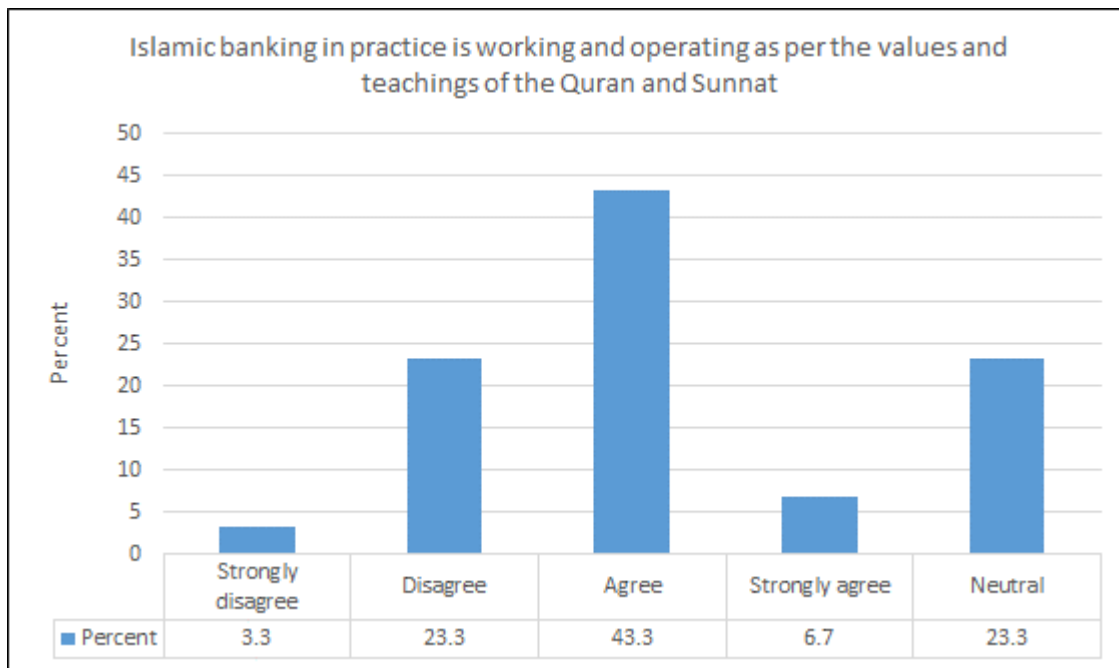


Figure 9 Islamic banking in practice is working and operating as per the values and teachings of the *Quran* and *Sunnat*

Table 3 Islamic Banking in practice is working and operating as per the values and teachings of the *Quran* and *Sunnat*

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly disagree	1	3.3	3.3	3.3
Disagree	7	23.3	23.3	26.7
Agree	13	43.3	43.3	70.0
Strongly agree	2	6.7	6.7	76.7
Neutral	7	23.3	23.3	100.0

Total	30	100.0	100.0	
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As shown above, almost half of the sample collectively agree (43.3%) and strongly agree (6.7%) that Islamic Banking in practice is working and operating as per the values and teachings of the Quran and *Sunnat*. These results are supported by Jameel, (2017) as the majority of respondents agreed that Islamic banking system is carried out under *Shariah* law.

4.5.2.2 Islamic Banking products imitate conventional banking products and may contain elements and bases that are un-Islamic in its nature.

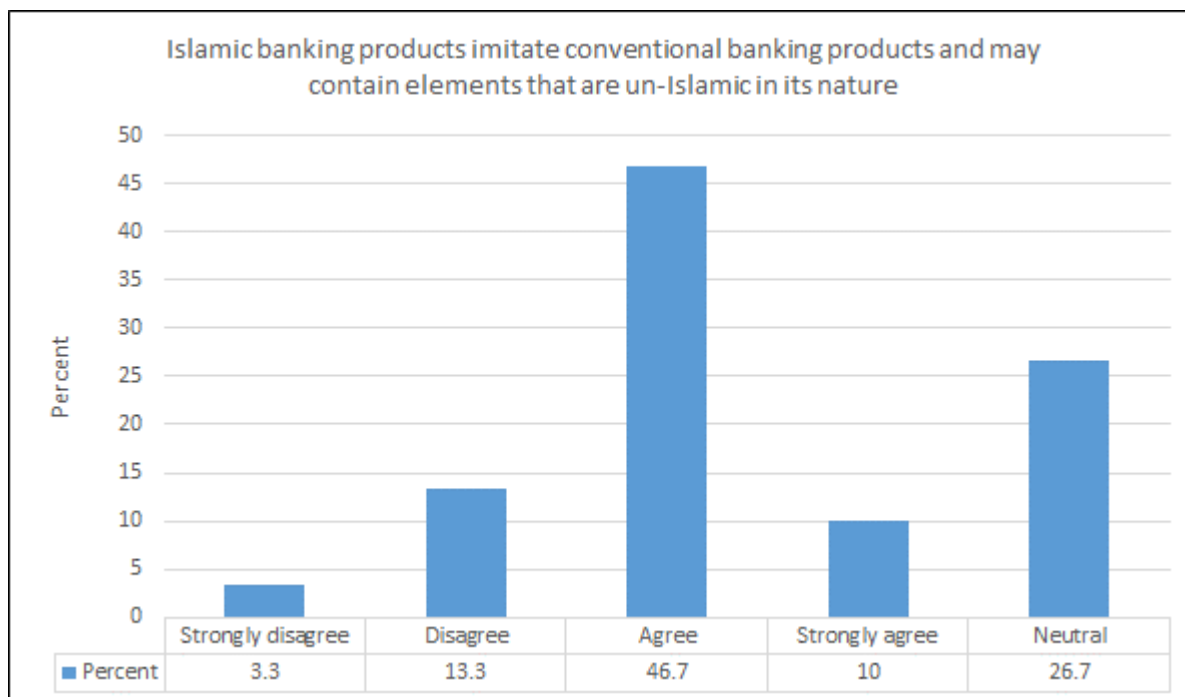


Figure 10 Islamic Banking products imitate conventional banking products and may contain elements and bases that are un-Islamic in its nature.

Table 4 Islamic Banking products imitate conventional banking products and may contain elements and bases that are un-Islamic in its nature

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	3.3	3.3	3.3
	Disagree	4	13.3	13.3	16.7
	Agree	14	46.7	46.7	63.3
	Strongly agree	3	10.0	10.0	73.3
	Neutral	8	26.7	26.7	100.0
	Total	30	100.0	100.0	

The findings reveal that 46.7% of the respondents agree and 10% strongly agree that Islamic Banking products imitate conventional banking products and may contain elements that are un-Islamic in its nature. Thus, collectively, 66, 7% collectively agree and strongly agree that Islamic Banking products imitate conventional banking products and may contain elements that are un-Islamic in its nature. It is also evident that 26, 7% of the respondents are neutral on this aspect.

These results are consistent with literature. There is an increased criticism amongst scholars that the *Shariah* compliant products are increasingly diverging away from the spirit of the law to conform to the letter of the law (literal interpretation of the words, by using technicalities and loopholes) according to Imam & Kpodar, (2010). According to Nienhaus, (2010), no modern state in the Muslim world has practically implemented an Islamic economic system, except perhaps Sudan and Iran. Khan, (2010), noted that many Islamic bankers expressed "cynicism" over the difference or lack thereof between conventional and Islamic bank products. Islamic banks may be unattractive as the higher fees are associated with Islamic Banking for nothing more substantial than impersonating conventional banking and this is exploitative in its very nature. Khan, (2010) further reported that Islamic banks replace conventional banking terminology with classic arab terminology by offering almost identical services but with a higher cost.

4.5.2.3 Islamic Banking is a credible/sound/realistic alternative to conventional banking

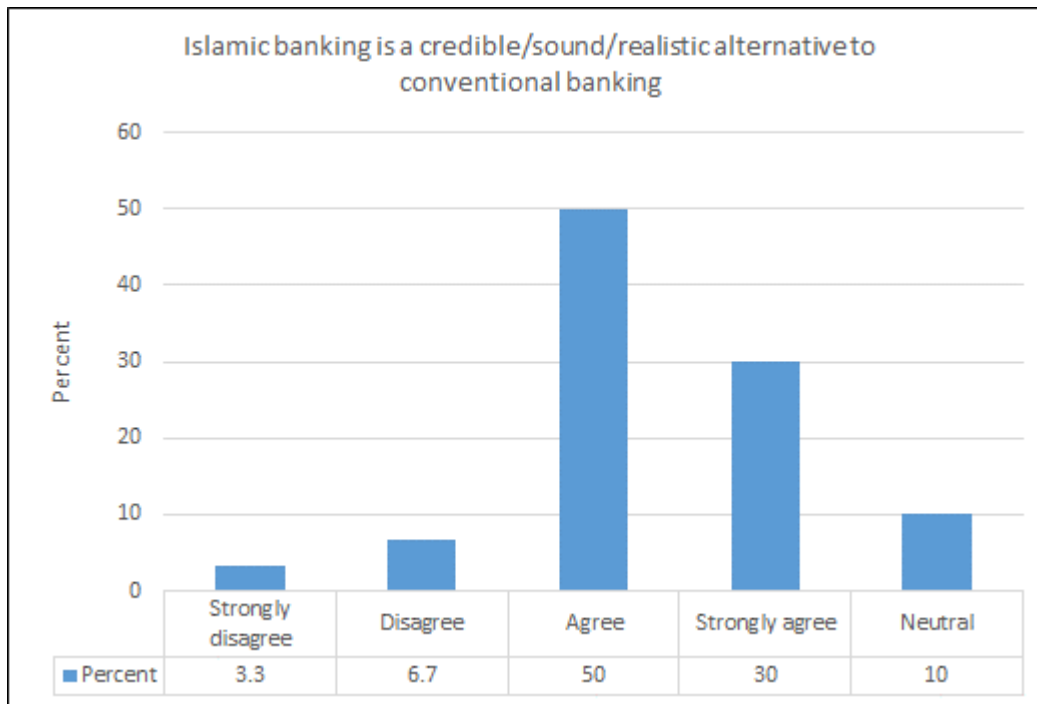


Figure 11 Islamic Banking is a credible/sound/realistic alternative to conventional banking

