ISLAMIC HOME FINANCE IN THE UNITED KINGDOM

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ABSTRACT

Following the recent financial crisis that has affected some major economies around the world, and its attendant consequences, there have been calls for ways of practicing finance more responsibly especially here in the UK. One such candidate that has been identified and promoted as a viable alternative to the way finance is being practiced is Islamic finance. Although tiny in its present size compared to conventional finance, its rate of growth, moral underpinnings and relative stability has been pointed out as a reason why it should be taken seriously. Even before the financial crisis, the UK government had identified the Muslim community in the UK as being financially excluded in terms of financial choices and had taken steps to correct this perceived anomaly. The UK government's stated objective in Islamic finance were twofold, first financial inclusion for UK Muslims that were not participating in the financial markets due to reasons of faith, and the promotion of continued dominance of the UK especially London, as a global financial city by making it a global hub for Islamic finance.

This thesis investigates the UK government's discourse on Islamic finance around the use of Islamic home purchase plans, the first Islamic finance product licensed in the UK. It traces the motives of the protagonists in establishing this market, and the various steps that have been taken to actualise it. In doing so, the thesis contrasts this with the views of those that have embraced this new market by collecting empirical data at various levels and in the process reveals those that have not embraced this new subjectivity especially those that have subverted the growth of the market. This thesis argues that the introduction of Islamic finance and the financial subjectification of Muslims can be traced to a drive for financialisation which is anchored in the belief of ideologically-driven discourses that privilege financial markets as the medium for individuals and households' socioeconomic reproduction, which removes the responsibility of government for the economic and social development of its citizens, and at the same time enables more integration of different kinds of groups into the broader circuits of capital and financial accumulation. For the majority of the UK Muslims, this process has not meant more financial inclusion. As exemplified in the thesis, embracing this new subjectivity is beyond the reach of most UK Muslims and has only highlighted, and in some cases exacerbated these differences.

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Chapter 1

Introduction

Following the recent financial crisis that affected some economies and in particular the UK economy, which has led to record job losses, there have been calls for alternative ways of practicing finance. Since the 1970s, the dominance of the neoliberal face of capitalism has placed financial markets at the centre of the process of capital accumulation, and as a consequence has led to the construction of individuals and groups as economic subjects. Growing financialisation has translated into a deepening and expansion of the reach of finance capital over all other areas of the economy as well as into all aspects of social life. As a result, new actors and groups are increasingly being drawn, albeit unevenly, into global circuits of capital and finance. The power of the state and other powerful transnational actors such as the international financial and development institutions has been mobilised for the expansion and consolidation of finance‘s process of capital accumulation and its penetration into processes of social reproduction. In the process, the centrality of financial markets for individuals and households socioeconomic reproduction has progressively been incorporated into old and new forms of economic and social policies, as well as into discourses about religion and financial inclusion.

It is noteworthy that in recent years Islamic finance has emerged as a major candidate of alternative ways of practicing finance in some countries and as a result has been incorporated into the dynamics of the global financial system. This has translated into a coordinated effort on the part of some international financial institutions and governments in the global north and south to establish a discourse that exemplifies Islamic finance as a more stable system compared to the dominant neoliberal financial system and attribute its fast growth to its attributes. This narrative about Islamic finance has been one of the most prominent features of the finance agenda in many Muslim majority countries and surprisingly in non-Muslim-majority countries of the USA and the UK in the last decade. For the UK, this is based on the twin ideas that Islamic finance has the potential to act as a driver of economic development by making London a global hub of Islamic finance and simultaneously providing financial inclusion to marginalised Muslims whom were not participating in the financial markets because of their faith.

