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Factors that Influence Islamic Banking Usage and Growth in UAE: An Empirical Study on the UAE's Islamic Banking Sector

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Abstract

The Islamic economies of the world account for more than $8 trillion in GDP and are growing at a phenomenal rate. Yet it is estimated that 80% of the global Islamic finance potential market is still untapped and there is a great potential for affluent Muslim majority in countries like the UAE.

As an empirical study, certain descriptive and inferential statistics were carried out on the collected data to answer the research questions.

The research found that awareness and education about Islamic finance was the most important factor followed by articulating the expected benefits from the growth of Islamic finance.

Keywords: Islamic banking, Islamic banking growth, factors effecting Islamic banking growth.

1. Introduction:

Islamic finance is a financial system that follows the rules of Sharia. However, Sharia is the Islamic law which is primarily derived from the Quran (the Islamic holy book) and the *Sunnah* (the teachings of Prophet Mohammed, peace be upon him) as well as the *Ijma*' (consensus) and *Qiyas* (reasoning by analogy) of Sharia scholars.

Islam treats all sorts of interest-based financial and commercial transactions harshly and therefore, the prohibition of interest is the underlying concept of Islamic banking and finance.

Historically speaking, Islamic finance has evolved over the last 4 decades and prospered because of its appeal to the average Muslim as an alternative financial system based on the principles of abolishing interest and all other exploitative schemes from the entire financial system (M.Mansoor Khan & M.Ishaq Bhatti, 2008, Salman Sayid Ali et Ausaf Ahmed: 2007).

Conceptually and theoretically, Islamic finance is rich in certain desirable socio-economic goals such as social justice, equity, the alleviation of poverty and human well-being (Chapra: 1985). Consequently,Islamic finance is perceived as a value-based system whose primary objective is to ensure the moral and the spiritual well-being of the individual and the society at large (Naqvi, 1982, Zarqa, 1983, Ahmed, 1994, Siddiqi, 2000, Saeed Akbar et al: 2012).

Similarly at operational level, Islamic finance has certain desirable characteristics for the Muslim investor, such as the peace of mind and the enhanced self-esteem derived from knowing that one has complied with the requirements of Sharia as far their financial and commercial dealings are concerned (Dogarawa, 2011; Joseph, 2011, Wilson (2006) .

It is well documented that the effect of the last financial crisis on the world financial industry has increased the interest for Islamic finance and has created a new atmosphere for its growth due to its resilience to financial shocks (Grewal, 2011. Other authors pointed out that the events of the last financial crisis have confirmed that Islamic finance could operationally be more efficient than conventional finance (Hasan and Dridi, 2010).

Furthermore, Islamic finance may tackle financial exclusion by encouraging those who are not currently fully engaged in the financial system on religious or ethical grounds to access more financial products and services as the interest barrier is removed.

According to Mehmet Asutay (2013), the Turkish experience confirms this proposition as the introduction of Islamic banks in Turkey in late 1980's led many wealthy Arab Muslims to invest heavily in Turkey, which has greatly assisted the country's development by adding USD 50 billion to the Turkish financial market.

This is an empirical study with the main objective of identifying the factors that have the biggest influence on customers' selection and usage of Islamic banks as opposed to conventional banks and consequently shed light on these factors as they could drive the growth of the Islamic finance industry in the UAE.

2. Literature Review:

Islamic finance is defined as a financial system that operates according to the Islamic law or Sharia (Faleel Jamaldeen: 2012).

What distinguishes Islamic finance from its conventional counterpart is the former uses one of the sharia compliant financing modes such as Mudaraba, Musharaka, Ijara and other similar Islamic financing instruments in conducting its business as opposed to interest (Mabid Aljarhi: 2004).

Rammal and Zurbruegg (2007), view Islamic banks simply other types of banks that offer what conventional banks offer, but complies with Sharia in carrying out their activities.

From historical perspective, it is reported that early Muslims used Islamic finance principles to trade and conduct other commercial activities in the early days of Islam, although the practice of Islamic finance of that era was not identical to the prevalent modern Islamic financing modes due to technological advancement as well the fact that the existing Islamic financial institutions operate in an environment very different from that under which Muslims of the 6th century used to operate (Mohammad Ayub: 2008).

Islamic finance represents a new ethical development in the finance sector (Khan and Bhatti: 2008a,b) and despite being a new phenomenon in the financial industry, Islamic finance is still enjoying an impressive growth of 15-20% per annum even after the financial crisis that shocked the world and is viewed as one of the fastest growing financial sectors of the world (Visser: 2009).

An important aspect of Islamic finance is that it can contribute to the advancement of the objectives of Sharia (Maqasid Al-Sharia) which are the protection of religion, life, intellect, lineage and property and achieving this would lead to the prevention of corruption from the financial system (Dusuki & Bouheraaoua: 2011), Furthermore, Wilson (1997) suggested that to achieve these desired goals, Islamic finance should avoid all contracts that violate the Sharia principles by introducing alternative modes of finance that would achieve its objectives.