Table 5 Islamic Banking is a credible/sound/realistic alternative to conventional banking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	3.3	3.3	3.3
	Disagree	2	6.7	6.7	10.0
	Agree	15	50.0	50.0	60.0
	Strongly agree	9	30.0	30.0	90.0
	Neutral	3	10.0	10.0	100.0
	Total	30	100.0	100.0	

The findings reveal 80% of the sample collectively agreed and strongly agreed that Islamic Banking is a credible/sound/realistic alternative to conventional banking.

Table 6 Relationship between education and value of Islamic Banking as a credible/sound/realistic alternative

	q17					Total
	Strongly disagree	Disagree	Agree	Strongly agree	Neutral	

education	Degree	3.3%	3.3%			3.3%	10.0%
	Postgraduate Diploma/Honours		3.3%	40.0%	23.3%	6.7%	73.3%
	Masters			10.0%	6.7%		16.7%
Total		3.3%	6.7%	50.0%	30.0%	10.0%	100.0%

In order to determine the extent of the relationship, a cross tabulation of these two variables was conducted in Table 6 above. The postgraduate respondents (Postgraduate Diploma/Honours, Masters) all agree (50%) and strongly agree (30%) that Islamic banking is a credible/sound/realistic alternative to conventional banking. Hence the more educated respondents are the more they find Islamic banking to be a credible/sound/realistic alternative to conventional banking. The robust chi-square test statistic is reported as 17.615 (p-value=0.024) meaning that there is a relationship between one's education and Islamic banking to be a credible/sound/realistic alternative to conventional banking. The more educated people become the more they value Islamic banking as a valuable alternative.

Islamic Banking has enriched the Islamic legal system by providing *Shariah*-compliant solutions developed in response to the real world business questions put to it by the industry, according to (Usmani, 1999).

4.5.3 Objective 3

Ascertain and rank the motivational factors for using or not using an Islamic Bank

4.5.3.1 The level of service of a fully-fledged Islamic bank exceeds that of a conventional bank with an Islamic "window"

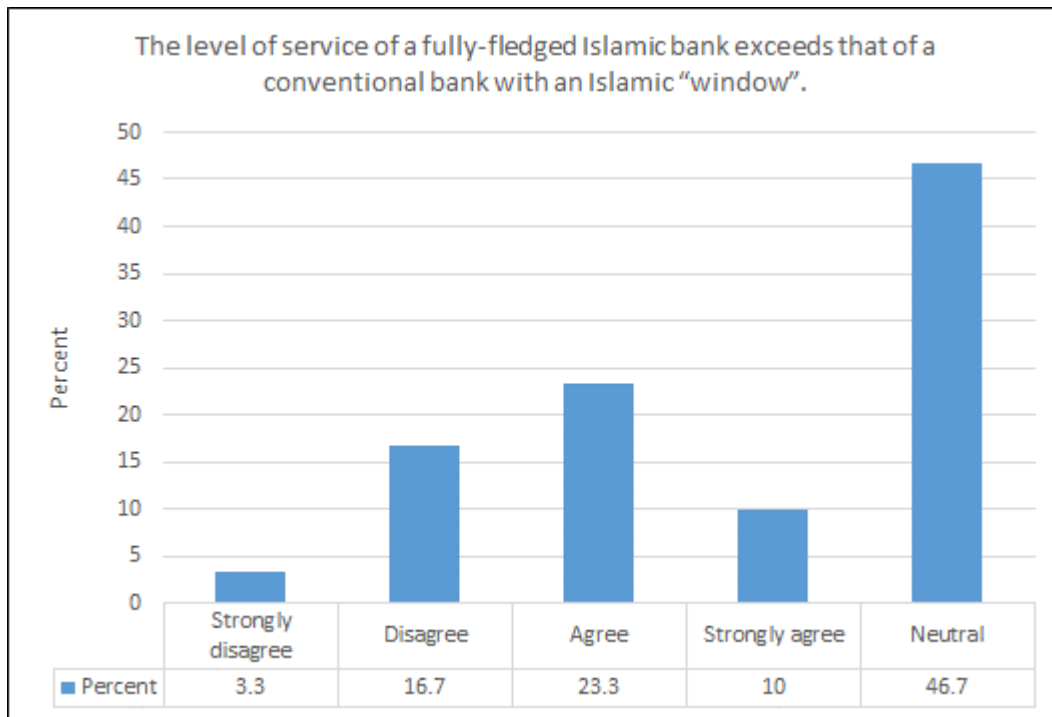


Figure 12 The level of service of a fully-fledged Islamic bank exceeds that of a conventional bank with an Islamic "window"

Table 6 The level of service of a fully-fledged Islamic bank exceeds that of a conventional bank with an Islamic "window"

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	3.3	3.3	3.3
	Disagree	5	16.7	16.7	20.0
	Agree	7	23.3	23.3	43.3
	Strongly agree	3	10.0	10.0	53.3
	Neutral	14	46.7	46.7	100.0
	Total	30	100.0	100.0	

Only 23.3% of the respondents agree that the level of service of a fully-fledged Islamic bank exceeds that of a conventional bank with an Islamic "window". The modal response was neutral (46.7%) to the statement that the level of service of a fully-fledged Islamic bank exceeds that of a conventional bank with an Islamic "window".

4.5.3.2 There is a need for a single unified regulatory body governing Islamic financial institutions

The independence of *Shariah* Supervisory Boards (SSB's) whose employment and compensation is determined by the same institutions compromises the independence of the SSB's. The researcher deemed it necessary to determine whether is a need for a single unified regulatory body to govern Islamic financial institutions in KwaZulu-Natal.

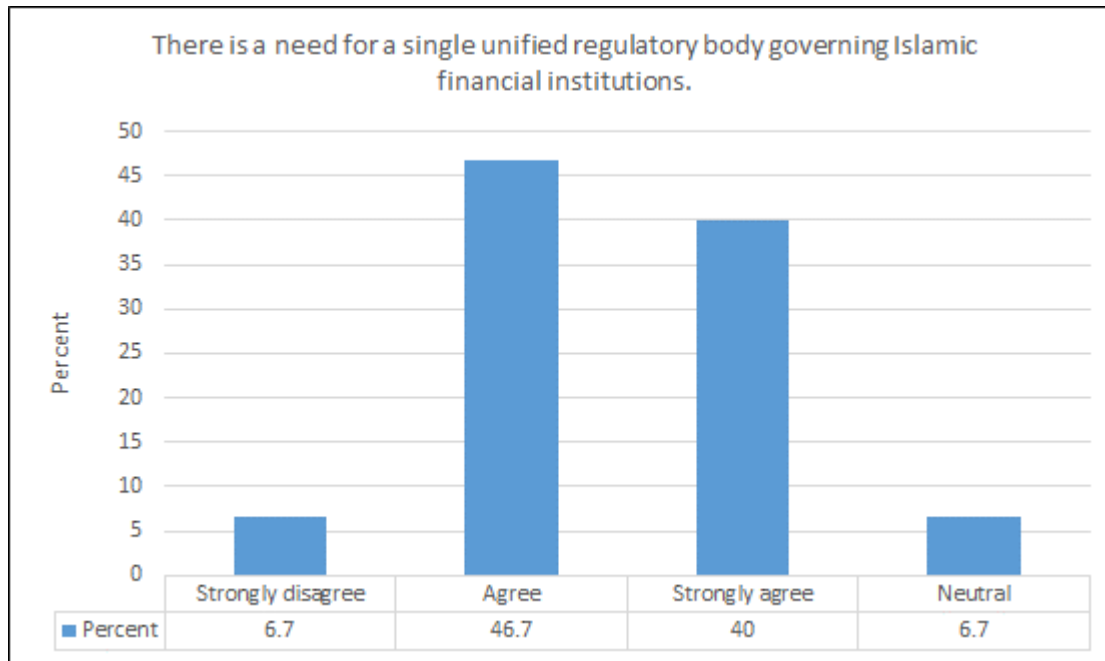


Figure 13 There is a need for a single unified regulatory body governing Islamic financial institutions

Table 7 There is a need for a single unified regulatory body governing Islamic financial institutions

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly disagree	2	6.7	6.7	6.7
Agree	14	46.7	46.7	53.3
Strongly agree	12	40.0	40.0	93.3
Neutral	2	6.7	6.7	100.0
Total	30	100.0	100.0	

The results show that 86.7% of the sample collectively agree and strongly agree that there is a need for a single unified regulatory body governing Islamic financial institutions.