The census in 2001 which was the first that introduced a question on faith has revealed many new insights into various communities in the UK. One such community is the Muslim community. Amongst the new information available which has subsequently been built upon in the 2011 census is the size of the UK Muslim community and other socio-economic data. The size of the UK Muslim community and their deprivations in terms of housing was the variable that the UK government and other protagonists of Islamic home finance, used to introduce its first coordinated experiment with Islamic finance. This has not only produced important socioeconomic transformations in thousands of households and communities in the global south but has in effect, turned UK Muslims into one of the main intermediaries in charge of facilitating the flow of money, ideas and subjectivities within and between the global south and north. Against this backdrop, there has been very little research examining the creation of Islamic finance as a process that has various facets and consequences. Beyond looking at Islamic finance as it is being practiced, more research is needed in order to understand the diverse nature of the interactions and contestations that Islamic finance has at various levels spanning the household, city and community levels, as well as the country and global levels and also within different contexts. In particular, the constitution of Islamic finance has rarely been framed in terms of a systematic examination of the process of financialisation of economic and socio-spatial relations, its uneven geographical development and the role of the state in the construction of Muslims as consumer-investors-citizens.

This thesis is an attempt to fill this void. In particular, it aims to explore the multiple political, financial and social linkages that are a consequence of Muslims embracing or subverting their newly assigned subjectivities while highlighting the linkages between state policy, concerted state-private sector action, global financial flows, family home ownership aspirations and strategies. It does so by uncovering the various aims and objectives of the protagonists of the Islamic home finance project in the UK and contrasts these views with the target market's own perceptions. In a broader sense, this thesis aims to answer the call made by Pollard et al. (2009) for crossing disciplinary boundaries to create an arena for analysis that emphasises the mutual constitution of the global north and south that de-compartmentalises space.

The significance of this study lies in the fact that it intends to explore Islamic home finance in the United Kingdom, a majority non-Muslim Economy. With London now regarded as a key centre for Islamic finance (UKTI, 2013), this study will explore how Islamic finance can prosper here in the aftermath of the most serious financial crisis since the 1930s.

This study is also unique in that unlike previous studies which have only highlighted one side of either the supply of or demand for Islamic finance products, it intends to evaluate both the supply side and the demand side of Islamic home finance. In doing this it is going to use different techniques of analysis in evaluating both the demand side and the supply side and is going to generate and build on fresh data and qualitative assessment.

This study is going to be undertaken from an economic geography perspective which will enable it to accommodate the various other disciplinary perspectives that will inform the robustness of the analysis.

In justifying why the United Kingdom is being chosen as the site of this research, the following reasons are notable: There exists a sizeable number of Muslims in the UK who are potentially large markets for Islamic home finance, as nearly 3 million Muslims live in the UK (ONS, 2012). As a new business model that is seeking accommodation in new legal jurisdictions, the United Kingdom is an example of such jurisdictions with the added feature of it as being major non-Muslim economy. The United Kingdom in particular has been very accommodating to Islamic finance and Islamic home finance in particular by giving legal backing to encourage IBF in the form of removing obstacles to the development of Islamic home finance products (UKTI, 2013). The United Kingdom also has policies in place to encourage financial inclusion of minorities that have no access to finance for a variety of reasons.

1.1 Research Questions

1. How is the Islamic home finance market being constructed in the United Kingdom by the various actors? And what role does regulatory accommodation play in the development of Islamic finance in the United Kingdom?

2. How are potential consumers of Islamic home finance products actualizing their dreams of homeownership? And what implications does their understanding of the Islamic home finance markets have on our knowledge on how these types of markets are created

The thesis is based on multi-sited empirical data collected in London, Manchester, Birmingham, Blackburn, Bradford, Munich and Newcastle Upon-Tyne between 2011 and 2012. It employs a multi-method approach that includes semi-structured interviews, participant observation, focus groups and the collection of secondary qualitative and quantitative data.

1.2. Thesis Overview

Chapter 2 presents the cross-disciplinary theoretical framework that informs the critical analytical approach taken in this thesis. The chapter is structured in five sections. The first section locates the trigger for disenchantment with the current economic system against the backdrop of the last financial crisis. The second section looks at the role of neoliberalism in fostering the creation of new financial subjects. The third section explores alternative forms of finance/economies. The fourth section looks at different approaches to understanding how a market works and emphasises why a financial ecologies approach is the most appropriate in this instance. The fifth section justifies why there is a need in crossing boundaries of law and religion in producing a geographically sympathetic and nuanced account of Islamic home finance.