Similarly, Islamic finance should avoid all sorts of unjust financial transactions such as those involving interest which is claimed to be a source of unjust enrichment (Al-Omar & Abdel-Haq, 1996). However, it is worth mentioning that Islamic finance is not immune to criticism as there is notable literature that points to some of its weaknesses such as the divergence between its paradigm version and the reality on the ground which is a real cause for concern among scholars and practitioners (Dusuki and Abdullah:2006).

Many researchers and academics have done various studies on the topic and came to the same conclusion including Chapra and Khan (2000), Dar and Presley (2001),and Khan and Ahmed (2001).

According to these studies, the bulk of Islamic financing modes are debt-based and certain debt-based instruments such as Murabaha and Ijara are preferred to profit-loss sharing modes of Islamic finance such as Musharakah and Mudaraba which means, Islamic banks should not claim superiority on the basis of their usage of profit-loss sharing modes of finance as that would amount to a misleading claim .Ahmed (1994), Siddiqui (2002), Rosley and Bakar (2003a). Despite the above criticism from many scholars, Islamic finance has continued to grow phenomenally over the years and the unprecedented rapid growth of Islamic finance in the last 20 years has surprised the financial world to the extent that it is hard to believe the movement is so young. According to a recent report published by (the Banker, 2013), There is huge potential for Islamic finance as only 20% of Muslims world-wide have access to or use Islamic banks. However, the report suggests that the biggest challenges facing the industry include product innovation, provision of quality services and enhancing internal processes.

According various authors and commentators, the future of Islamic finance in the global economy looks bright since 10 of the world's 25 fastest growing economies are in Muslim majority countries and industry forecasts estimate that Islamic finance will grow to £1.4 billion by 2014 (UK PM, David Cameron:2013).

Standard & Poors forecasts the Islamic finance industry will double to US$2 trillion from 2011 to 2015, aided in part, by more sukuk issuances by GCC players and the faster growth of Islamic banks.

As stated earlier, the researcher is of the view that understanding the factors that have the biggest influence on the banking behavior and bank selection of customers is very important for this study. We will therefore look at the various factors deemed crucial in the coming sections.

2.1 Awareness of Islamic finance in the UAE:

United Arab Emirates (UAE) is where the concept of commercial Islamic banking was first tested and succeeded when Dubai Islamic bank was established in 1975 as a full-fledged commercial bank offering sharia compliant financial products to the public for the first time in contemporary history. However, there are only 8 Islamic banks currently operating in the UAE and it now lags behind countries whose experience of Islamic finance is more recent such as Malaysia and Bahrain, despite being the undisputed pioneer in the field. For instance, KAYADIBIGrowth (2010) found that the largest Sharia compliant assets are located in Saudi Arabia, Bahrain and Kuwait.

Despite having a fast growing market with a majority Muslim population, the UAE's Islamic finance sector is estimated at 15-17% of the overall banking market share. There are 51 banks currently operating in the UAE and only eight of them are considered to be Sharia compliant.

It is apparent that Islamic finance has a great potential in the UAE given its religion and economy and more research is needed to examine the most relevant factors that have the biggest influence on customer selection and usage of Islamic banks in the UAE which would lead to an increase of the Islamic bank's market share in the country if properly addressed. Perhaps, UAE could learn from the Malaysian experience as far becoming the centre for Islamic finance is concerned.

Indeed, this would involve emulating Malaysia in its robust institutional development and the proactive political will as well as the well-articulated and the holistic strategic vision in advancing the Islamic finance industry (Mehmet Asutay: 2013). However the good news is that, the UAE leadership is very much committed to the development of Islamic finance industry as the speech delivered by HE.Sheikh Mohammed bin Rashid on 5th October 2013 suggests.

“Our aim from all economic initiatives we launch is to improve the quality of life and provide opportunities that ensure a prosperous future for the coming generations”.

Mr Mohammed Al Gergawi, the federal Minister of Cabinet Affairs and chairman of Supreme committee steering the project added:

“The initiative seeks to provide comprehensive solutions in order to support the sectors of both the Islamic economy and the national economy”

Hence, it is prima facie that UAE would greatly benefit from the expansion of the Islamic finance sector as it includes the most resilient financing methods to financial crisis and economic depressions as the recent financial crisis has clearly proven. However, the researcher could not locate studies looking at the most relevant factors for the development of Islamic finance in the UAE or their level of awareness, but strongly believes that given its strategic plans as set out by the ruler of Dubai and its highly regarded status among the Arab and the Muslim world, studies of this sort should be conducted to identify what factors would enhance the growth of Islamic finance in the UAE as there are studies strongly suggesting that Islamic finance is critical to the UAE economy (Collins & Hills: 2010).