Warde, (2000) argues that the industry suffers from handpicked, highly paid *Shariah* experts who offer products similar to a conventional banking system. Khan, (2010), reported that Islamic banks employ scholars who are willing to certify “*de facto*” conventional instruments as acceptable. The independence of SSBs and Islamic scholars was considered to be an important component to limit controversial issues (Buksh, 2005).

4.5.3.3 This body single unified regulatory body must encourage the harmonisation and regulation of *Shariah* standards.

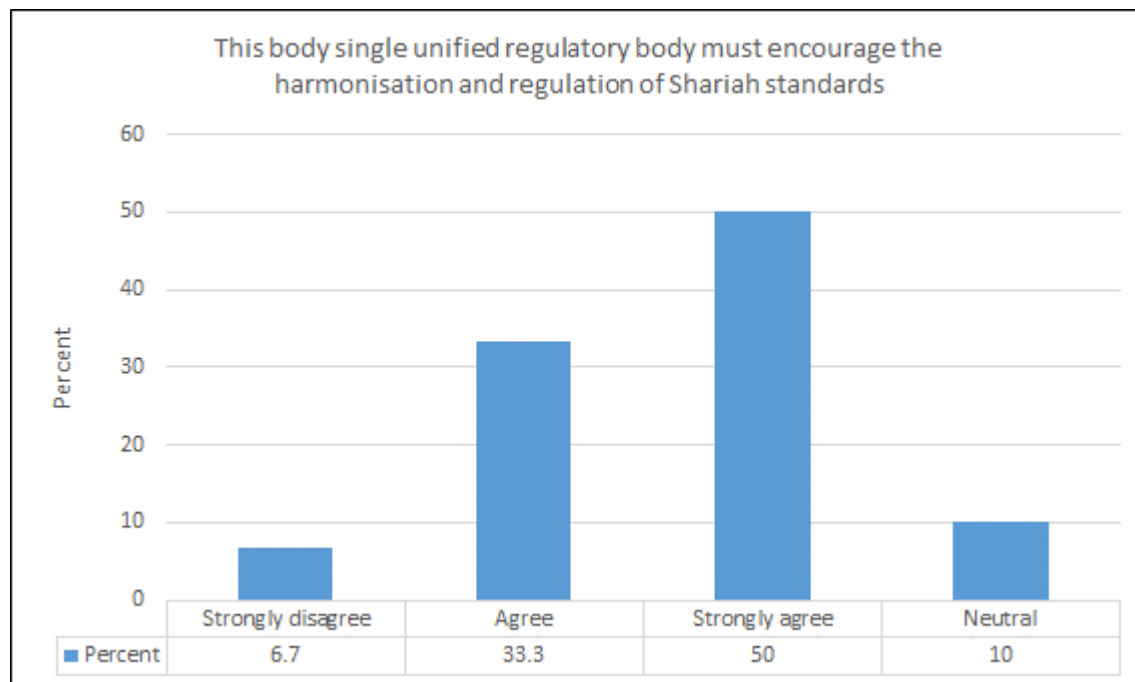


Figure 14 This body single unified regulatory body must encourage the harmonisation and regulation of *Shariah* standards

This study finds that 50% of the respondents strongly agree and 33.3% of the respondents with respect to a body single unified regulatory body that must encourage the harmonisation and regulation of *Shariah* standards.

These findings are consistent with Warde, (2000), who suggested that banks offering sharia-compliant products should have a SSB in place, which is made up of well-respected Islamic scholars who oversee and monitor activities. The greatest challenge facing Islamic banking was that the Islamic scholars and customers need to bridge the education gap (Buksh, 2005).

4.5.3.4 If a single unified regulatory body is constituted, the following persons/persons should be included

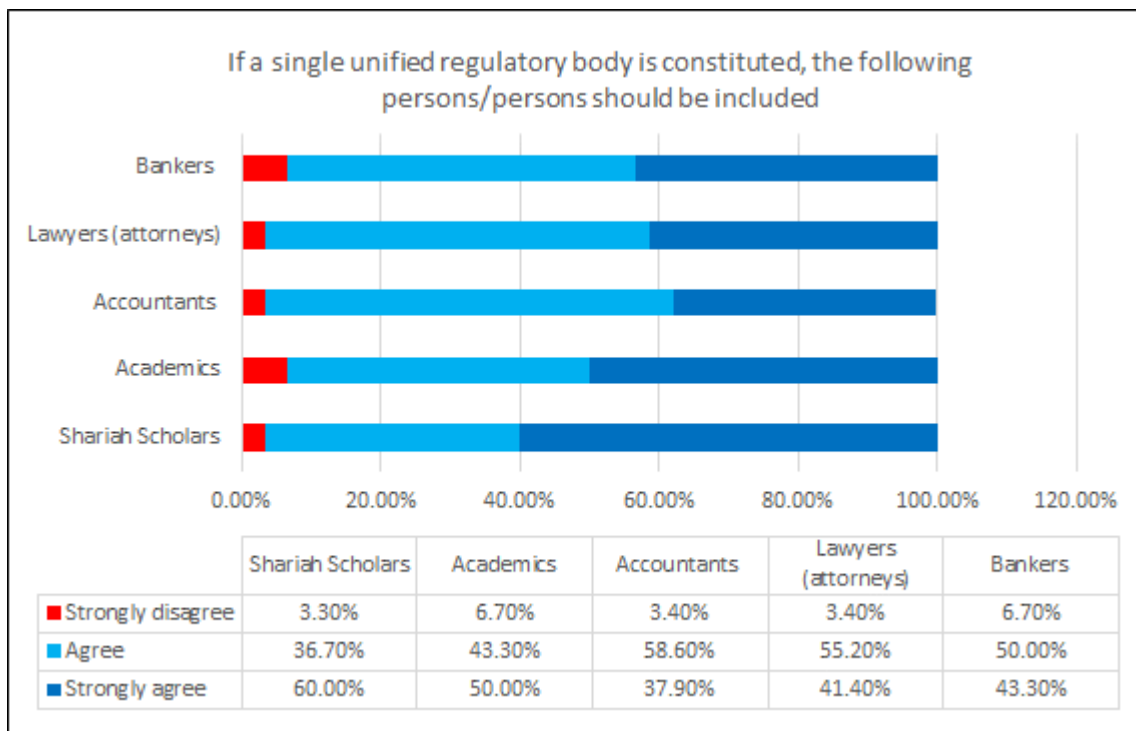


Figure 15 If a single unified regulatory body is constituted, the following persons/persons should be included

Table 8 If a single unified regulatory body is constituted, the following persons/persons should be included

	Strongly disagree		Agree		Strongly agree	
	Count	Percent	Count	Percent	Count	Percent
<i>Shariah</i> Scholars	1	3.3%	11	36.7%	18	60.0%
Academics	2	6.7%	13	43.3%	15	50.0%
Accountants	1	3.4%	17	58.6%	11	37.9%
Lawyers (attorneys)	1	3.4%	16	55.2%	12	41.4%
Bankers	2	6.7%	15	50.0%	13	43.3%

The composition of the single unified regulatory body should include: *Shariah* scholars (96.7% collectively agreed and strongly agree), lawyers (96.6% collectively agreed and strongly agree), accountants (96.5% collectively agreed and strongly agree), bankers and academics (93.3% collectively agreed and strongly agree).

In order to promote Islamic Banking, a knowledge based work force comprising qualified experts should be absorbed into this industry as they will promote greater innovation with Islamic financial products (Ghafoor & Azhar, 2014). The greatest challenge facing Islamic banking is the education gap between Islamic scholars and customers (Buksh, 2005). Banks offering sharia-compliant products should have a SSB in place, made up of well-respected Islamic scholars who oversee and monitor activities (Warde, 2000). Participation of academia and *Shariah* advisors is required for the growth and development of Islamic banking (Ghafoor & Azhar, 2014).