Chapter 3 provides a context for framing the empirical findings of this thesis. In particular, it presents detailed contextual information about the origin, roots, and rules of Islamic finance. It also examines the role played by Shariah scholars in the creation of the market. Lastly, it traces the Judaeo-Christian roots of mortgages.

Chapter 4 discusses my motivations to pursue this research, a justification for the methodological approach and research methods employed and a detailed description of the research sample. It also includes a reflexive account of the research process and the methodological contribution of the research.

Chapter 5 is the first empirical chapter. It starts by charting the various legislations the UK government has enacted in granting Islamic finance accommodation in the UK financial scene since the 1990s. It also explores demographic data about UK Muslims and significantly as the first empirical chapter, it unpacks perceptions of the respondents about their views on Islamic home finance in the east end of London and subjects this observations to statistical tests to tests relationships and draw out more nuanced conclusions on the elicited responses.

Chapter 6 identifies and examines the key protagonists and sketches out their motivations for developing the Islamic home finance market. It also uncovers hidden resources in the form of Imams whose actions or inactions have considerable impact on the development trajectory of the Islamic home finance market. Finally, it explores how the market is created by the various actors and the techniques used.

Chapter 7 analyses the motivations behind the desire for home purchase especially, for those who have embraced their new subjectivity of Islamic financed home ownership. It also looks at the factors that have influenced those that have refused or are unable to join the market. The alternative strategies of accessing housing by Muslims are also studied. Lastly, the chapter looks at some major stumbling blocks to the development of the Islamic home finance market in the UK. Finally, chapter 8 revisits the research questions and outlines the main findings of this research. It also highlights the theoretical, empirical and methodological contributions of this research to current debates on Islamic home finance. It concludes by outlining academic policy and policy recommendations.

CHAPTER 2

Literature Review

This literature review provides a theoretical background to the rest of the thesis on the subject of Islamic home finance. This literature review begins by situating the research in the quest for an alternative form of finance in place of the existing conventional framework. It starts by looking at the trigger for disenchantment with the conventional system, which in this case was the recent global financial crisis and subsequent economic recession in several countries. The chapter is divided into six sections which are further separated into subsections that cover specific conceptual or empirical positions that highlight the contributions that have been made in the literature.

2.1 Introduction

In this first part of the chapter, I will discuss recent events that have motivated people to ask for a change in the way finance is being practiced, specifically, the need for a more socially responsible form of finance against the backdrop of the recent financial crisis. It should also be noted here that the initial window that was available post crisis, which allowed for discussion is now more or less closed following the corrective actions taken by various global governments (French and Leyshon (2010); Helleiner, 2010). Following closely on the above I will also emphasize the political economy theories of neoliberalism that have been accused rightly or wrongly of being the main culprit in the recent economic crisis and others previously. I would also add that neoliberalism, capitalism and financialisation which would be a reoccurring themes are contested terms and will be used within the specific contexts in the thesis and indicate as to what it constitutes.

The recent economic recession occasioned by the subprime mortgage lending crisis in the United States has brought to bear the need to try out alternative financial systems, which may be more in tune with addressing human needs without attendant economic disruptions. While the term disruption is being used here, it in no way diminishes the significance of the recession, which includes record job losses, increasing local repayment default rates and foreclosures, a profound banking crisis and inevitably a global credit crunch and its attendant consequences (Martin, 2010-17)

According to French et al., (2009), the origins of the financial crisis of 2007–2008 can ultimately be traced to four spaces: in international financial centres, in particular, in the established competition between London and New York; in the insularity of the commonplace geographies of money that have emerged in such centres following the rise and dominance of financialisation; in the geographical recycling of surpluses and deficits and, in particular, the structural dependency that has emerged between China and the USA, and, finally; in the growing power of the financial media, centred in international financial centres and an increasingly significant agent in performing money and the economy in general, and in producing what they termed "mimetic forms of rationality" (French et al., 2009-1).

