Islamic Finance Ethics and Financial Perception of Consumers

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Abstract-**This paper investigates consumers' perceptions of Islamic finance (IF) in non-Muslim majority markets. Building on research was done previously and data from an original survey, the paper carries out a principal descriptive analysis (PDA) to construct the main dimensions on which financial consumer agents diverge. Five key components emerged from the PDA that is interpreted with the help of a survey covering different types of consumers. Furthermore, it explores the perceived association of Islamic financial values with ethical norms in the West. The findings help us understand how IF has been conceptualized by consumers in non-Muslim majority markets. The five components identified shed light on the constructs that have informed the growth of IF as an ethical option in international non-Muslim majority markets. This advocates the view that IF should be characterized by multidimensional drivers in the global financial market, rather than a single component of religious values.**

Keywords-component; Islamic finance; ethics; social values; principal descriptive component analysis; consumer agents

I. INTRODUCTION

Since the global financial crisis of 2008, interest in the Islamic banking and its financial principles has sharply increased. After the near-collapse of the world financial system and the bankruptcies and government bailouts of several long established financial institutions in the Western financial markets (see e.g. Plosser, 2009; Poole, 2011) the growth rate of IF has increased steadily even in Western financial markets. The global market for Islamic financial services, as measured by Shariah-compliant assets, increased by 12% in 2014 to a record $2 trillion. Global assets of Islamic finance have tripled since the start of the economic slowdown in 2008. The CityUK (2015) expects the market to top $3.0 trillion by 2018. Recent key trends in the industry include landmark debut *Sukuk* issuances by governments and the expansion of Islamic finance into more countries. It is hence apparent that not only conventional banks, but also local regulators and international financial entities have started to show an interest in stepping into this growing industry. However, despite the increasing involvement of non-Muslim financial agents, conventional markets seem to harbour divergent and sometimes even opposing conceptualisations of what Shariah compliance represents (Fang and Foucart, 2013). Non-Muslim agents' appraisals of IF, and hence their strategies toward this emergent market segment, range from marketing differentiation (see e.g., Perry and Rehman, 2011 or Rethel, 2011) to providing ethically conscious alternatives (e.g., Rice, 1999 or Naughton and Naughton, 2000).

The purpose of this paper is therefore to identify, based on an original survey of Western financial agents, the essence and role attributed to this new financial approach in Non-Muslim markets. In addition, to confirm the increasing association of Islamic financial values with ethical practices in the West, the findings also provide information as to how the observed growth of the IF industry in the past decade has been explained by conventional consumer agents. Based on principal descriptive analysis (PDA), a variance-based perception, altitudinal and behavioural procedure, the paper identifies and discusses the main aspects on which IF values are conceptualized from the perspective of Muslim and non- Muslim financial consumer agents.

It focuses on five principal aspects. The main aspect, "Islamic finance ethics" relates to the recognition of IF as an ethical alternative to conventional finance. The second aspect, "endurance and appeal of Islamic finance," relates to whether IF can be successful and would appeal to Muslim and non-Muslim consumers alike as a strong relationship building system without converging toward conventional finance. The third, "dynamic organizational structure" accounts for financial agents' appraisals of the incorporation of ethical concerns as a dynamic organizational structure embedded in the financial market. The fourth, "inclusivity" accounts for the idea that IF can only survive in financial markets with Muslim consumers because it corresponds to the specific preferences of Muslim market agents. The fifth, "dependability and security" accounts for the possibility that consumer agents of IF are simply committed to the ethical components as a basis for their perception of it being dependable or they are driven by pricing rather than loyalty.

This contribution presents itself directly into the current debate on IF in the global financial market. Indeed, as pointed out by various authors contributing from different fields of the social sciences, published work on the Islamic finance remains to a large extent polarized between proponents and skeptics (Alamad, 2016; Perry and Rehman, 2011; Warde, 2000, 2010), which makes it difficult to hold a "nuanced or empirically grounded understanding of IF (Warde, 2010, p. 9); see also Maurer, 2005; Pollard and Samers, 2007). On one side of the spectrum there are contributions that advocate Shariah-compliant finance as desirable and are mainly geared toward discussing the implementation of its moral-religious precepts in the modern economy at various levels (see, for instance, Lewis and Algaoud, 2001; Ayub, 2007; Azarian, 2011; Abdullah and Chee, 2010; Aziz, 2010).

With the advent of recent scandals in the financial markets, this trend became even more obvious as the socially conscious aspect of IF was increasingly shining as a desirable normative basis for cultural change in the global financial system (see, for instance, Jensen, 2008; Ahmad, 2008; Aydin, 2009; Nienhaus, 2011). At the other end of the spectrum, IF is examined and usually compared with the heuristic tools of "conventional" finance and classical economic theory (Metwally, 1997; Koyama, 2009; Beck et al., 2010; Hayat and Kraeussl, 2011). However, the religious and normative nature of Islamic economic thought and philosophy does not fit well with traditional classical economic assumptions, which are often argued to dismiss ethical concerns and religious beliefs (Kolb, 2010; Boatright, 2010). As a result, studies that examine whether and how IF fits into the global financial system are often criticized for prematurely discarding the viability and social desirability of alternative financial instruments based on Islam (Warde, 2010).

From a practical perspective, this polarization has not kept the field from growing nor conventional agents from getting involved in Islamic financial transactions in international markets. A key question that remains unanswered by the current academic debate, in understanding how these two seemingly opposed models to understanding the nature of Islamic banking have influenced global economic agents' assessments of this financial "alternative model" as a part of the global financial system.