4.5.3.5 Curriculum design at a *Madressa* level should include business transaction activities according to *Shariah*

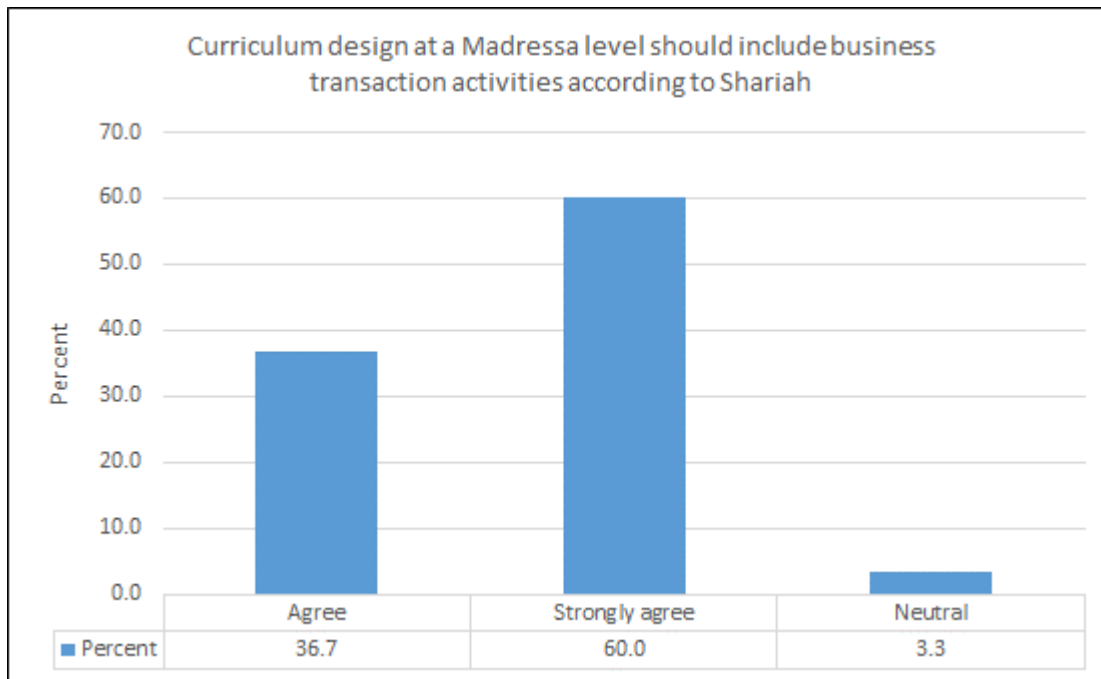


Figure 16 Curriculum design at a *Madressah* level should include business transaction activities according to *Shariah*

There is an overwhelming response of agree (36.7%) and strongly agree (60%) towards curriculum design at a *Madressah* level being able to include business transaction activities according to *Shariah*. These results are supported with the results in Figure 16 above, which indicated that although *Madressah* serves as the formal primary Islamic education basis in South Africa, most (90%) of respondents do not consider it to provide a source of knowledge in the area of Islamic Banking. Most (90%) of respondents do not consider *Madressah* to provide a source of knowledge in the area of Islamic Banking (Ghafoor & Azhar, 2014).

4.5.3.6 Curriculum design at a tertiary level should include business transaction activities according to *Shariah*

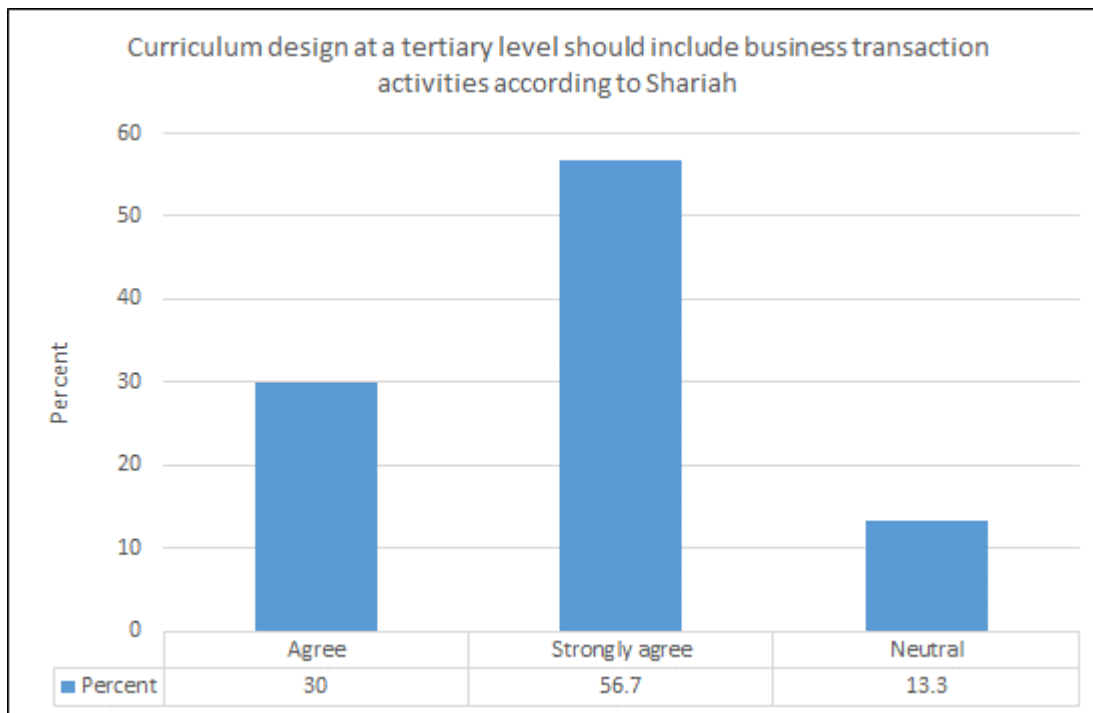


Figure 17 Curriculum design at a tertiary level should include business transaction activities according to *Shariah*

The respondents agree (30%) and strongly agree (56.7%) that Curriculum design at a tertiary level should include business transaction activities according to *Shariah*.

In cross-tabulation between respondents rating of their knowledge of Islamic Banking and level of education, the robust chi-square test statistic is reported as 11.267(p-value=0.187) . This implies that there is no relationship between one’s education and knowledge of Islamic Banking.

4.5.3.7 Please indicate the five most important motivational factors in selecting an Islamic banking products and services

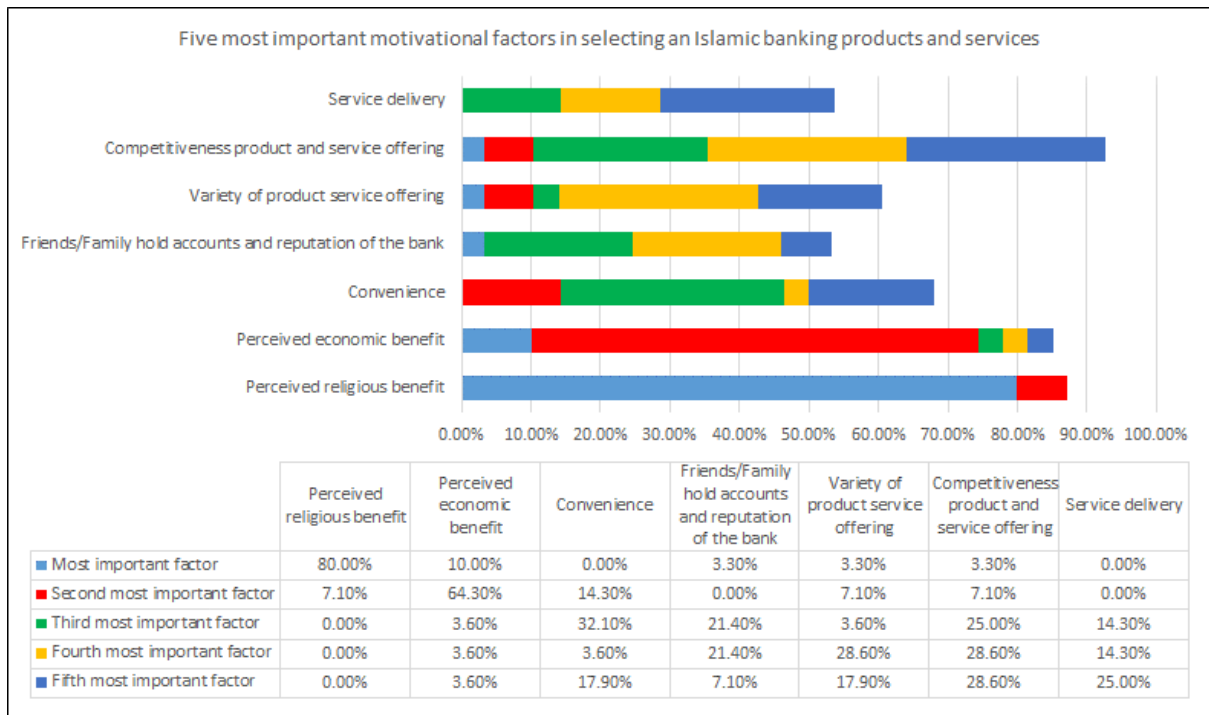


Figure 18 The five most important motivational factors in selecting an Islamic banking products and services

Table 9 The five most important motivational factors in selecting an Islamic banking products and services

	Perceived religious benefit		Perceived economic benefit		Convenience		Friends/Family hold accounts and reputation of the bank		Variety of product service offering		Competitiveness product and service offering		Service delivery	
	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%
Most important factor	24	80.0%	3	10.0%	0	0.0%	1	3.3%	1	3.3%	1	3.3%	0	0.0%
Second most important factor	2	7.1%	18	64.3%	4	14.3%	0	0.0%	2	7.1%	2	7.1%	0	0.0%
Third most important factor	0	0.0%	1	3.6%	9	32.1%	6	21.4%	1	3.6%	7	25.0%	4	14.3%
Fourth most important factor	0	0.0%	1	3.6%	1	3.6%	6	21.4%	8	28.6%	8	28.6%	4	14.3%
Fifth most important factor	0	0.0%	1	3.6%	5	17.9%	2	7.1%	5	17.9%	8	28.6%	7	25.0%

Table 10 Ranking of the most important motivational factors to adopt Islamic Banking

Ranking	Most important motivational factors to adopt Islamic Banking
Most important	Perceived religious benefit (80%).
Second most important	Perceived economic benefit (64.3%)
Third most important	Convenience (32.1%)
Fourth most important	Variety of service product offering and competitiveness product and service offering (28.6%)
Fifth most important	Service delivery (25%)

These results are contrary to results found in (Ghafoor & Azhar, 2014) where religion was ranked as the seventh most important criteria to select an Islamic Bank. Customers consider service satisfaction and cost-benefit consideration to be more important than religious benefit (Ghafoor & Azhar, 2014).