Martin (2010) further noted that the impacts of the financial crisis were spatially differentiated and uneven with New York and London being the epicenters although with multiple others areas impacted upon. More significantly, it was more evident in areas in which economic activity relied on financial markets. According to French et al., (2009), Iceland, which had before then assumed speculative credit activity, lost the majority of its wealth in the financial markets in a matter of weeks leaving major investors, including the UK`s local authorities, with huge losses that forced them to cut back on jobs and services in order to reduce their costs. Other areas influenced include some economies in Eastern Europe which borrowed heavily with their ascension to the European Union in 2004. Their own problems arose especially because of their inability to roll over debts or implement counter-cyclical macroeconomic policies because of global liquidity shortages; as such they suffered more than the advanced economies (Shelborne, 2004). In particular, in sectors such as mortgage finance, some households are now enjoying an unprecedented period of low interest rates, while those that live in low income and minority neighbourhoods have been faced with growing foreclosure rates and persistent financial inclusion (Aalbers, 2009).

Arguing against the notion that only financialised economies are affected by the financial crisis, Harvey (2010) notes that marginalized economies that principally rely on remittances from the developed world are witnessing increased poverty and malnutrition. Here, in the UK according to Her Majesty's Treasury between 2002 and 2007, there was a near tripling of UK bank balance sheets and the financial system had become one of the most highly leveraged in the world, even more than the United States. As a result, the UK was particularly vulnerable to financial instability and was hit hard by the financial crisis.The cost of the recent financial crisis has been estimated at a staggering £7.1 trillion according to the IMF (Conway, 2009). This mind boggling amount is equivalent to around a fifth of the globe's entire annual economic output and includes capital injections into banks, in order to prevent them from collapse, the cost of absorbing toxic assets, and guarantees over debt and liquidity support from central banks. Although much of the total may never be called on, the potential outlay still dwarfs any previous repair bill for the global economy. The IMF figures also show that Britain has been the biggest of all the spenders on emergency measures to support its financial sector, with its total bill for the clean-up amounting to the equivalent to £1,227 billion (Conway, 2009).

The loss of confidence and withdrawal of credit that followed precipitated the deepest and longest recession since the Second World War. Whilst some of the countries that were affected by the financial crisis have witnessed and are continuing to witness negative growth rates, there are some economies that have not followed this trend. Notable exceptions include Germany, India and Norway. Tharoor (2010) for instance observes that whilst a majority of countries have experienced negative growth in at least one quarter in the past three years, India`s GDP grew at 6% within this period. Furthermore, Tharoor noted that its ability to weather the financial crisis (despite the withdrawal of $10 billion by investors from its economy in 2008) stemmed from its relatively low dependence on global capital and trade flows, and a resilient home market. Still on India, Dymski (2007) credits the central banker Yara Reddy with introducing regulations that restricted lending to real estate developers, blockage of the use of certain derivatives and decreased leverage ratios. According to Thomas (2009) a larger success story is that shown by Norway, where in 2008, it strengthened its welfare state and passed legislation ensuring that its oil revenue, $68 billion went into its sovereign wealth fund, now one of the largest in the world. As a result, it has not suffered the kind of public sector cuts witnessed in the UK. Furthermore, Thomas (2009) asserts that as a result of its banking sector representing just 2% of its economy and tight public oversight, Norway has been spared the kind of collapse faced by their Icelandic counterparts as a result of its risk taking.

In recent times, especially in the financialised economies of the West, the role of banks and other financial institutions in the economy are being questioned. In making a case for the review of the City of London's finance activities Turner (2010, p1) stated that, *"some financial activities which proliferated over the last 10 years were socially useless, and some parts of the system were swollen beyond their optimal size,"* he further stated that "capitalism needs to be saved from itself".