The findings of this paper then also build on and provide grounds for a principal descriptive analysis (PDA) to characterise the main dimensions on which financial agents diverge and a longitudinal comparison with surveys conducted on Islamic banking among American and European bankers in the late 1990s (Maniam et al., 2000; Warde, 1997) and recently in 2012 (Fang and Foucart, 2013). The paper is structured as follows: "Theoretical Framework" section briefly defines a microeconomic specification of agents' valuations of financial products, and ethical and religious concerns, which set the background for the interpretation of the results. The research design is presented as well as some descriptive statistics in "Sample and Data" section. "Methodology" section that analyses the results of the PDA, matching the findings with the microeconomic specification. "Discussion" section then concludes with a discussion of the simultaneity of the aspects identified.

II. THEORETICAL FRAMEWORK

This section sets the foundations of the conventional market participant's assessment of Islamic financial products. The purpose of the initial step is to advance a simple model that helps to conceptualize the assumptions based on which non-Muslim consumer agents assess taking up these alternative financial products. In this regard, a central question they need to answer is as follows: What types of customers are expected to buy Shariah compliant products and for what reasons? The answer thereby derived will then be used as a point of reference in the interpretation of the results in the Methodology section.

It is assumed that potential customers for Shariah-compliant products and services can be categorized into two types. The first one is based on religious beliefs and separates Muslim from non-Muslim customers. The second one, on the other hand, is normative in nature and identifies customers that derive satisfaction out of subscribing to socially responsible and ethical products. These two types hence delimit four polar types of customers; (1) Muslims consumers who are customers of IF; (2) Muslims consumers who are not customers of IF; (3) Non-Muslims consumers who are customers of IF; (4) Non-Muslims consumers who are not customers of IF.

It is assumed that the perception derived by a potential customer from a financial product is contingent upon (1) the pricing, and (2) the type of product. A financial product can either be Shariah compliant ethical or conventional. This notation does not imply that, from the perspective of the customer, a Sharia-compliant product is perceived non-ethical (and vice versa). Given these assumptions, potential customers for Islamic financial products are understood to derive varying levels of perceptions from specific financial options, which in turn inform their decision to demand certain types of financial products rather than others. In this context, there exist two types of outside options besides Islamic financial products for consumers. The first and most obvious alternative is to rely on the conventional banking market. The second option corresponds to financial products, which means investing in non-Islamic ethical assets. For the sake of simplicity, it is assumed that the driver of choice is identical for all consumer agents (Fang and Foucart, 2013).

The first condition, "religious constraint" (RC), relates to whether the Islamic option provides a better pricing than the conventional financial option. The second condition, "incentive compatibility" (IC), relates to whether the Islamic option provides a higher return than the alternative, non-Islamic ethical one and whether the RC condition would play a determining role for Muslim consumers and similarly whether the ethical aspect plays a determining role for non-Muslim agents. From the perspective of conventional financial institutions, thus, the main driving force behind their involvement in this emerging market segment resides in whether such a product will be selected by some consumers, and if so by which ones, and for what reasons. This refers to the traditional incentive model in microeconomic theory, which traces back to Hurwicz (1972). It suggests that the decision of an economic agent to take a specified action is understood to be contingent upon two concurrent conditions. First, in order for an agent to take action to switch from conventional to alternative financial solutions, the new option must make him better off than in the initial instance. Second, the new option adopted must be better than any other available options.

In order to inform their decision to take up the Islamic financial product, non-Muslim consumers or investors must make assumptions on the following points:

- What are the respective values in relation to pricing or return?
- Are IF products considered an ethical product by non-Muslims participants and would that be sufficient for making that decision?
- Do some consumers care about the level of ethical dimension in a financial product to opt for an IF product?

These assumptions will be reassessed when we interpret the results of the PDA, and will offer specifications compatible with all aspects.

III. RESEARCH DESIGN

A. Sample and Data

Since this inquiry focuses on the encounter between conventional and Islamic financial knowledge at the consumer agent level, it was necessary to delimit a sample population that would provide information related to this conceptual encounter. Thus, the target sample here focuses on consumer agents who are Muslims, non-Muslims, customers and non-customers of Islamic banks in Western non-Muslim markets. The common denominator of interest is their exposure to IF knowledge and Shariah-compliant products. The survey took place among 500 participants, customers and noncustomers of Islamic banks, affluent and non-affluent respondents and Muslim and non-Muslim respondents. The actual interview obtained was weighted to be in line with the original targets as shown in Table I.

Table I. Breakdown of the Target Sample

Respondents		Number of Interviews Achieved	Weighted Interviews Analysed
Customer of IF	Affluent Muslims	105	100
	Non-Affluent Muslims	60	50
	Non-Muslims	101	100
Non-Customer of IF	Affluent Muslims	71	100
	Non-Affluent Muslims	54	50
	Non-Muslim Professionals	109	100
Total		**500**	**500**

Table I shows that 84 % of the respondents in the sample have knowledge or awareness of Shariah compliant financial products and IF. It is within this group that we expect the decision to accept or reject Shariah compliant products based on projected market demand to have the most tangible impact on its development in the global economy. Besides this religious and professional criterion, a geographical boundary is also applied to limit the group of respondents to independent of religious affiliation or cultural background of Muslim majority countries.