4.5.4 Objective 4

Establish the main reason for choosing Islamic Banking

4.5.4.1 The main reason why I would select Islamic Banking products

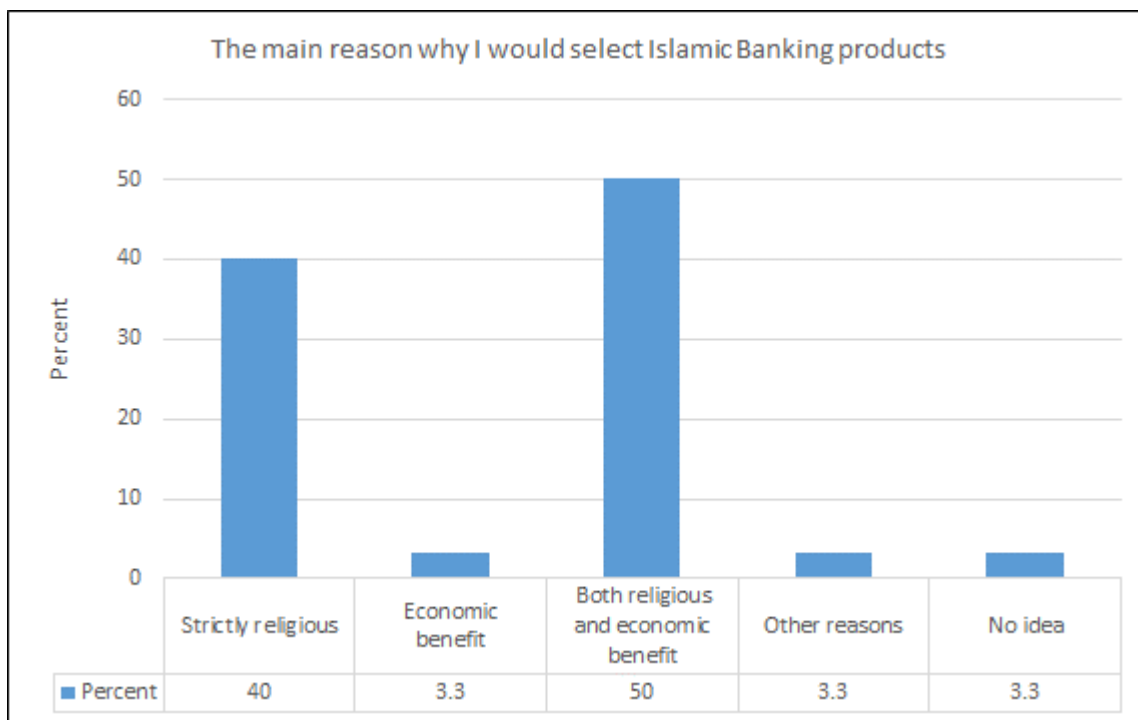


Figure 19 The main reason why I would select Islamic Banking products

According to the figure above, religion was ranked as the most important reason for selecting an Islamic bank. 40% of respondents chose religion as the motivating reason to select Islamic Banking. Interestingly, 50% of respondents opted for Islamic Banking for both religious and economic benefits. Whilst, 3,3% would chose Islamic Banking for economic benefit only. These results indicate the significance of religion in their decision to patronise Islamic Banking.

There is a significant correlation with the results in Question 23 found that the most important motivational factor amongst the respondents was considered to be the perceived religious benefit (80%). These results are in line with earlier researchers who found that religion was the most influential factor when patronising an Islamic bank (Haron, et al., 1994; Metawa &

Almossawi, 1998; Gerrard & Cunningham, 1997; Bley & Kuehn, 2004). The results in Souiden & Rani, (2015) depicted that the more a person believes in Islamic laws and fears divine punishment, the more favourable his/her attitude towards Islamic Banks become. Muslims in South Africa are more concerned about the religious connotations than the financial consequences of their banking (Vawda, et al., 2013).

In cross-tabulation between the forms of banking used and level of education, the robust chi-square test statistic is reported as 12.227(p-value=0.270). Since the p-values are insignificant, this implies that there is no relationship between one's education and the type of bank used. This confirms that selection of Islamic Banking is driven by religious motives.

4.6 Summary of key findings

This study aimed to determine the motivational factors for adopting Islamic Banking amongst Accountants and Lawyers in KwaZulu-Natal. The aim was broken down into four objectives. In order to determine whether this research project has sufficiently answered each objective, a summary is provided in the table below:

Table 11 Summary of key findings

Objectives	Findings	Section
Establish whether respondents who are Muslim Accountants and Lawyers in KwaZulu-Natal understand the underlying principles of Islamic Banking.	It was found that majority (67%) of respondents partially understand or have no knowledge of Islamic Banking. 40% of respondents rated their knowledge of the Islamic Banking terminology to be poor or none. Majority (60%) of respondents have an average or less understanding of the differences between Islamic Banking and conventional banking.	4.4.1
Determine whether respondents believe that Islamic banks are working strictly according to <i>Shariah</i> practices.	An overwhelming majority (80%) agreed that Islamic Banking is in theory a credible/sound/realistic alternative to conventional banking yet the majority (67%) collectively agree and strongly agree that Islamic Banking products imitate conventional banking products and may	4.4.2

	contain elements that are un-Islamic in its nature.	
Ascertain and rank the motivational factors for using or not using an Islamic Bank	<p>Majority feel that the level of service of Islamic Bank does not exceed the conventional banks with an “Islamic window”.</p> <p>Majority (87%) agree that there is a need for a single unified regulatory body governing Islamic financial institutions encouraging the harmonisation and regulation of <i>Shariah</i> standards and should comprise of <i>Shariah</i> scholars, lawyers, accountants, bankers and academics.</p> <p>There is an overwhelming agreement towards curriculum design at a <i>Madressah</i> and tertiary level being able to include business transaction activities according to <i>Shariah</i></p> <p>The motivational factors identified and ranked are:</p> <p>Perceived religious benefit, economic benefit, convenience, variety and competitiveness of product and service offering and lastly convenience.</p>	4.4.3
Establish the main reason for choosing Islamic Banking	<p>Religion was ranked as the most important reason for selecting an Islamic bank.</p> <p>40% of respondents chose religion as the motivating reason to select Islamic Banking. Interestingly, 50% of respondents opted for Islamic Banking for both religious and economic benefits. Whilst, 3,3 % would chose Islamic Banking for economic benefit only.</p>	4.4.4

As shown in table above, all of the objectives that were set for this study have been met, implying that the research question may be appropriately answered. The answer to the research question will be provided in Chapter five as part of the recommendations arising from this

study.

4.7 Descriptive Statistics

The descriptive statistics will also include the mean, mode, median and standard deviation.

4.7.1 Analysis of means

In considering the mean, the mode, the median, the sample variance and the sample standard deviation, the results are reflected in Table 13 below.

The sum of all the data divided by the sample size is the arithmetic mean, the mode is the most frequent response and the median is the middle most value when the data (per variable/question) is arranged in descending order. The degree or quantity by which each observation varies one from another is the sample variance. The sample standard deviation is the square root of the sample variance. From the table below, the majority of the questions have modes of “2” and “3” and these may be translated in accordance with the responses from the scales of the relevant question. The standard deviations are consistently about ‘1’ and this indicates good consistency between the observations. This also indicates low variability. The mean and median values are consistent with modal values. The descriptive statistics are a tool used to confirm the graphical statistics.