2.2 How customers’ perception and expectations can influence their bank selection and usage process:

The majority of the available literature on the subject suggests that costumers ‘perceptions and expectations have a significant impact on their decisions when deciding the type of bank or banking products to select and use. Hussein Al-Tamimi et al (2009) studied how UAE bank customers view Islamic banks in comparison to their conventional counterparts and found that majority of customers preferred Islamic banks to conventional banks, but had concerns about the quality of service offered by the Islamic banks.

Rosenblatt et al(1988) studied the factors that command the highest influence in the corporate bank selection process and found that the existence of an easily-accessible branch networks for the bank and the provision of high quality services to be the most important factors in this respect.

Studies done by Haron, Ahmad and Planisek (1994) suggest that bank customers always value good service regardless of religion. Hence, an Islamic bank with a poor quality service cannot compete with a conventional bank that offers fast service with high quality even if the majority of the customers are Muslims (Hamid and Nordin:2001). Other studies that reached similar results and concluded that Islamic banks cannot capitalise on their Islamic identity as substitute for good quality service include (Khalidi & Amanaullah:2010), (Erol & El-Bdour,1989) and (Erol,Kaynak& Elbdour:1990).

Othman and Owen (2001) tested the famous service quality model ”CARTER” which has six quality and perception dimensions explicitly “C” for Compliance, “A” for assurance, “R” for reliability, “T” for tangibles, “E” for empathy and “R” for responsiveness.

From this study, they came to the conclusion that Islamic banks should invest in educating their customers and employees about the distinctive features of their products as well as demonstrating the caring and ethical nature of Islam through customer service and the provision of socially desirable projects.

Turnball and Gibbs (1989) looked at how “large” and “very large” companies in Africa decide which bank to use for their corporate banking services and concluded that quality of service to be the most influential factor followed by the quality of the staff and the bank manager's attitude.

3. Research design and methodology:

Research design is simply the plan of action of the study. Just as an engineer prepares a plan prior to the actual construction of an object, or an artist sketches and draws lines before drawing the real picture, the researcher is also expected to have a well-defined plan that guides him/her throughout the research process (Rao,1994.p.1).

According to Robson (2007.p.79) “Design is concerned with turning research questions into projects”.Having a clear, unambiguous plan is one of the key determinants of the quality of the research outcome (Moore, 2000.p.1). According to Bordens and Abbott (2007.p.54), one should decide one's research design as soon as the research questions have been formalized as this is the next most important task facing the researcher. However, the most common research constraints include money, time and expertise (Moore, 2000.p.10). Bearing this in mind, the selected research method for this research is survey questionnaire.

Surveys are very common and although many are undertaken by commercial organizations in the interest of marketing some products or services, a substantial proportion is academic, with the objective of explaining a social phenomenon or finding out what is going in our society (Robson, 2007.p.228). This research tool has been chosen on merit with specific objectives in mind. Hence,

Survey questionnaire was chosen for this project as it can be used for the collection of various types of information including attitudinal, motivational, behavioral and perceptive data (Robson, 2007.p.232). The survey questionnaire will be used to collect relevant and reliable data about the inception, development and expansion of Islamic finance in the UAE.

Relevant and reliable data will be collected from a randomly selected representative sample to make reasonable inferences about the population in question, even though, the sample only serves as an approximation of the entire population.

3.1 Measurement of reliability:

To evaluate the reliability of the Islamic Bank Survey scale, Chronbach's alpha was computed for the entire survey and the four sub-scales. Chronbach's Alpha, which ranges from 0 to 1, assesses the degree that questionnaire items are all measuring the same construct or, said another way, are internally consistent (Field, 2012). Higher alpha coefficients are associated with greater internal consistency. A Chronbach's alpha coefficient of .7 or greater is acceptable (Field, 2012). Results of the reliability analysis indicated that the full scale containing 30 questions scored on a 5 point Likert scale had a strong Chronbach's alpha score of .9. The awareness scale had a Chronbach's alpha score of .7, while the expected benefits scale had an alpha level of .7. Public perception had an alpha level of .7, and financial literacy had a Chronbach's alpha score of .7.

3.2 Research methodology:

The purpose of this study was, in general, to examine factors that could influence Islamic finance growth in terms of Islamic bank usage (Islamic finance growth). The specific factors that were examined were awareness of Islamic banks (awareness), financial literacy concerning Islamic finance (financial literacy), public perceptions of Islamic banks (public perceptions), and expected benefits of Islamic banks (expected benefits). These four variables served as the independent variables in this study.