B. Survey Design

Concerning the survey method, it stood to reason that the most appropriate medium for data collection would be through a computer-assisted telephone survey (CATS). As the survey was conducted on customers and non-customers of IF, the actual obtained responses were weighted to be in line with the original sample target. This medium of data collection was important to measure the first spontaneous answer provided by respondents about their perceptions and views in relation to Shariah compliant financial products and their ethical dimension (see, for example, Alreck and Settle, 2004; Dillman, 2000; Malhotra and Peterson, 2001; Schonlau et al., 2001; Spaeth, 1977; Malhotra, 2004; McDaniel and Gates, 2005). The strengths of the CATS resides in the higher item completion rates and longer answers to open-ended questions than observed with other mediums such as mail and online surveys (Ilieva et al., 2002).

On another front, CATS surveys give the researcher the ability to probe the respondent further in relation to key data, it to some extent also combines an aspect of interviews method that would provide more accuracy and validation of the responses, as the responses can be checked immediately with each respondent. It also provides the privacy and anonymity (Berry, 2004). It was felt that the respondents might, therefore, be more inclined to provide their personal views on the research topic, rather than giving answers expected either by the researcher or by their affiliated institution.

Due to the broad nature of the target population, the sampling method used to collect data was based on targeted sample via collaboration with an Islamic bank in the UK in order to obtain an access to customers of Islamic banks. “Snowball” (or “chain referral”) sampling was also considered (Goodman, 1961; Heckathorn, 1997). The benefit of this method for the present investigation resides in its ability to quickly build a sample representative of the consumer agents that make up the population of affluent/non-affluent, customers/non-customers and Muslim/non-Muslims participants.

Indeed, this approach allows the researcher to access a larger focused number of the target population, rather than selecting random population by referral, who could impact the accuracy of the collected data. Respondents took an active role in the sampling process, an additional control was applied when compiling the data set to ensure that all inputs collected did, in fact, emanate from the target population.

The survey was divided into two distinct parts. The first section attempted to collect information on the respondents' personal, educational and professional background, and to determine their awareness of IF, the depth of their knowledge on the topic and the source of their appraisal of IF. In addition to multiple choice questions, this section also included an open question that invited the respondents to express their spontaneous understanding of IF and Shariah-compliant financial products. In addition to providing room for them to elaborate on their opinions and give more personal and nuanced feedback, this vital question also allowed the researcher to verify, with a larger sample, the intuition obtained from the pilot study on which the research question was based.

The second section of the survey was designed to provide the base variables for a PDA procedure on the dataset. Four key conceptual ideas formed the core of this section, dealing with the main ideas that made up each of the pilot respondents' appraisals of IF in the global economy. In other words, these conceptual ideas represented the basic building blocks of the individual feedback collected during the pilot interviews. Respondents in the present survey were then presented with these statements in a random order and asked to rate them on a five-option Likert scale ranging from "strongly agree" to "strongly disagree" (Likert, 1932). The dataset thereby obtained was then converted into a statistical descriptive analysis.

C. Descriptive Statistics

At the end of the collection period, which spanned over 12 months, 500 responses had been collected in total. The typical respondent to this survey is a 30-40-year-old professional with a university's degree, working in a professional sector. In more detail, the geographical reach of this survey is primarily based in the UK (90 %), followed by Europe (10 %). The religious background of the respondents consists mainly of Muslims (60 %), Catholics/ Christians (16 %), atheists (12 %), agnostics (6 %), Hindu (1 %), other religions (2 %) and (3 %) did not wish to answer this question. Regarding gender distribution, (62 %) of respondents were male and (38 %) were female. Concerning the distribution in terms of professional fields, "other profession" represented (37 %) and manager, lecturer, IT, engineer, accountant, medical sector and solicitor represented (63 %).

Contrasting with the findings of Warde (1997), Maniam et al. (2000) and Fang and Foucart (2013), we found a great awareness of IF among conventional consumer agents. While, in the past, the lack of recognition of the existence of IF was argued to have contributed to the negative perceptions of the industry, the current situation is markedly different, as only (11 %) of the respondents in our survey had never heard of the existence of this financial and economic alternative.

Out of those who were aware of IF (56 %) showed spontaneous awareness and (44 %) showed top of mind awareness, had at least a "good" knowledge of its main tenets, while the remainder stated that they possessed a "rough" understanding of Islamic finance, the latter were mainly from the non-Muslim category. The depth (or "quality") of knowledge about IF has also improved (see Fig. 1). More than 95 % of the respondents were able to name at least one major defining characteristic of IF or a financial institution that provides Shariah-compliant products in their region.

The prohibition of interest and the prohibition of illicit activities were the most well-known attributes as the key ethical tenets of IF, followed by profit and risk sharing based financial product as a distinctive characteristic, this is reflected in Fig 1.