Table 12 Descriptive Statistics

	Mean	Median	Mode	Std. Deviation	Variance
Age	2.6000	2.5000	2.00	1.24845	1.559
Race	3.0333	3.0000	3.00	.18257	.033
Gender	1.2667	1.0000	1.00	.44978	.202
Education	4.0667	4.0000	4.00	.52083	.271
areaofspecialization	1.4828	1.0000	1.00	.91107	.830
q6islamicbanl	.3000	.0000	.00	.46609	.217
q6conventionalbankisla micwindow	.2333	.0000	.00	.43018	.185
q6conventionalbank	.8333	1.0000	1.00	.37905	.144
q7knowldgeofislamicba nk	3.0333	3.0000	3.00	1.03335	1.068
q8riba	3.8000	4.0000	4.00	1.15669	1.338
q8shariah	3.8333	4.0000	4.00	.91287	.833
q8ijara	2.6333	3.0000	3.00	1.27261	1.620
q8mudarabah	2.8667	3.0000	3.00	1.19578	1.430
q8musharakah	2.8333	3.0000	2.00	1.20583	1.454
q8sukuk	2.4667	2.0000	2.00	1.16658	1.361
q8takaful	2.5667	2.0000	2.00	1.19434	1.426
q9mainsource	3.3000	3.0000	2.00	1.55696	2.424
q9secondsource	3.4667	3.0000	2.00	1.35782	1.844
q9thirdsource	3.7333	4.0000	5.00	1.57422	2.478
q10	3.2000	3.0000	3.00	.96132	.924
q11	3.3333	3.0000	3.00	.88409	.782

q12	3.2333	3.0000	3.00	1.16511	1.357
q13	3.4333	3.0000	3.00	1.13512	1.289
q14	3.4000	3.0000	3.00	.89443	.800
q15	3.5667	4.0000	4.00	.93526	.875
q16a	3.5333	4.0000	4.00	.68145	.464
q16b	3.3667	3.5000	4.00	.80872	.654
a16c	3.3103	3.0000	3.00	.66027	.436
q16d	3.3448	3.0000	3.00	.66953	.448
q16e	3.3000	3.0000	3.00	.79438	.631
q17	3.3667	3.0000	3.00	.88992	.792
q18	2.9667	3.0000	3.00	.99943	.999
q19	3.8000	4.0000	5.00	1.29721	1.683
q20	3.6667	4.0000	4.00	.54667	.299
q21	3.8333	4.0000	4.00	.64772	.420
q22	2.2667	3.0000	3.00	1.14269	1.306
q23a	1.5000	1.0000	1.00	1.25258	1.569
q23b	2.5714	2.0000	2.00	1.31736	1.735
a23c	4.5714	4.0000	3.00	1.59695	2.550
q23d	5.1786	5.0000	5.00 ^a	1.24881	1.560
q23e	5.2500	6.0000	6.00	1.55456	2.417

4.7.2 Hypothesis Testing

The researcher uses the Kolmogorov Smirnov test to test for normality on the data.

KOLMOGOROV SMIRNOV TEST

H₀:the tested variables come from a Normal distribution

H₁:the tested variables do not come from a Normal distribution

Table 13 Kolmogrov Smirnov Test

Question	Test Statistic	Asymp. Sig. (2-tailed)
Q1.	.185	.011
Q2.	.539	.000
Q3.	.457	.000
Q4.	.384	.000
Q5.	.426	.000
Q6. Islamic bank	.440	.000
Q6. Conventional bank with Islamic window	.473	.000
Q6. Conventional bank	.503	.000
Q7. Knowledge of Islamic bank	.187	.009
Q8.. riba	.269	.000
Q8. shariah	.206	.002
Q8. ijara	.157	.056
Q8. mudarabah	.166	.035
Q8. musharakah	.189	.008
Q8. sukuk	.222	.001
Q8. takaful	.282	.000
Q9. Main source	.231	.000
Q9. Second source	.193	.006
Q9. Third source	.189	.008
Q10	.197	.004
Q11	.280	.000
Q12	.279	.000

Q13	.282	.000
Q14	.261	.000
Q15	.278	.000
Q16a	.353	.000
Q16b	.283	.000
Q16c	.302	.000
Q16d	.283	.000
Q16e	.286	.000
Q17	.260	.000
Q18	.253	.000
Q19	.289	.000
Q20	.362	.000
Q21	.302	.000
Q22	.306	.000
Q23a	.455	.000
Q23b	.382	.000
Q23c	.211	.002
Q23d	.173	.031
Q23e	.221	.001

At the 5% significance level, we reject H_0 for the questions whose p-values are less than 0.05. This implies that the tested variables are not derived from a normal distribution. Non-parametric statistics may be used. These include Mann-Whitney U test, chi-square and the Kruskal Wallis test. However, in this instance since the p-values are all less than 0.05, we reject H_0 and we conclude that we will use non-parametric tests on these questions for further analysis.

4.7.3. Chi-Square test

There are two Chi-square tests, namely chi-square test of independence and chi-square goodness of fit test. The chi-square test of independence is used is often used to check for an association between the row and columns of a contingency table (Coakes & Steed , 2010). The following hypotheses will be tested using the Chi-square goodness of fit test. The reason that this test will be used is that if the responses are tending towards and certain category, say towards the “agree” and “strongly agree” category rather than the “disagree” or “strongly disagree” category then we can ascertain if certain motivational factors for using or not using Islamic Banking have an impact based on the distribution of the responses within the question categories.

Table 14 Hypothesis Testing

	DETAILS OF HYPOTHESES	CHI-SQUARE VALUE	P-VALUE
1.	<p>H₀: Islamic Banking is not a credible/sound/realistic alternative to conventional banking.</p> <p>H₁: Islamic Banking is a credible/sound/realistic alternative to conventional banking.</p>	33.696	0.000
2.	<p>H₀: Islamic Banking institutions have not clearly conveyed the value their services add to customers.</p> <p>H₁ Islamic Banking institutions have clearly conveyed the value their services add to customers</p>	20.496	0.000
3.	<p>H₀: The level of service of a fully-fledged Islamic bank does not exceeds that of a conventional bank with an Islamic “window”.</p> <p>H₁ The level of service of a fully-fledged Islamic bank exceeds that of a conventional bank with an Islamic “window”.</p>	24.496	0.000
4.	<p>H₀: Curriculum design at a <i>Madressah</i> level should not include business transaction activities according to Shariah.</p> <p>H₁: Curriculum design at a <i>Madressah</i> level should include business transaction activities according to Shariah.</p>	33.634	0.000

	DETAILS OF HYPOTHESES	CHI-SQUARE VALUE	P-VALUE
5.	H ₀ : Curriculum design at a tertiary level should not include business transaction activities according to Shariah. H ₁ : Curriculum design at a tertiary level should include business transaction activities according to Shariah.	23.857	0.000
6.	H ₀ : The main reason for choosing Islamic Banking is not religious or economic benefit or both. H ₁ : The main reason for choosing Islamic Banking is religious or economic benefit or both.	44.300	0.000

The results of the testing in Table 15 reflect the p-values for each of the relationships tested. Based on the test results, the null hypothesis is rejected for all:

- a) At the 5% significance level H₀ is rejected since the p-value is less than 0.05 and we conclude that Islamic Banking is a credible/sound/realistic alternative to conventional Banking.
- b) At the 5% significance level H₀ is rejected since the p-value is less than 0.05 and we conclude that Islamic Banking institutions have clearly conveyed the value their services add to customers.
- c) At the 5% significance level H₀ is rejected since the p-value is less than 0.05 and we conclude that the level of service of a fully-fledged Islamic bank exceeds that of a conventional bank with an Islamic “window”
- d) At the 5% significance level H₀ is rejected since the p-value is less than 0.05 and we conclude that Curriculum design at a *Madressah* level should include business transaction activities according to *Shariah*.
- e) At the 5% significance level H₀ is rejected since the p-value is less than 0.05 and we conclude that Curriculum design at a tertiary level should include business transaction activities according to *Shariah*.
- f) At the 5% significance level, H₀ is rejected since the p-value is less than 0.05 and we conclude that the main reason for choosing Islamic Banking is religious or economic benefit or both.

4.8 Conclusion

The data collected from the research instrument was analysed and interpreted and have been presented in this chapter. After presenting the demographic profile of the respondents, key findings in relation to each of the three objectives set for this study were highlighted. Several interesting findings were revealed. The discussion of the findings of this study was considered in the context of relevant prior research in relation to each of the objectives set, and probing questions from the research instrument resulted in rich data being processed into useful, relevant information. A summary was also provided to show how each research objective had been met. Thereafter, descriptive statistics were carried out to confirm the results of the graphical statistics and frequency tables. Based on these findings, significant conclusions may be drawn from which recommendations are suggested in the chapter to follow. The limitations of this study and recommendations for further research will also be presented in Chapter five.

Chapter Five: Conclusions and Recommendations

5.1 Introduction

This chapter presents a summary of the empirical results. Increased adoption of Islamic Banking is vital to ensure improvement of the standard of Islamic Banking and enhance its development. The objectives that were identified for the study were designed to answer the research question directly, and data was gathered to determine what paradigm shifts were required to successfully increase penetration of Islamic Banking in South Africa such that South Africa is able to position itself as the gateway into Africa. The study opines that Islamic Banking should be promoted in South Africa as it is based upon the principles of Islam. An analysis of the data was presented in Chapter four. This chapter will highlight the specific conclusions that may be drawn from the study, will focus on recommendations based on the findings and will identify the limitations of the study with recommendations for further research.

5.2 Conclusions from the study

The key findings were summarised in Table 9. The study found that adoption of Islamic Banking amongst Muslim Accountants and Lawyers in KwaZulu-Natal is low. Majority of the respondents use conventional banks (83.3%) followed by a minority respondents who bank with a conventional bank with an Islamic window.

5.2.1 Lack of understanding of the underlying principles of Islamic Banking (Objective one)

The first research objective was to establish whether respondents who are Muslim Accountants and Lawyers in KwaZulu-Natal understand the underlying principles of Islamic Banking. This study found that there is a tremendous lack of understanding about the principles governing Islamic Banking. The ignorance amongst the well educated respondents about the principles and practice of Islamic Banking is prevalent. The terminology used in Islamic Banking was poorly- understood. Majority of the respondents were unable to differentiate Islamic Banking principles with conventional banking principles.

5.2.2 Scepticism of Islamic Banking (Objective two)

The second research objective was to determine whether respondents believe that Islamic banks are working strictly according to *Shariah* practices. There were multiple significant misconceptions amongst the respondents about the operations of Islamic Banking. A disconnect between *Shariah* law and the execution of Islamic banking transactions is evident.