The dependent variable in this study was Islamic finance growth. For this variable, 1 was coded to include respondents who indicated that they either solely used an Islamic bank or used both an Islamic and conventional bank. All respondents who indicated that they only used a conventional bank or no bank at all were coded as 0 for Islamic finance growth. The appendix contains demographic information by Islamic finance growth categories.

However, there were four independent variables in this study. All survey questions associated with the four independent variables were scored on a 5 point Likert scale where 1 was strongly agree and 5 was strongly disagree. Factor mean scores were computed for each of the four independent variables from the survey questions associated with that particular factor.

Factor 1 was awareness. This factor measured respondents' awareness of the existence of Islamic banks and services they offer. It was derived from the average scores across 15 survey questions devoted to this topic. Low scores equaled low awareness and high scores equaled high awareness of Islamic banks and services they offer. The second factor was expected benefits, which was defined as the expected benefits from expansion of Islamic finance in the UAE. It was the average of 10 survey questions, where low scores represented positive expected benefit and high scores represented negative expected benefits. The third factor was public perception, defined as public perception about Islamic finance in the UAE. There were 10 questions associated with this factor. High scores represented negative public perceptions, while low scores represented positive public perceptions. The final factor was financial literacy concerning Islamic finance, which measured the impact of not having educational courses on Islamic finances. Islamic finance literacy was calculated from the 5 survey questions associated with this factor. Low scores represented the perceived negative impact related to the absence of Islamic finance literacy and high scores represented the perceived positive impact. Mean scores for each of the four subscales by Islamic bank usage is seen in table 1.

Table 1: Sub-scale Mean Scores

	No Islamic Bank Usage/Growth			Islamic Bank Usage/Growth		
	M	*SD*	*CI*	*M*	*SD*	*CI*
Awareness	2.27	.84	[2.14 -2.41]	2.39	.82	[2.26 – 2.52]
Expected Benefits	2.38	.53	[2.30 – 2.46]	2.26	.51	[2.18 – 2.34]

Public Perception	2.28	.51	[2.20 – 2.36]	2.28	.51	[2.21 -2.37]
Financial Literacy	2.21	.70	[2.10 – 2.32]	2.21	.63	[2.11 – 2.31]

4. Demographic profiling of respondents:

There were 320 respondents that participated in this survey. There were 209 (65.3%) males and 111 (34.7%) females. The majority of respondents were between the ages of 26 and 45 years old (55.4%). Respondents tended to be college educated with either a bachelor's degree (34.7%) or a graduate degree (25.3%). Almost a quarter of respondents (23.4%) were unemployed.

Of those that were employed, a most respondents held either technical-skilled (27.8%) or managerial positions (26.8%). The remaining employed respondents were self-employed (18.8%) or unskilled workers (3.1%). Finally, 34% of respondents had accounts at Islamic banks, while 35% had accounts at conventional banks. Fifteen percent had accounts at both an Islamic and conventional banks and 14% had no bank account at all. Table 1 contains demographic frequencies for respondents in total and by bank account type.

Table 2: Frequencies: Demographics

	Islamic Bank (110)		Conventional Bank (114)		Islamic and Conventional Bank (50)		No bank (46)		Total (320)	
	N	%	N	%	N	%	N	%	N	%
Gender										
Male	71	64.5%	75	65.8%	36	72.0%	27	58.7%	209	65.3%
Female	39	35.5%	39	34.2%	14	28.0%	19	41.3%	111	34.7%
Age										
18-25	21	19.1%	21	18.4%	18	26.0%	28	60.9%	83	25.9%
26-35	31	28.2%	37	32.5%	8	16.0%	11	23.9%	87	27.2%
36-45	41	37.3%	27	23.7%	14	28.0%	5	10.9%	87	27.2%
46-55	15	13.6%	25	21.9%	13	26.0%	2	4.3%	55	17.2%

56-65	1	0.9%	4	3.5%	2	4.0%	0	0.0%	7	2.2%
66 or more	1	0.9%	0	0.0%	0	0.0%	0	0.0%	1	0.3%
Education Level										
Less than high school	2	1.8%	3	2.6%	2	4.0%	3	6.5%	10	3.1%
High school or equivalent	15	13.6%	23	20.2%	6	12.0%	15	32.6%	59	18.4%
High school diploma	25	22.7%	19	16.7%	12	24.0%	3	6.5%	59	18.4%
Bachelor's degree	42	38.2%	34	29.8%	15	30.0%	20	43.5%	111	34.7%
Graduate degree (Master's or Ph.D.)	26	23.6%	35	30.7%	15	30.0%	5	10.9%	81	25.3%
Employment Status										
Managerial	31	28.2%	30	26.3%	20	40.0%	5	10.9%	86	26.9%
Self-employed	21	19.1%	26	22.8%	9	18.0%	4	8.7%	60	18.8%
Technical-skilled	37	33.6%	33	28.9%	13	26.0%	6	13.0%	89	27.8%
Unemployed	21	19.1%	20	17.5%	6	12.0%	28	60.9%	75	23.4%
Unskilled labourer	0	0.0%	5	4.4%	2	4.0%	3	6.5%	10	3.1%