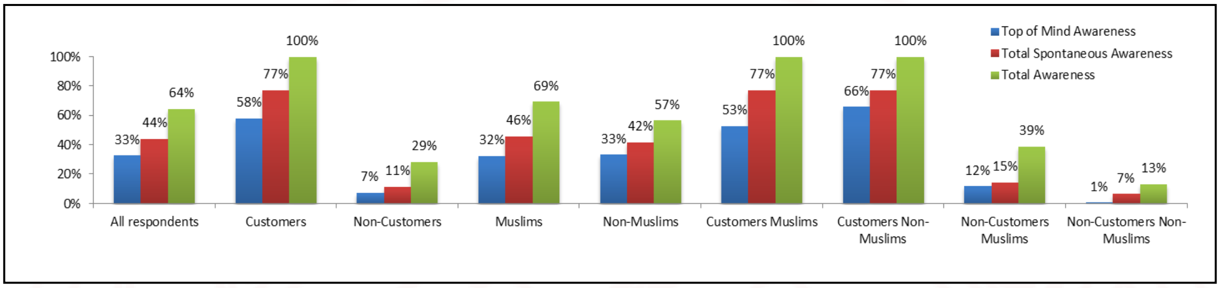

Figure 1. Details of respondents' knowledge and awareness about IF

Opinions on the viability of alternative practices based on the Shariah (see Fig 1) were also found to be much higher than in previous findings (Maniam et al., 2000; Fang and Foucart, 2013), with approximately 5% of our respondents have no awareness of IF and are neutral towards it, albeit they may consider it as nonviable (as opposed to 60 % in 2000 and 20% in 2013). It is interesting to note that, in our survey, out of the 95% respondents who have awareness of IF, 90% associated IF with an ethical dimension, such as fair, transparent and equity based. The remaining 10% were able to identify it as it does not deal with interest payments in its operations; those were entirely non-Muslim consumer agents. These findings not only reflect the respondents' appraisal of the industry but also, and perhaps more importantly, suggest that the increased attention IF has received recently may have inflated appraisals of the size of the IF industry.

In order to provide comparative grounds for Warde (1997, 2000) and Fang and Foucart (2013) survey in which they summarise the main concepts associated with IF in the late 1990s (i.e., "monolithic", "rigid", "anti-Western", "incompatible with modern finance," "archaic," "oil money," "BCCI," "terrorism," and "Arab"), and in 2012 "viable" "non-viable" respectively, three open questions were included in this present survey to allow the respondents to express, freely and in their own words, their understanding of IF. In addition to the obvious comparative purpose, these questions also served as a confirmatory tool for the conceptual questions that followed in the second section of the survey (which were designed based on a pilot study). The dominant answer in these open answer questions was the high frequency of occurrence of two main spontaneous first perception or idea: "no interest" and "social responsibility"/"ethics". Compared to Warde's findings, it is immediately apparent that the attention of conventional agents is now focused on elements that are part of the actual definition of Islamic finance, rather than pulling ideas related to cultural or political Islam into the discussion. This is also in accordance with the findings of Fang and Foucart in relation to the integration of "ethics" as one of the defining concepts of IF is revealed to be an important change that has taken place over the last fifteen years.

However, in contrast to Warde and Fang and Foucart's findings, our findings measured the responses of consumers who are Muslims and non-Muslims, also some of our respondents have a first-hand experience of taking up Shariah compliant financial products and dealing with an Islamic financial institution. IF is now associated with a range of desirable practices in the global economy, in that sense Table 2 shows what our respondents think when some secondary statements mentioned to them about IF and to what level they would agree with such statements. The statements are whether they agree that IF or Islamic banks is a fair provider of Shariah compliant and ethical financial products, a dependable and secure, professional, dynamic, inspiring, pioneering and builder of enduring relationships with its customers.

Table II. Secondary Perception of Respondents about IF

Perception statements	% Agree
A fair provider of Sharia compliant and ethical financial products in line with their customers' faith and/or values	51%
A provider that builds strong, enduring relationships, fulfils its promises and delivers an excellent customer experience	38%
A dynamic, inspiring and pioneering organization that offers unique products before other organizations	29%
A professional provider, people would aspire to join, which delivers high-quality products and services	38%
A dependable, secure provider of products and services, with a long term commitment	50%
Mean	**41%**

Table II shows the percentage of all respondents, which gave a score of 4 or 5 for each image statement about Islamic financial institutions. When the figures in the table are added together and divided, a 'mean score' of 41% is created. This figure i.e. the "mean score" is therefore used to represent the 'image' metric of IF based on the collected responses.

D. Methodology

Beyond recording the increase in the awareness and knowledge of IF among Muslims and non-Muslims consumer agents in non-Muslim markets over the past fifteen years, this paper also contributes by identifying the divergent and sometimes even opposing characteristics attributed to Shariah-compliant financial practices. To do so a PDA was applied on the conceptual questions about Shariah compliance in finance. As a result of this process, we extract two key dimensions, which contribute toward explaining the complexity and diversity of the current awareness and perception of IF. PDA is a common mathematical procedure used in diverse fields to analyse data collected via survey in order to extract relevant information from "confusing datasets" (Shlens, 2009, p. 1; see also Joliffe, 2002; SAS, 1998; Dunteman, 1989). It relies on a simple, non-parametric method to reduce the dimensionality of the data by reorganizing it into a (smaller) number of uncorrelated variables, which we call here 'principal descriptive component' while retaining as much as possible of the variation present in the original dataset. In other words, PDA is a variable reduction procedure, aimed at identifying the most meaningful way to re-express the data in a meaningful descriptive manner into a lower-dimensional space. This process starts from the idea that redundancy within a group of variables causes some of them to be correlated to other ones as they are measuring the same constructs (SAS, 1998). By identifying (obvious and hidden) patterns of correlation within the data, PDA allows one to collapse a dataset into a lower number of variables that are linear combinations of the original ones. The underlying elements affecting the phenomenon under investigation thereby emerge from the data and can, therefore, be interpreted by the researcher based on (i) the original variables that contribute to them and (ii) their associated linear coefficients (Dunteman, 1989; Neil, 2012; Fang and Foucart, 2013).