Contrary to the state of affairs to which Turner (2010) alluded to, the beneficiaries of this system which are mainly the bankers, investment brokers and other actors in the financial industry have a counter argument in justifying their actions. They have come out to defend their actions citing a loss in competitive advantage if any action is to be taken against them (Knight, 2009). The competitive advantage being referred to here is in the competition between London and other financial cities for the crown of world financial city (Sassen, 1991). In particular with New York which is London's major rival for the crown (French et al., 2009), a financial equivalent of a war was being undertaken using what was termed *"regulatory arbitrage"* as the weapon of choice (Peck & Tickell, 1994). Here the governments, especially the UK retreated from market regulation towards what the then Chancellor of the Exchequer Gordon Brown called *"light touch regulation"* (Brown, 2003) (Leyshon, 1992). However, giving more privileges to the financial sector above other sectors is not limited to the United Kingdom alone. Most financialised economies have abandoned real sector development in favour of trading in financial instruments and currencies, which benefit only a minority in society.

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Chancellor of the Exchequer Gordon Brown called *"light touch regulation"* (Brown, 2003) (Leyshon, 1992). However, giving more privileges to the financial sector above other sectors is not limited to the United Kingdom alone. Most financialised economies have abandoned real sector development in favour of trading in financial instruments and currencies, which benefit only a minority in society. Marxists especially Harvey (2010) have long noted that the dominant economic system, capitalism (itself not a monolithic system as argued by Hall and Soskice.,2001)was inherently unstable and its instability could lead to prolonged crises. Crises related to capitalism have been reported to number about sixty since the early seventeenth century, with A.D. 33 being the first documented crisis in history of capitalism. During that period, it was said the Emperor Tiberius had to inject one million gold pieces into the Roman financial system to prevent it from collapsing (Ahamed, 2009). The difference with the most recent crisis of 2007-8 being that in the earlier recessions and depressions (all terms used for financial problems on a large scale), the spread was restricted in nature as it affected only certain countries, for example, the United States and other European economies in the 1929 Great Depression (Temin 1994) or regions such as Asia during the financial crises of 1997-98 (IMF 2010).

Despite its volatility, some actually support its existence by stressing the necessity of the instability. This instability, they note is a necessary precursor for its corrective progress (Schumpeter, 1943). On the other side of the divide, there are those that are concerned in relation to its exploitative tendencies in periods of crises, where it goes in search of cheaper means of production, especially labour (Arrighi, 2009).

In summary, the integration of the global financial system with local circuits of capital production and consumption has meant that since 2007 a number of economies have experienced negative growth. This is irrespective of whether they had invested in US mortgage backed securities, received reduced aid funding or relied on western export markets which had slowed down considerably, especially for Asian exporters. The effects of this crisis have proven to be anything but uniform spatially and have demonstrated the global reach it has had, especially in the financial markets in other areas outside the epicenters of the crises. The spatial non- uniformity of the crises has also been shown by a converse trajectory in places like India, Germany and Norway. These countries have adopted a more conservative approach to promoting financial stability, while forgoing potential profits from speculative activities which has allowed them to escape some of the painful costs other economies are paying, as a result of the financial crisis.

Based on the above, it can be argued that financial instability especially the kind being witnessed now leads to geographical instability. As a result, there is a requirement to search for a more stable system that promotes not only financial stability but also has within it the capacity to have a more socially useful function in its genetic make up for the social, political and economic wellbeing of all societies. As noted by French et al., 2009, it is important to understand the ways in which the financial system may already be reinventing itself in the midst of crisis. They point towards the debt crises suffered by less developed countries, as a consequence of which the financial system moved strongly towards securitization in response to the damage done to major banks. Moreover, many leading companies and governments found themselves with much stronger credit ratings, making it possible for them to fund their activities in ways that avoided traditional intermediation altogether. French et al., (2009, p299) posit that it is in these moments of crises that *"new forms of activity are forged and given momentum as established paths and procedures are closed off, and it is highly likely that a new financial paradigm is already in making",* and one such candidate I will argue is Islamic finance.