4.1 Discussion of the findings from descriptive statistics:

Both users (71.9%) and non-users (79.4%) of Islamic Banks (IB) believed that there is no awareness of IB and CB differences among respondents, as this had the highest percentage of those who strongly agree/agree with this statement. Among the non-users (72.6%) of IB, the second most strongly agree/agree question was the belief that there is limited knowledge of products and services of Islamic banks. The second most strongly agree/agree question for IB users was that they prefer to conventional banks (65.6%). Sixty-seven percent of non-users strongly agreed/agreed with this statement (see Table 3).

Table 3: Percentage Strongly Disagree/Disagree and Strongly Agree/Agree by Islamic Bank Usage Group - Awareness

	No Islamic Bank Growth/ Usage		Islamic Bank (IB) Growth/ Usage	
	% Strongly Disagree/ Disagree	% Strongly Agree/ Agree	% Strongly Disagree/ Disagree	% Strongly Agree/ Agree
Not enough marketing	17.5%	60.7%	23.1%	60.0%
Low awareness of Islamic Banks	26.9%	50.6%	32.5%	36.2%
No awareness of bank differences	9.4%	79.4%	13.2%	71.9%
Islamic Banks Preferred	13.8%	67.5%	11.3%	65.6%
Limited knowledge of products and services	13.1%	72.6%	12.5%	61.9%

The most highly expected benefit of IB expansion for both users (80.7%) and non-users (70.6) of IB was that the expansion of IB would mean more jobs and investments in UAE. The second most highly expected benefit of both users (68.7%) and non-users (68.2%) IB was the engagement of IB in socially beneficial projects. See Table 4 for all frequencies for the expected benefits of IB.

Table 4: Percentage Strongly Disagree/Disagree and Strongly Agree/ Agree by Islamic Bank Usage Group – Expected Benefits

	No Islamic Bank Growth/ Usage		Islamic Bank (IB) Growth/ Usage	
	% Strongly Disagree/ Disagree	% Strongly Agree/ Agree	% Strongly Disagree/ Disagree	% Strongly Agree/ Agree
IB enhance financial inclusion in the UAE	4.4%	56.9%	5.1%	60.3%
Some would not use banks if there were no IB banks	35.1%	39.4%	31.9%	42.5%
IB do not invest in socially harmful industries	11.3%	60.0%	8.1%	61.3%
IB does not involve speculation	10.6%	53.8%	8.1%	62.5%
IB promote social harmony	8.8%	50.6%	8.2%	65.0%
IB engage in socially beneficial projects	5.0%	68.2%	6.2%	68.7%
IB help reduce inequality (Zakat)	31.1%	28.2%	22.6%	43.2%
IB use fairer financial modes	6.3%	60.7%	6.9%	60.7%
IB more stable	8.8%	54.4%	7.6%	60.6%
IB expansion means more jobs and investments in UAE	9.4%	70.6%	6.3%	80.7%

A large percentage of both users (84.6%) and non-users (78.7) of IB believe that there is high potential for IB in the UAE. There was a shared belief among users (71.3%) and non-users (73.8%) of IB, that if IB improved their services, they would dominate the market, as this was the second most strongly agree/agree statement among the public perception questions (see Table 5).

Table 5: Percentage Strongly Disagree/Disagree and Strongly Agree/ Agree by Islamic Bank Usage Group – Public Perception

	No Islamic Bank Growth/Usage		Islamic Bank (IB) Growth/Usage	
	% Strongly Disagree/ Disagree	% Strongly Agree/ Agree	% Strongly Disagree/ Disagree	% Strongly Agree/ Agree
There is a high potential for Islamic finance	6.2%	78.7%	6.3%	84.6%
Islamic finance has social objectives	6.9%	62.5%	9.4%	65.0%
Some would switch to IB if they offered similar services	4.4%	65.6%	6.9%	60.2%
People not convinced about authenticity of IB	38.2%	21.1%	24.4%	20.1%
Belief that IB are more expensive	33.1%	36.9%	29.4%	41.9%
Belief that UAE banks suffer from poor service	14.1%	55.6%	19.4%	52.5%
IB do not explain enough about distinctive features	10.7%	68.8%	13.2%	65.0%
IB should be more courteous than CB	8.2%	66.2%	7.6%	66.9%
Biggest motive for choosing IB is religion	19.2%	67.2%	14.6%	46.2%
If IB improved their services they would dominate the market	6.9%	73.8%	9.4%	71.3%

Both Islamic bank users (82.5%) and non-users (76.1) strongly agree/agree that qualified staff would greatly enhance performance at IB. Additionally, an equal percentage of users (64.4%) and non-users (64.4%) strongly agree/agree that lack of well trained staff in IB has a negative impact on service. See Table 6.