The five secondary components that were conceptually derived from the two key components are presented in Fig 2. It is worth mentioning that an initial finding that needs to be emphasised relates to the high number of components retained following this analysis process. While a factor reduction of the initial data was applied the consumer agents' constructs still seem to diverge on a large number of sub-questions within the data.

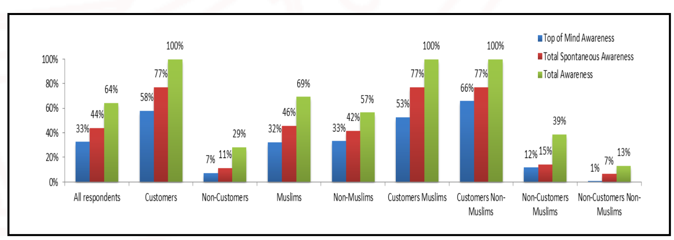

Figure 2. Results of the Principal Descriptive Analysis

This is without doubts an interesting finding, especially when contrasted with the situation of relative homogeneity (on skepticism toward IF) identified by Maniam et al. (2000) and Warde (1997, 2000) in the late 1990s. In this context, the cognitive change that has occurred in the past decade cannot be understood as an evolution from a skeptical to an IF-friendly equilibrium. Rather, the complexity of consumer agents' constructs on IF, put forward by the high dimensionality of the PDA findings, suggests a case of interpretive divergence, in which multiple, concurrent, and overlapping understandings of IF have emerged (Fang and Foucart, 2013).

This divergence could be also due to expanding the sample to include Muslim agents as well, which was not the case in the contrasted surveys. The five secondary components identified thus provide the main directions for us to understand how constructs on IF have altered over the past fifteen years. Indeed, assuming that the late 1990s was characterised by a situation of relatively low variance among individuals' constructs, the identification of contentious factors in the current understanding of Shariah-compliant finance allows us to spot the ideas around which Islamic financial practices have been constructed. Also, this provides insights on what would alter the behavioural driver towards interacting with IF and its Shariah-compliant products (Fang and Foucart, 2013).

IV. DISCUSSION

The output of the PDA should be framed into contextual meanings by interpreting the five secondary dimensions with the assistance of the theoretical framework described in the Theoretical Framework section above. These components are: (A) IF as a fair and ethical alternative, (B) builds strong enduring relationships, (C) dynamic and inspiring organizational structure, (D) inclusive, and (E) dependable and secure with long-term commitment to Islamic ethical financial products and services. As PDA generates dimensions that are statistically orthogonal, the components identified should be interpreted independently from one another. For example, both components A and E relate to ethics, cannot be placed in a causal relation but must be understood as describing two uncorrelated dimensions that account for distinct constitutive constructs in financial consumer agents' cognitive appreciation of Islamic financial practices.

Thus, consumer agents, therefore, consider whether IF can be equated to ethical finance (A), and at the same time, they reflect on the possibility of incorporating ethical considerations into market interactions, independently of how ethical they consider IF to be. This exploratory method thus generates results that are significantly more complex and less restrictive than simple causal relations between variables (Fang and Foucart, 2013).

A. Component A: Islamic Finance Fair and Ethical

The first component extracted from the data provides a key dimension on which financial consumer agents differ when confronted with the emergence of Islamic financial practices in global markets. This is the question that explains the largest part of the variance in the original data collected. It is interesting to observe that the most important component resides in the increasingly ethical aspect of consumers' understanding of Shariah compliant practices, which are driven by Islamic ethics. Financial consumer agents have focused on the "moral filter" applied by Islamic Law in assessing whether or not potential customers would be willing to accept IF as a positive influence on the current financial landscape.

The extent to which IF is deemed fair and ethical is thus, contingent upon the compatibility of the main tenets of Islamic finance with the moral expectations of individual financial agents. With that regards, some non-Muslim respondents may consider interest as a component that has nothing to do with ethics as it is a normative practice in the conventional financial market. If we consider the Theoretical Framework above, validating Islamic finance ethics would suggest that IF to be an ethical alternative implies that all ethically conscious unprompted agents are may be drawn to IF when there is an additional driver for their decision, such as pricing. In other words, one does not need to be Muslim to consider IF to be an ethical alternative as 51% of respondents were of that view. If Shariah-compliant products were to be introduced to the general public, this would imply that there is an adequate awareness about it and such products can navigate through financial consumers agents with ethical orientation. However, for IF to be successful in the conventional market, it should link this key component to some or combine it with the other four components.

The rationale behind this main component must be understood on the basis of the encounter between Islamic values and conventional financial knowledge. Indeed, under Islamic Law, the “fairness” and “equity” of economic interactions are insured by a set of prohibitions and duties put in place to ban and promote certain types of behaviour and norms in the market. In Islam the proper development of human life requires two things: (1) the resources needed to maintain life and fulfil the material needs of both the individual and society; (2) the individual’s knowledge of the ethical principles of individual and social behaviour to allow individual self-fulfilment on the one hand and the maintenance of social justice and tranquillity on the other for a fair financial system (Elmelki and Ben Arab, 2009).