In the next section, the role of the neoliberal state in economic development and constitution of new forms of markets and consumers is examined.

2.2 Capitalism, neoliberalisation and the creation of new financial subjectivities

From the onset, I want to argue that capitalism although prevalent in most of the world is not the same in different places and even in different times. Ross & Trachte (1990) posit that not only are there different variants of capitalism out there, but that capitalism has different eras, with attendant different characteristics.

In defining capitalism using a Marxian political economy perspective, Harvey (2010, p40) noted that *"capitalism is not a thing but a process in which money is perpetually sent in search of more money. Capitalists, those who set this process in motion – take on many different personae. Finance capitalists look to make more money by lending to others in return for interest"*. He further notes that landlords collect rent; and that renters make money from royalties and intellectual property rights. Equally important, is the notion he puts forward that even states act like capitalists, using the example of the use of tax revenues to invest in infrastructures that stimulate growth and generate more tax revenues for the state. Harvey (2010, p41), explained that continuity in circulation of capital flow is very important and that there cannot be a disruption to the process without an attendant result in the form of incurring losses.

In further analysing capital, Harvey (2010) suggests that in the history of capital, there has been a general reduction of spatial barriers and a speed up. Once more he points out that two key issues propel the continued deployment of capital by different actors. The first being a decision to continually re-invest brought about by competition, and the second being the social power advantage capital confers on its owners. He argues that the continued survival of capitalism despite many predictions for its failure is due to the fact that *"it has sufficient fluidity and flexibility to overcome all limits, though not, as history of periodic crisis also demonstrates, without violent corrections"* and that *"there is within the historical Geography of capital's perpetual struggle to convert seemingly absolute barriers into barriers that can be transcended or surmounted"* (Harvey, 2010, p47).

This is as a result of the seeming incompatibility between the limitlessness of capital accumulation and the limited aspects of material activity (production, consumption and exchange of commodities). Taken as barriers, these limits on activity have the potential to disrupt capital flow and if prolonged, lead to a crisis. I would further argue that additional examination of capitalism reveals that in its most recent history, the dominant face of capitalism has been driven by neoliberalism.

"Neoliberalism in the first instance, is a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual freedoms and skills within an institutional framework characterised by strong private property rights, free markets and free trade" (Harvey, 2005, p2). According to Harvey, the role of the state is limited. The argument being that the state cannot possess enough information on what decisions to take regarding the markets and also to prevent powerful individuals from influencing the state's decisions on the market for their own benefit. (Harvey, 2005, p92-93) noted that in its bid to transform and return class power (one of the goals of Neoliberalism), four key steps were pursued. First, what was termed more open financialisation, which involved deregulation and innovation in the financial markets? Second was the increased geographical mobility of capital, occasioned by rapidly diminishing transportation and communication costs. Thirdly, the Wall Street-IMF-Treasury complex that dominated the economic policy in the Clinton era was able to persuade, cajole and coerce many developing

countries to take the neoliberal road. Lastly, was the purging of Keynesian economics from the World Bank and the IMF, thereby guaranteeing the neoliberal agenda that emphasized the control of inflation and sound public finance (rather than full employment and social protection). Harvey (2005, p118) noted that even though neoliberalism developed unevenly in various geographical locations, there has nonetheless been a universal tendency to increase social inequality, and subject the less fortunate members of society to austerity and marginalization. He further emphasized that unregulated financialisation posed a serious danger of a contagious crisis (Harvey, 2005, p94).