Table 6: Percentage Strongly Disagree/Disagree and Strongly Agree/ Agree by Islamic Bank Usage Group – Financial Literacy

	No Islamic Bank Growth/ Usage		Islamic Bank (IB) Growth/ Usage	
	% Strongly Disagree/ Disagree	% Strongly Agree/ Agree	% Strongly Disagree/ Disagree	% Strongly Agree/ Agree
Staff in IB are trained for CB	8.2%	63.7%	11.9%	61.9%
Staff in IB can fully explain their products	16.9%	49.4%	18.8%	51.3%
Not enough credible institutions offer courses in Islamic Finances	9.4%	58.8%	8.2%	58.1%
Lack of well trained staff in IB has negative impact on service	12.6%	64.4%	7.6%	64.4%
Qualified staff in Islamic finance would greatly enhance performance	5.0%	76.1%	3.1%	82.5%

4.2 Discussion of the findings from further statistical analysis:

A Point Biserial Correlation was conducted to determine if there was a linear relationship between Islamic bank growth/usage and the variables of age and educational level.

Islamic bank growth/usage is a dichotomous variable where 0 was no and 1 was yes. Age was an ordinal variable with a range of 1 to 6, where 1 (18-25 years of age) represented lower ages and 6 represented higher ages (66 years or older). Finally, educational level was also an ordinal variable with a range of 1 (less than high school) to 5 (graduate degree).

Results indicated that there was a weak significant positive linear relationship between Islamic Bank Usage/Growth and age, where increases in age were associated with Islamic Bank Growth/Usage, $r = .113$, $n = 320$, $p = .04$. There was no significant linear relationship between Islamic Bank Growth/Usage and education level, r = .07, n = 320, p = .204. See Table 7.

Table 7: Pearson Correlation Analysis

	Islamic Bank Growth/Usage
1. Islamic Bank Growth/Usage	-
2. Age	.313*
3. Education Level	.071

* p < .05.

To determine if there was a significant association between Islamic Bank Growth/Usage and employment status, a chi-square test of independence was conducted. A chi-square test is performed to evaluate if there is an association between two categorical variables. Employment status was a categorical variable containing 5 groups, managerial, self-employed, technically skilled, unemployed, and unskilled labourer. Results indicated that there was a significant association between Islamic Bank Growth/Usage and employment status, $\chi 2$ = 13.82, n = 320, p = .008. Pairwise z test comparisons using the Bonferroni adjustment (.05/5 = .01 significance level), indicated that those in managerial positions used Islamic Banks more than expected (31.5%, p < .01), and that unemployed respondents used non Islamic Banks more than expected (30.0%, p < .01). See Table 8.

Table 8: Chi-square test of independence indicated that those employed as manager were more likely to use Islamic banks than expected. Additionally, those who were unemployed were more likely to use non Islamic banks than expected. (n = 320)

	No Islamic Bank Growth/Usage		Islamic Bank Growth/ Usage		
	n	%	N	%	$c^2(4)$
					13.82*
Managerial	35	21.9%	51	31.9%**	
Self-employed	30.0	18.8%	30.0	18.8%	
Technical	39	24.4%	50	31.3%	

Unemployed	48	30.0%**	27	16.9%	
Unskilled Labourer	8	5.0%	2	1.3%	

* $p < .05$. ** $p < .01$.

A stepwise logistic regression using the likelihood ratio method was conducted in SPSS to determine if the four variables were able to predict Islamic bank growth.

Logistic regression allows for the testing of models that predict categorical outcomes with two or more categories (Tabachnick & Fidell, 2012). The likelihood ratio method evaluates the impact of each independent variable by assessing its impact on the model if that variable was removed. First the block 0 or constant only model is computed. The block 0 model assumes that all respondents were not telework participants as this was the cell with the highest frequency. Second, the variables are added to the model one at a time. If the removal of the individual predictor variable makes a significant difference on how well the model fits the observed data, as indicated by a significance level of .05, then the variable is retained in the model. If it does not make a significant difference on how well the model fits, then SPSS rejects the variable (Field, 2013).

Unlike the linear regression, the logistic regression only has two assumptions, linearity and multicollinearity (Field, 2012). Linearity was assessed by adding an interaction term to the regression model for each independent variable. The interaction terms consisted of the log of the independent variable multiplied by the independent variable. If the interaction terms are significant predictors in the model, as indicated by a significance level of .05 for the Wald statistic, then the assumption of linearity is violated. Multicollinearity was assessed by calculating the variable inflation factor (VIF) in SPSS. If the variable VIF for each independent variable is below 10, there is no violation in the assumption of multicollinearity. Results of the checks of the assumptions indicated that there was no violation in the assumption of the logistic regression (see Table 9).