This first dimension thus captures the variance in the idea that consumers derive at least a similar level of the factor of Shariah-compliant products as they do from both ethical and conventional financial products, given their respective distributions of risk. To this end, Islamic finance attempts to limit uncertainty, prohibit speculation and “illicit activities,” and encourage the giving of alms in the conducting of everyday economic interactions. Perhaps more important is the need for balance between the demands of this world and the demands of the afterlife (Askari et al., 2010).

While the moral goals of IF appear to have a common ground with mainstream conceptions of social justice, there remain several points of friction that lead financial consumer agents to construct opposing concepts on the ethical status of IF. It is based on these points of conflict between the two bodies of knowledge that financial consumer agents place themselves on this first component, by either rejecting or recognizing this alternative representation as an accepted source of ethics in the economy (Fang and Foucart, 2013). The cardinal point of divergence in this key component is the clear understanding of ethics and what constitutes moral behaviour in financial transactions as this construct would vary according to the understanding of participants in the financial market and their religious background.

When evaluating the various aspects of IF and the views of the consumers we begin this assessment on the basis of the context of existing financial norms and practices in the traditional financial system. Social justice as a principle in Islam is embedded in all economic activities. Islam emphasises equality among people regardless of their race, gender, faith, social class and wealth (Abdul Meneam, 1979: 54). Islam is certainly clear in its objective of eradicating all forms and traces of inequity from society, injustice, exploitation and oppression. This objective should be observed with due consideration in the financial transactions to ensure financial practices and norms are established on emphasising social justice and avoiding any form of exploitation of any stakeholder, including the environment, in the financial cycle (Chapra, 1992).

As the Shariah rules are comparatively more restrictive in the scope of financial activities than conventional finance, the consumer agents will consider IF ethical if the new “moral filter” limits behaviours they perceive as unacceptable. Non-Muslim consumer agents might not understand some of the prohibitions of IF and would not be able to correlate this prohibition to ethical conduct. For instance, the prohibition on dealing with alcohol as a commodity or providing finance to a producer of alcoholic products is not a clear ethical practice for some consumer agents. This is because such practice is the norm in the Western society.

On the other hand, Muslim agents would see the prohibition of alcohol as an ethical consideration, due to possible negative social outcomes resulting from alcohol, and they see that Islam has prohibited this practice for a good reason. Therefore, the perception of the ethical dimension in IF would vary based on where the consumer agent stands in the religious debate and rationalisation of certain prohibitions. This type of restriction in IF contributes to the dissociation of IF from what mainly consumer non-Muslim agents consider to be ethical. Although, Muslim consumer agents consider the closeness of IF to the conventional finance as a form of questionable ethical and Shariah compliance behaviour, but they would adhere to IF from a religious perspective.

B. Component B: Endurance

The second component extracted from the PDA is the second important for agents based on how they perceive possible loyalty to IF. However, instead of focusing on what IF is, it distinguishes financial consumer agents based on their understanding of the viability and potential of IF as an independent ethical financial system, and whether they would stick with it or not. Thus, in contrast to the previous component that focuses on delimiting the nature of Shariah-compliant financial transactions, this second one captures diverging views on the enduring relationship that may affect the future of the Islamic financial industry.

At one end of this component, we find that Muslim consumer agents would have a stronger attachment and longer endurance to IF as they see it as it is their religious obligation to support IF. However, this does not mean that they are all equally believe in it or satisfied with its practices and financial services. This view corresponds to the basic microeconomic theory about the skepticism of Shariah-compliant finance identified in the late 1990s (Maniam et al., 2000; Warde, 2000; and most recently by Fang and Foucart, 2013). In this context, IF is viewed as a random temporarily phenomenon that is not going to last or be a viable alternative in the financial market. This skeptic view acknowledges Shariah-compliant financial products as a mimic re-engineered version of their conventional counterparts with an Islamic label.

This view on the prospect of IF, however, cannot be associated with a specific direction for the evolution of IF as a potential market alternative, but could, in fact, lead to different interpretations of the findings depending on how consumer financial agents vary on the other components (Fang and Foucart, 2013). In that context, the best example would be the pricing of financial products as a driver. If the cost of selling a Shariah compliant financial product turns out to be higher than that of a conventional one, while its ethical side is not recognised and its cultural specificity is not valued by Muslim consumers, then IF is expected to simply slow down and shrink.

However, if the cost of IF is higher but the Shariah compliance factor of the financial product is vital to sub-groups of the market (e.g., Muslims consumer agents), then the convergence idea could potentially lead to a demand, which leads to growth in IF. Image and perception of what IF represent and the ethical dimension of it would play a game-changing role in the viability of IF as an alternative. Therefore, in order to achieve that, IF should not merely rely on its Muslim agents, IF should enforce its ethical image and improve understanding of its nature within the non-Muslim consumer agents in the financial markets.

C. Component C: Dynamic Organisational Structure

The third component identified by the PDA is the consumer financial agents' view of the inclusion of ethical concerns in the IF as a dynamic organisation. This third component provides further information that focuses on the need for additional moral/ethical standards in global finance. By linking this component to component A (Islamic Finance ethics) suggests the presence of additional cognitive combinations that provide further information on the integration of Shariah-compliant financial activities as a dynamic institutional entity in financial markets into the mainstream through the "ethics" pathway. IF emphasises the role of all stakeholders and the accountability of IF as a dynamic organizational structure for the wider actors in society. IF activities should be driven by concepts derived from religious rules. The benefit of the intended financial outcomes and possible harm that this could result in for stakeholders in the process, is a key element of evaluation for such ethical orientation.