Although an overwhelming majority (80%) agreed that Islamic Banking is in theory a credible/sound/realistic alternative to conventional banking, the application of Islamic Banking principles in practice was criticized for various reasons. The majority of respondents agree that Islamic Banking may contain elements that are un-Islamic in its nature and Islamic Banking products and services imitate conventional banking products and services. The negative sentiment about underlying principles governing the operations of an Islamic Banking system amongst the majority of the respondents was evident.

5.2.3 Motivational factors for using Islamic Banking (Objective three)

The third research objective encompassed the compilation and ranking of motivational factors that will result in increased adoption of Islamic Banking. The motivational factors for choosing Islamic Banking based on order of importance are perceived religious benefit, economic benefit, convenience, variety and competitiveness of product and service offering and lastly convenience. The ranking of factors above contributed to new knowledge, and again specifically identified religious and economic benefit at the forefront on the list of criteria selected in ranking.

5.2.4 The main reason for choosing Islamic Banking (Objective four)

The fourth research objective was to determine the main reason for selecting Islamic Banking. This study found that religion was ranked as the most important reason for selecting an Islamic bank. 40% of respondents chose religion as the motivating reason to select Islamic Banking. Interestingly, 50% of respondents opted for Islamic Banking for both religious and economic benefits. Whilst, 3,3 % would chose Islamic Banking for economic benefit only. Therefore respondents were affected by their religious convictions in their decision to adopt Islamic Banking.

In fulfilling the research objectives, the research questions were answered. Muslim Accountants and Lawyers have a low level of understanding of the underlying principles of Islamic Banking. They are unaware or insufficiently educated about Islamic Banking principles. Majority of respondents believe that Islamic Banking is working strictly according to *Shariah*, however they do not consider it to be a credible alternative to conventional banking. The motivational factors to increase adoption of Islamic Banking were determined and ranked (Refer 5.2.3). The primary criteria for selection of Islamic Banking amongst Muslim Accountants and Lawyers in KwaZulu-Natal a religious one.

5.3 Recommendations arising from this study and the findings in relation to the research objectives

The findings of the study displayed that there was a lack of understanding and increased scepticism amongst professional Muslim Accountants and Lawyers concerning Islamic Banking. However, the respondents were primarily motivated by the desire to adhere to normative religious values. Success factors for increased adoption will therefore be recommended.

5.3.1 Addressing the lack of understanding of Islamic Banking

The empirical data suggested that media and literature will be the most effective tool to promote relevant knowledge of Islamic finance to build consensus, raise awareness, and promote the use of *Sharia* compliant products and services. The researcher noted that there is a dire need for more comprehensive education and training programmes to educate consumers about the various types of Islamic Banking products: namely, *Mudarabah*, *Musharakah*, *Sukuk and Takaful*. There was an intensity of expression that curriculum design at *Madressah* include aspects of *Shariah*. Curricula in tertiary institutions must also be developed to include core principles and establish a framework for understanding this financial system. Tertiary academic institutions should intensify the prominence of Islamic finance research units and centres of excellence, to drive awareness and address the shortage of literature on Islamic Banking. Therefore, there exists a need for the broader community to be educated in terms of the concepts, principles and structures of Islamic Banking. Policymakers are encouraged to develop stakeholder-oriented strategies to promote effective consumer education in Islamic Banking.

5.3.2 Addressing the scepticism towards Islamic Banking

The empirical data found that banking institutions will have to undertake more initiatives to convey the value that they add to customers. Islamic Banks should improve the level and quality of service as only 23% of respondents agreed that the level of service of a fully-fledged Islamic bank exceeded that of a conventional bank with an Islamic “window”.

A significant majority of respondents agreed that there is a need for a single unified regulatory body governing Islamic financial institutions. This exemplifies the fact that a uniform single regulatory body be constituted. Since compliance with *Shariah* law is the underlying reason for the existence of Islamic Banking, a *Shariah* Supervisory Board (SSB) acting as a regulatory

body should be set up to encourage harmonization and regulation of *Shariah* standards. Since the responsibilities of members comprising the SSB are multi-dimensional and they require a variety of competencies, this study provides a significant contribution by identifying the composition of the board. The SSB must comprise *Shariah* scholars, lawyers, accountants, bankers and academics. The purpose of such body is aimed at benefitting and providing a better understanding amongst the various constituents with the intention of upholding the principles of Islamic economics.

5.3.3. Factors to increase adoption of Islamic Banking

In order to exploit the dynamic market environment and face increasing competition, financial innovations in Islamic Banking are vital and should be encouraged by key role players who require the tools to tackle obstacles of contractual complexities, structure of transactions, customer understanding and translating *Shariah* Law into regulations. As financial markets are changing with time, there is a dire need for financial innovations by designing financial products that will meet users' needs by conforming to the spirit of the Islamic Law and not merely the letter of the Islamic Law. Islamic Banking is enshrined in religious dimensions, whereby financial innovations need to be *Shari'ah* compliant. As a result, reputable *Shariah* scholars are critical to the process, as they will ensure effective monitoring and compliance due to their extensive *Shariah* expertise. Such scholars are well positioned to bridge the gap between *Shariah* and finance requirements of the business and finance sector. The specialised broad representation will bring diverse knowledge and experience with diverse professional backgrounds may enable juristic *Shariah* decision-making and greater conformity to *Shariah* principles.

5.4 Limitations

There were certain limitations identified to the study.

- Low response rate to questionnaire:

The low response rate of 37% was a limitation to the study. The findings of the study cannot be generalised. Tests were carried out to ensure that the results were statistically significant and accurately interpreted in order to address the limitation. As a reliability test, Cronbach's alpha was also calculated to determine how consistent the results were and whether the researcher will get similar results to generalize if the sample size was increased. The alpha values

indicated good internal consistency, reliability and integrity.

- Lack of sufficient literature:

There was a lack of literature relating to the topic of adoption of Islamic Banking in the South African context. The review was descriptive in nature and therefore focused on understanding rather than a critical assessment of existing literature.

5.5. Future Research

The following are avenues of future research:

- a) It was recommended that an SSB be established. Further research is required to establish the scope and responsibilities of this regulatory body. The absence of a complete framework for governing a single unified regulatory board is evident. The framework should specifically highlight skills required.
- b) The independent regulator must collaborate with *Madressahs* and tertiary institutions to design a curriculum. The future research must expand on the findings of this study and identify appropriate syllabi content.
- c) A similar study of a qualitative nature could also be carried out to investigate the incentive for adopting or not adopting Islamic banking.
- d) Further investigation be carried out amongst other professionals and include Muslim and non-Muslim participants.

5.6 Conclusion

The research objectives set for this study have been satisfied, in spite of the limitations identified earlier. The aim of the study was to determine the motivational factors for adopting Islamic Banking amongst Accountants and Lawyers in KwaZulu-Natal and identified several elements to address the problem statement relating to low adoption of Islamic Banking.

This study was conducted in a heterogeneous South African society, unlike many similar studies that focused on Muslim majority countries. The original contribution of the study is the availability of a set of ranked factors that increase adoption of Islamic Banking. This study is the first to specifically address mechanisms in order to promote the systematic and sustained use of Islamic Banking by identifying ways to raise knowledge and awareness, build consensus and promote the use of *Sharia* compliant financing instruments to improve future prospects and become an innovative, competitive and integrated part of contemporary global finance.

Further, the study addressed effective ways to bridge the education gap and promoted a collaboration between various stakeholders to find solutions to implement Islamic Banking in the ever-complex and dynamic business environment, whilst still adhering to the principles of Islam. The study identified the need for a single unified regulatory body and provided insights about its role and composition thus provides policy makers with useful information to inform policy formulation and implementation. This study has raised several valid, practical and relevant recommendations and has broader implications for increasing the adoption of Islamic Banking amongst Accountants and Lawyers in KwaZulu-Natal.

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Appendix 1: Questionnaire

UNIVERSITY OF KWAZULU-NATAL
SCHOOL OF ACCOUNTING, ECONOMICS and FINANCE

Dear Respondent,

Masters Thesis in Accounting
Researcher: Salma Vanker (031 260 1475)
Supervisor: Leo Deodutt (031 260 7074)
Research Office: Ms M Snyman 031-2608350

I, Salma Vanker am a Master of Accounting student, at the School of Accounting, Economics and Finance at the University of KwaZulu Natal. You are invited to participate in a research project entitled **Adoption of Islamic Banking by Muslim Accountants and Lawyers in Kwa - Zulu Natal**. The aim of this study is to determine to what extent does the knowledge and perception level of Muslim Accountants and Lawyers in Kwa-Zulu Natal relate to a decision to patronize Islamic Banking? Through your participation I hope to answer this research question.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this survey/focus group. Confidentiality and anonymity of records identifying you as a participant will be maintained by the School of Accounting, Economics and Finance, UKZN.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above.

The survey should take you about 10 minutes to complete. I hope you will take the time to complete this survey.