Table 9: Logistic Regression Predicting Islamic Bank Growth Using Interactions Terms

	B	S.E.	Wald	df	*p*	Exp (B)	95% C.I.for EXP(B)	
							Lower	Upper
Awareness	-1.47	1.52	.94	1	.33	.23	.01	4.49
Expected Benefits	.61	2.82	.05	1	.83	1.84	.01	458.58
Public Perception	2.37	3.22	.54	1	.46	10.72	.02	5925.62
Financial Literacy	-2.43	1.97	1.52	1	.22	.09	.00	4.18
Awareness_Ln by Awareness	.59	.78	.57	1	.45	1.80	.39	8.29
Expected Benefits_Ln by Expected Benefits	.03	1.52	.00	1	.98	1.03	.05	20.36
Public Expectations_Ln by Public_Perception	-1.39	1.75	.63	1	.43	.25	.01	7.66
Financial Literacy_Ln by Financial Literacy	1.42	1.10	1.65	1	.20	4.13	.47	35.98
Constant	.74	4.37	.03	1	.87	2.09		

The results of the stepwise logistic regression indicated that expected benefits was entered into the model at step 1, where the model explained between 1.2% (Cox & Snell R Square) and 1.7% (Nagelkerke R Square) of the variability in Islamic bank growth and correctly classified 51.3% of the cases in the data file. At step 2, awareness was entered into the model, and improved the explained variability to between 2.8% (Cox & Snell R Square) to 3.8% (Nagelkerke R Square), and also improved the correctly classified cases to 57.2%. The full model containing the two variables was statistically significant, $\chi 2$ (2, N = 320) = 9.25, p = .010. The remaining two variables, public perception and financial literacy were not predictive of Islamic bank growth. Therefore, they were not retained in the model.

As seen in Table 10, the strongest predictor of Islamic bank growth was expected benefits, recording an odds ratio of .51. To aid in the interpretation of an odds ratio of less than 1, the odds ratio was inverted by dividing it into 1. This result indicated that for every unit decrease in factor mean scores on expected benefits; respondents were 1.94 times more likely to engage in Islamic bank growth, all other factors being equal. So a person with a score of 4 out of 4 would be 1.94 times more likely to engage in Islamic bank growth than someone with a 5. If the respondent had a mean score of 3, they would be 3.88 times more likely to engage in Islamic bank growth than someone with a mean score of 5. The lower the expected benefits score, the more likely the respondent was to engage in Islamic bank growth. Awareness had an odds ratio of 1.41, indicating that a person with a score mean score of 2 was 1.41 times more like to engage in Islamic bank growth than someone who received a 1. Additionally, a respondent with a mean score of 3 was 2.82 times more likely to engage in Islamic bank growth than a respondent with a 1. So, the higher a respondents scores were on awareness (high scores equal higher awareness), the more likely they were to engage in Islamic bank growth. See Table 10.

Table 10: Logistic Regression Predicting Islamic Bank Growth

		B	S.E.	Wald	df	*p*	Exp (B)	95% C.I.for EXP (B)	
								Lower	Upper
Step 1	Expected Benefits	-.43	.22	3.92	1	.05	.65	.42	1.00
	Constant	1.01	.52	3.75	1	.05	2.74		
Step 2	Awareness	.35	.15	5.08	1	.02	1.41	1.05	1.91
	Expected Benefits	-.67	.25	7.30	1	.01	.51	.32	.83
	Constant	.74	.54	1.90	1	.17	2.10		

4.3 Testing the hypothesis via research findings:

Hypothesis 1: The average Muslim bank customer in the UAE is barely aware of the existence of Islamic banks and this has an impact on the level of Islamic bank usage in the UAE.

The results of the logistic regression indicated that awareness had a significant, but small impact on Islamic bank usage. Only 43.4% of respondents strongly agreed/ agreed that Muslim bank customers have not heard of Islamic banks (users = 36.2, non-users = 50.6%).

Hence, we accept this hypothesis.

Hypothesis 2: Articulating and advancing the socio-economic benefits of the expansion of Islamic finance in the UAE would increase the Islamic bank usage in the UAE.

Results of the logistic regression revealed that articulating and advancing the benefits of the expansion of Islamic finance in the UAE would increase Islamic bank usage in the UAE.

Therefore, we can accept the hypothesis.

Hypothesis 3: There is a significant educational shortage in Islamic finance as none or very few higher educational institutions in the UAE are offering reputable Islamic finance courses which is a contributing factor to the limited Growth of Islamic finance in the UAE.

58% of respondents did strongly agree/agree that not enough credible institutions offer courses in Islamic Finances which suggests we should accept the hypothesis. However, the results of the logistic regression analysis did not show that financial literacy had a significant impact on Islamic finance usage.