The idea to take into account a stakeholder perspective becomes an alternative to shareholder value maximisation as the principal objective of IF as an organizational structure (Donaldson and Preston, 1995; Freeman, 1984; Friedman and Miles, 2002). This approach focuses on the claims of employees, customers, and community members in areas of corporate activity and the process of financial practices. This element is strongly considered in the processes of providing Shariah-compliant products in IF.

Another aspect that is considered is how to embed normative claims on the corporation as a responsible communal citizen. Thus, enforcing the corporation's accountability and responsibilities as a member of society, which has strong links with enforced religious rules in IF (Matten and Moon, 2008; George et al., 2012; Foss et al., 2007). This becomes an alternative to the idea of unsustainable long-term consequences of choices that may be optimal for maximising short-term profitability by the conventional financial system (Kramer and Porter, 2006). This aspect, of considering the impact of the business activity on all stakeholders, is clearly emphasised in the economic thought of Islam. This consideration of the wider impact aims at driving the activities of IF that prioritise stakeholder interests and the wider benefit of society.

A strong view in the traditional academic literature (see for e.g. Plosser, 2009; Duska, 2009 and Jameson, 2009) suggests that many conventional financial products, as practiced currently, are the cause of financial fragility and instability as financial institutions aim to circumvent financial regulations through various financial practices. The question posed here is whether IF as driven by ethical principle and Islamic restrictions, could offer a more viable alternative. In offering a more ethically motivated approach to finance, it could provide the required financial stability and resilience due to its strict rules of adherence to prescribed religious framework for undertaking financial activities.

This discussion outlines the evolution of the traditional narrow definition of ethics in finance into the broader one that has re-emerged in the last 15 years (Kolb, 2010; Boatright, 2010). In this sense, component C explains empirically the theoretical expansion of ethical concerns in the financial system by capturing the variance in the understanding among consumer financial agents on (i) the possibility and (ii) the necessity of including additional ethical considerations in the realm of finance. Respondents in our sample are, thus, situated on this dimension based on how much they have departed from the initial understanding of the role of ethics in the financial domain.

D. Component D: Inclusive

Component D provides further insights into the data collected and respondents' attitudes in relation to IF as it captures the emergence of two different, but arguably opposing, ideas through which Islamic financial principles have been integrated into mainstream markets. Two of the three variables contributing to this component correspond to ideas that, based on the fieldwork, can be understood to represent a "narrow" view on the classical economic aspect (Fang and Foucart, 2013). In that regard, respondents who are aware and familiar with IF have conceptually agreed to the inclusivity of IF as a system that would integrate the wider market. On the other hand, some non-Muslim respondents who are not aware of IF see the markets as efficient, self-regulating and value-free. Interestingly, rather than co-varying with expected variables (mainly those focusing on the non-viability of IF), these two were linked to the view that IF could work in the global financial system provided that it remained exclusive to the Muslim population, thereby creating a sub-economy in which the rules of market efficiency would only be amended so as to include the religious preferences of Muslim market agents. This view sees IF as a religious aspect related to Muslims as any other aspect of their faith and has nothing to do with the wider financial market. There was also a view of those who are Muslim agents and consumers of IF that advocates IF as an ethical and more stable alternative, which would be a viable option to the troubled capitalism and the existing financial system.

Based on the identified views in component D, there are different rationales for the existence of a financial system based on the religious dimension. This view could be seen in light of the concept of cognitive dissonance (as suggested by Fang and Foucart, 2013, see also among others Akerlof and Dickens, 1982; Hosseini 1997), in view of the inconsistency brought about by the increased offering of Shariah-compliant financial products in global markets fifteen years ago and around the event of 09/11/2001 in the United States in a fuelled environment with scepticism about anything with an Islamic label and its viability (as advanced by Maniam et al., 2000; Warde, 1997, 2000). The theory of cognitive dissonance suggests that economic agents, when encountered with conflicting ideas (most of the time between what they believe and what they observe), try to reduce the inconsistency in their values by either altering existing cognitions or adding new ones to create consistency (Festinger, 1957). In this sense, the differing views as discussed in component D herein are conflicted by what each group of respondents believes and what they observed or experienced in relation to IF. They might alter one or another i.e. their belief or their observation to provide more ground to what they advocate or feel strongly about as an answer.

E. Component E: Dependable and Secure

Component E was the fifth and last component to be identified by the PDA and is consequently also the one with the widest interpretability among previous components. This component is highly influenced by the belief and observation provided by respondents to the key questions of the survey and their awareness in relation to IF. For instance, respondents who feel strongly about IF as a viable option with ethical dimension and those driven by religious requirements agree to its dependability as an alternative secure option for them.

However, those who are not aware of IF see it as possibly dependable and secure for Muslim agents as a niche market within the conventional system. For some respondents labelling anything including financial products as 'Islamic' means it is not for the mainstream market and designed for Muslim agents only. This could be the reason for the rebranding exercise that some Islamic banks did in the last two years (such as Noor Islamic Bank in the UAE that was rebranded to 'Noor Bank' and Abu Dhabi Islamic Bank in the UAE that was rebranded itself to Abu Dhabi International Bank) in a move to attract the mainstream consumer agents, who could be put off by the label 'Islamic'.