Sincerely

Investigator's
Date_____

signature_____

This page is to be retained by participant

**UNIVERSITY OF KWAZULU-NATAL
SCHOOL OF ACCOUNTING, ECONOMICS and FINANCE**

Masters Thesis in Accounting
Researcher: Salma Vanker (031 260 1475)
Supervisor: Leo Deodutt (031 260 7074)
Research Office: Ms P Ximba 031-2603587

CONSENT

I.....(full names of participant) 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.

SIGNATURE OF PARTICIPANT

DATE

.....

This page is to be retained by researcher

Questionnaire - Adoption of Islamic Banking amongst Muslim Accountants and Lawyers in Kwa-Zulu Natal

1. Age:

<u>21-30</u>	<u>31-40</u>	<u>41-50</u>	<u>51-60</u>	<u>61 and over</u>
1	2	3	4	5

2. Race:

<u>AFRICAN</u>	<u>COLOURED</u>	<u>INDIAN</u>	<u>WHITE</u>
1	2	3	4

3. Gender:

<u>MALE</u>	<u>FEMALE</u>
1	2

4. Highest level of education:

<u>MATRIC</u>	<u>DIPLOMA</u>	<u>DEGREE</u>	<u>POST GRADUATE DIPLOMA/HONOURS</u>	<u>MASTERS</u>	<u>PHD/DOCTORATE</u>
1	2	3	4	5	6

5. Area of specialization:

<u>AUDIT/ACCOUNTING</u>	<u>LEGAL</u>	<u>ACADEMIA</u>	<u>OTHER (SPECIFY)</u>
1	2	3	4

6. Tick the form/s of banking that you currently use

			<u>NONE</u>
--	--	--	-------------

<u>ISLAMIC BANK</u>	<u>CONVENTIONAL BANK WITH ISLAMIC WINDOW</u>	<u>CONVENTIONAL BANK</u>	
1	2	3	4

7. How would you rate your knowledge of Islamic Banking

<u>No knowledge</u>	<u>Understand Partially</u>	<u>Limited Knowledge</u>	<u>Knowledgeable</u>	<u>Very knowledgeable</u>
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>

8. How would you rate your knowledge of the following terminology used in Islamic banking and finance.

	<u>None</u>	<u>Poor</u>	<u>Average</u>	<u>Good</u>	<u>Excellent</u>
<u>Riba</u>	1	2	3	4	5
<u>Shariah</u>	1	2	3	4	5
<u>Ijara</u>	1	2	3	4	5
<u>Mudarabah</u>	1	2	3	4	5
<u>Musharakah</u>	1	2	3	4	5
<u>Sukuk</u>	1	2	3	4	5
<u>Takaful</u>	1	2	3	4	5

9. Please indicate the three main sources of your knowledge in Islamic Banking.

	<u>Madressah</u> (<u>Formal</u> <u>Islamic</u> <u>Education</u>)	<u>Media</u> <u>and</u> <u>Literature</u>	<u>Bank</u> <u>s</u>	<u>Shariah</u> <u>Scholar</u> <u>s</u>	<u>Personal</u> <u>Research</u>	<u>Other</u>
Main source	1	2	3	4	5	<u>6</u>
Second source	1	2	3	4	5	<u>6</u>
Third source	1	2	3	4	5	<u>6</u>

10. How would you rate your understanding of the underlying differences between Islamic banking and conventional banking?

<u>None</u>	<u>Poor</u>	<u>Average</u>	<u>Good</u>	<u>Excellent</u>
1	2	3	4	5

For questions 11 to 15, Please indicate your level of agreement with the following statements.

11. Islamic banking is based on the values and teachings of the Quran and Sunnat.

<u>Strongly</u> <u>Disagree</u>	<u>Disagree</u>	<u>Agree</u>	<u>Strongly</u> <u>Agree</u>	<u>Neutral</u>
1	2	3	4	5

12. Islamic banking in practice is working and operating as per the values and teachings of the Quran and Sunnat.

<u>Strongly Disagree</u>	<u>Disagree</u>	<u>Agree</u>	<u>Strongly Agree</u>	<u>Neutral</u>
1	2	3	4	5

13. Islamic banking products imitate conventional banking products and may contain elements that are un-Islamic in its nature.

<u>Strongly Disagree</u>	<u>Disagree</u>	<u>Agree</u>	<u>Strongly Agree</u>	<u>Neutral</u>
1	2	3	4	5

14. There is a need for a single unified regulatory body governing Islamic financial institutions.

<u>Strongly Disagree</u>	<u>Disagree</u>	<u>Agree</u>	<u>Strongly Agree</u>	<u>Neutral</u>
1	2	3	4	5

15. This body single unified regulatory body must encourage the harmonisation and regulation of Shariah standards.

<u>Strongly Disagree</u>	<u>Disagree</u>	<u>Agree</u>	<u>Strongly Agree</u>	<u>Neutral</u>
1	2	3	4	5

16. If a single unified regulatory body is constituted, the following persons/persons should be included : (you can select more than one)

		<u>Strongly Disagree</u>	<u>Disagree</u>	<u>Agree</u>	<u>Strongly Agree</u>	<u>Neutral</u>
A	Shariah Scholars	1	2	3	4	5
B	Academics	1	2	3	4	5
C	Accountants	1	2	3	4	5
D	Lawyers (attorneys)	1	2	3	4	5
E	Bankers	1	2	3	4	5
F	Other (state)	1	2	3	4	5

For questions 17 to 21, Please indicate your level of agreement with the following statements.

17. Islamic banking is a credible/sound/realistic alternative to conventional banking.

<u>Strongly Disagree</u>	<u>Disagree</u>	<u>Agree</u>	<u>Strongly Agree</u>	<u>Neutral</u>
1	2	3	4	5

18. Islamic banking institutions have clearly conveyed the value their services add to customers.

	<u>Disagree</u>	<u>Agree</u>		<u>Neutral</u>

<u>Strongly Disagree</u>			<u>Strongly Agree</u>	
1	2	3	4	5

19. The level of service of a fully-fledged Islamic bank exceeds that of a conventional bank with an Islamic “window”.

<u>Strongly Disagree</u>	<u>Disagree</u>	<u>Agree</u>	<u>Strongly Agree</u>	<u>Neutral</u>
1	2	3	4	5

20. Curriculum design at a *Madressah* level should include business transaction activities according to *Shariah*.

<u>Strongly Disagree</u>	<u>Disagree</u>	<u>Agree</u>	<u>Strongly Agree</u>	<u>Neutral</u>
1	2	3	4	5

21. Curriculum design at a tertiary level should include business transaction activities according to *Shariah*.

<u>Strongly Disagree</u>	<u>Disagree</u>	<u>Agree</u>	<u>Strongly Agree</u>	<u>Neutral</u>
1	2	3	4	5

22. The main reason why I would select Islamic Banking products is: (chose one only)

Strictly religious	1
Economic benefit	2

Both religious and economic benefit	3
Other reasons	4
No idea	5

23. Please indicate the five most important motivational factors in selecting an Islamic banking products and services.

		<u>Perceived Religious benefit</u>	<u>Perceived economic benefit</u>	<u>Convenience</u>	<u>Friends/Family hold accounts and reputation of the bank</u>	<u>Variety of product service offering</u>	<u>Competitiveness product and service offering</u>	<u>Service delivery</u>
A	Most important factor							
B	Second most important factor							
C	Third most important factor							
D	Fourth most important factor							

E	Fifth most importa nt factor							
----------	---	--	--	--	--	--	--	--



18 August 2017

Ms Salma Vanker (640097)
School of Accounting, Economics & Finance
Westville Campus

Dear Ms Vanker,

Protocol reference number: HSS/1401/017M

Project title: Adoption of Islamic Banking by Muslim Accountants and Lawyers in KwaZulu-Natal

Approval Notification – Expedited Application

In response to your application received on 07 August 2017, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

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 Shamila Naidoo (Deputy Chair)

/ms

Cc Supervisor: Mr Leo Deodutt
Cc Academic Leader Research: Dr Harold Ngalawa
Cc School Administrator: Ms Seshni Naidoo

Humanities & Social Sciences Research Ethics Committee

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Founding Campuses: Edgewood Howard College Medical School Pietermaritzburg Westville

Appendix 2: Ethical Clearance

Appendix 3 : Screenshot of Turnitin report

The screenshot displays a Turnitin report interface within a Google Chrome browser. The main content area shows the title page of a dissertation: "MUSLIM ACCOUNTANTS AND LAWYERS IN KWAZULU-NATAL" by SALMA VANKER, STUDENT NUMBER: 972145418. The dissertation is presented in part fulfillment of the requirements for the degree of MASTERS IN ACCOUNTING in the SCHOOL OF ACCOUNTING, ECONOMICS AND FINANCE at the UNIVERSITY OF KWAZULU-NATAL, supervised by LEO DEODUTT. The report interface includes a "Match Overview" sidebar on the right, which shows a total match percentage of 5%. Below this, a list of sources is provided:

Rank	Source	Match Percentage
1	researchspace.ukzn.ac... Internet Source	2%
2	webcache.googleuserc... Internet Source	2%
3	www.arabianbmr.com Internet Source	1%
4	orca.cf.ac.uk Internet Source	1%

The interface also shows a "Text-only Report" option and a "High Resolution" toggle set to "On". The bottom status bar indicates "Page: 1 of 95" and "Word Count: 21702". The Windows taskbar at the bottom shows the time as 19:39 on 2018/06/21.