Hence, we reject the hypothesis.

Hypothesis 4: There is a great potential for the expansion of Islamic finance in the UAE which can be achieved if awareness about the distinctive features of Islamic finance and the expected benefits its increase is properly communicated to the average Muslim bank user in the UAE.

Again, based on the research, the only variables that had an impact on Islamic finance growth were the expected benefits from the expansion of Islamic finance and awareness about Islamic finance. According to our analysis, majority of the respondents expressed that they believe that the expansion of Islamic finance would increase jobs and investments. Nearly 81% of the users of Islamic banks did expect this and 71% of the non-users also said they expect the same.

The second most highly expected benefit of both users (68.7%) and non-users (68.2%) IB was the engagement of socially beneficial projects. So, promoting these benefits could increase Islamic finance usage, based on the results of the logistic regression model.

Regarding awareness, both users (71.9%) and non-users (79.4%) of Islamic Banks (IB) believed that there is no awareness of IB differences among people, as this had the highest percentage of those who strongly agree/agree with this statement. Among the non-users (72.6%) of IB, the second most strongly agree/agree question was the belief that there is limited knowledge of products and services. The second most strongly agree/agree question for IB users was IB are preferred (65.6%). Sixty-seven percent of non-users strongly agreed/agreed with this statement (see Table 7). So, improvements in these areas could improve Islamic finance usage in the UAE, based on the results of logistic regression model.

Therefore, we can accept the hypothesis.

5. Conclusion:

The research had a number of questions and the primary objective of the entire process was to find reasonable answers for these research questions. In the coming paragraphs, we will summarize the main research findings in response to the research questions.

There were only two factors that contributed to Islamic finance usage. They were awareness and expected benefits. Results indicated that as awareness scores increased so too did the likelihood of Islamic Growth (Islamic bank usage). Additionally, as scores on Expected Benefits decreased, the likelihood of Islamic finance usage - increased. Expected benefits had the largest impact followed by awareness. This answered the first research question which was asking about the factors that contribute to Islamic finance usage and growth in the UAE.

The second research question was about finding out how the level of awareness about Islamic finance impacts on the usage and growth of Islamic finance in the UAE.

According to the research findings, awareness about Islamic finance was found to have the biggest impact on the usage and growth of Islamic finance in the UAE.

The third research question was seeking evidence about how the people's perception on the products and services offered by Islamic banks affects the development of the Islamic finance industry.

There was no strong evidence from the statistical tests carried out suggesting that Public perception had significant impact on Islamic finance growth and therefore the development of the industry. Although a good number of respondents strongly agreed or agreed with most of the statements suggesting that positive public perception would enhance the growth of the industry, the evidence from the regression analysis was not strong enough to determine whether someone would or would not use Islamic banks.

The fourth research question was asking about what the stakeholders of the Islamic finance industry in the UAE should do to increase their market share of the Islamic finance industry.

Based on the research findings, the only variables that impacted on Islamic finance growth were expected benefits from the expansion of Islamic finance and awareness. This means if stakeholders of the Islamic finance industry increase the awareness about Islamic banks and they articulate well the benefits that would be generated from their expansion; this would increase the growth of Islamic finance over time. One of the ways this could be realized is investing in institutional development and Governmental involvement in educational and the skills development in the sector. Lessons could be learnt from the steps that the Malaysian authorities have taken in the 1990s when Islamic finance was introduced in the country including a proactive and supportive political will impended within the national finance development strategic plan which to a large extent ensured the success of Islamic finance in the country.

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العوامل التي تؤثر في اختيار الخدمات المصرفية الإسلامية وأسباب نموها في دولة الإمارات العربية المتحدة:

دراسة تطبيقية على القطاع المصرفي الإسلامي في دولة الإمارات

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ملخص

تقدر الاقتصاديات الإسلامية من حسابات العالم أكثر من 8 تريليون دولار في الناتج المحلي الإجمالي وتنمو بمعدل هائل. ومع ذلك تشير التقديرات إلى أن ٪80 من سوق التمويل الإسلامي العالمي المحتمل لا يزال غير مستغل، وهناك احتمال كبيرة للثراء للدول ذات الأغلبية المسلمة مثل دولة الإمارات العربية المتحدة.

كدراسة تجريبية، نفذت هذه الدراسة صفية معينة وخرجت استنتاجي إحصائية على البيانات التي تم جمعها للإجابة عن أسئلة البحث.

ووجد البحث أن التوعية والتثقيف حول التمويل الإسلامي كان العامل الأكثر أهمية، ويليه توضيح الفوائد المتوقعة من نمو التمويل الإسلامي.

الكلمات الدالة: المصرفي الإسلامي، نمو الخدمات المصرفية الإسلامية، العوامل المؤثرة في استخدام الخدمات المصرفية الإسلامية.