F. Multidimensionality and Interpretive Diversity

As discussed earlier, an important characteristic of PDA output is that components are not only orthogonal to one another, but they also describe co-existing and inter-related concepts (Fang and Foucart, 2013). This suggests that respondents place themselves on all of these dimensions simultaneously. The focus of these findings, therefore, does not reside in locating causal relations between variables, but rather aims to identify underlying factors. Therefore, a simultaneous interpretation of the five components would provide more insight to the discussion as summarised in Fig 3.

Figure 3. Multidimensionality and interpretive diversity of the Principal Descriptive Analysis

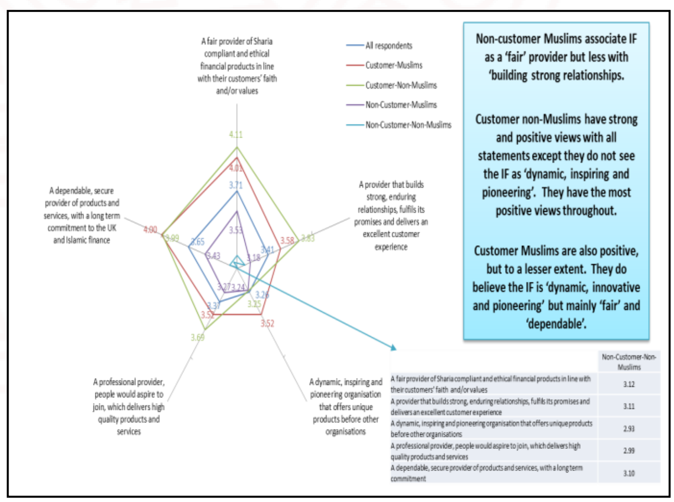

Fig 3 sums up the diversity and complexity of the findings of this paper, the extracted components highlight the depth of awareness and attitudes in relation to the phenomenon and how respondents see it and act towards it. There seem to be points of contention in relation to points found in the discussion of each component due to a pre-conceptualised perception about IF or any matter branded as ‘Islamic' for those who are not aware of IF or have not had any interaction with it.

This survey unlike previous work identified provides a more comprehensive account on this subject as it explores the views and experiences of a wide spectrum of consumer agents in the market. The overall results show that there is, in general, a positive view about IF and its potential growth as an option in the financial market. There is also a strong view that it incorporates ethical dimensions in its approach and is seen as fair and dynamic. Some respondents do not see IF as a mainstream option that stretches beyond the Muslim agents in the market.

Should this phenomenon have been a straightforward and uncontroversial issue, the PDA would have generated different results. In an extreme case of interpretive uniformity in the market, if all economic agents had access to the same awareness and market information and interpret such information, in the same way, this analysis would have been likely to generate a less significant result, since the variance in the data would have been reduced substantially. However, this was avoided by the unique composition of our sample that included Muslims, non-Muslims, customers and non-customers of IF, which provides a rich data and diverse variance in the dataset. While it would be difficult from a graphical and practical perspective to cover all of these interpretive constructs, it is useful to illustrate the dimensionality of the PDA findings with a graph that covers the relation between all five components as depicted in Fig 3.

V. CONCLUSION

Cross-border Islamic financial transactions have increased in the past decade; Islamic financial services have also grown beyond the Muslim markets as financial regulators in the West started amending some financial regulations to enable a level-playing field for IF in their conventional market. This paper sheds light on the diffusion of IF in a non-Islamic financial system and the attitudes of various consumer agents towards this trend.

The findings of this inquiry are formed around three main areas. This inquiry is designed by contrasting surveys done over the last fifteen years with this one; this comparison suggests that both the level and depth of awareness of IF in the Western financial market have increased. The second interesting finding of this inquiry is the diverse collection of interpretations and views of IF, which have contributed to its growth in the recent years. This has also increased the interest of financial regulators to make the rules flexible in order to accommodate this new financial trend, also academic institutions started offering courses that teach students IF. Furthermore, conventional financial institutions started offering some Shariah-compliant financial products to attract Western consumer agents who have an affiliation with IF.

The findings of this inquiry are based on the views and attitudes of diverse consumer agents in the West, who are affiliated with IF in a way or another or none at all. It surveys consumer agents in the West who are Muslims, non-Muslims, customers and non-customers of Islamic banks to explore their diverse views and attitudes in relation to IF, this is a key difference and an added value between this current survey and contrasted surveys that were done in the past fifteen years.

The last point that this paper makes is the overlap between IF and ‘ethics' or an expected common good as an outcome of IF and its financial products. Ethics as a dimension, however, is not the only driving force for the growth of IF in past years, there are other forces, such as religious, cultural and behavioural. For Muslim consumers agents in the West, IF provides a sense of belonging and a religious attachment to satisfy their faith in a secular country. However, for non-Muslim consumer agents, IF is a more ethical form in contrast to a less morally-focused conventional financial system. This encourages moral acceptance of a system that is different and is associated with ethics, or at least have a neutral view about IF despite the conception surrounding Islam as a religion, due to practices and acts of deviated some Muslim extremists.

IF has to understand the attitudinal dimension of the global market i.e. the non-Muslim markets in order to achieve further growth and tap on that huge market. It has to present its distinctive characteristics and principles to show what makes it a potentially better alternative. In order to do that the Shariah compliant aspect would not be effective, it has to draw on its ethical and social dimensions and the multidimensional components emerged in this paper as a mutual ground of understanding between its values and the values of consumer agents in non-Muslim markets. This can be a subject for further research to be explored based on the identified dimensions in this paper and other possible new dimensions, the potential future growth, and expansion of IF and what would influence that growth.

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