This thesis notes that a key strategy employed by the neoliberals was the mobilisation of state power as a tool to dismantle the welfare system promoted by Keynesians and the creation of new forms of technocratic economic management that also had invasive social policies (Peck and Tickell, 2002: p388-389). This had an effect, which was the gradual re-ordering of the role of the state in relation to society. In particular, it showed how the state exercises or promotes its agenda through the medium of the financial markets. In areas where the neoliberal state is dominant, it has moved beyond being the regulator but has become an active participant in the creation of not only the markets but also systematically creating subjects that it expects to participate in these markets. As Paul Langley (2007: p74) posits, *“the neoliberal state plays not only a supervisory role in relation to the market but also stimulates, promotes, and shapes subjects who, self-consciously and responsibly, further their own freedom and security through the market in general and the financial market in particular”.* In other words, the state has allowed the private sector to be at the forefront in areas where it previously held sway; simultaneously it also acts as the guarantor of the private sector. As noted by Harvey (2005: p73);

“Neoliberal states typically facilitate the diffusion of influence of financial institutions...and they also guarantee the integrity and solvency of financial institutions at no matter what cost”.

A similar conceptualisation of the neoliberal state has also been put forward by Peck (2004).

The variant of neoliberalism in the United Kingdom and the United States is the Anglo-American model, which is the dominant model of financialised capitalism (French et al., 2009, Gowan, 2009; Nesvetailova and Palan, 2008; Sidaway, 2008). It is more liberal and accords more recognition to financial means of generating more profit. For these two countries, this was an outgrowth of the increasing role of the financialisation of their economies (Epstein, 2005). For these two economies financialisation meant *“the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operations of the economy and its governing institutions, both at the national and international levels”* (Epstein, 2002, p3). In these economies there was a *“shift in gravity from of economic activity in production to (and even much of the growing service sector) to finance”* (Foster, 2007, p1). In Pike and Pollard (2010, p30) financialisation was shorthand for the growing influence of capital markets, their intermediaries, and processes in contemporary economic and political life as evidenced by the recent financial crisis especially here in the UK. As noted previously, financialisation has gained more prominence in the UK and the US, although the implications of this significant shift have not been limited to these two countries. As Pike and Pollard (2010: p37) have pointed out;

“The growing social and geographic scope and extent of financialisation has drawn existing and new agents and sites into often reconfigured roles and relationships within the financial system, broadening and deepening the reach of finance capital”.

Whilst there has been an increased financialisation of the economic sphere in some western countries, especially in places like the UK and the United States, one of the consequences has been the creation of new financial subjectivities as a result of financial inclusion and exclusion. I argue in this thesis that Muslims are one such candidate for the financial subjectivication process, and their inclusion in the broader circuits of capital was a very attractive proposition. Hall (2011) notes how the processes of neoliberalisation in the late 20th century and the financial innovations around securitization have meant that everyday householders increasingly have to act as entrepreneurial investor subjects. Hall (2011) also argues that neoliberalisation has meant that financial firms have developed new products targeting profitable individuals, as a consequence of the retreat of the state sector from the provision of socio-economic to the realm of the households and individuals. This has led to financial exclusion, a process *“by which individuals and households face difficulties in accessing financial services”* Leyshon et al., (2008: p447).

These changes have had varied implications for all sets of actors including governments, financial and non-financial institutions, and individuals around the world. As argued by Pike and Pollard (2010) this growing financialisation has not only become a powerful force in shaping the sociospatial relations of economic actors but has the potential to exacerbate existing global economic, social and political unevenness. In particular for global financial markets, Sassen (1996) has argued that as a result of the changes brought upon by globalisation, new forms of economic citizenship are being produced which privileges them with the rights to influence government and its**.** Similarly, French et al., (2008) have noted that to understand the process of financialisation of economy and society and their complex uneven geographies, it will be useful to study the geographically embedded nature of their networks and flows of international finance. In particular, according to French et al., (2011), a noticeable absence in the study of financialisation involves the role that space and place play in the financial and monetary area. Given these lacuna in the proper analysis of how financialisation has proceeded, especially against the backdrop of its growing influence on socio-spatial relations, this thesis adopts an approach that traces and analyses how the Islamic home finance market is being created and Muslims in the UK incorporated into the financial process by paying particular attention to the geographically embedded networks and places that influence the flow of resources in the development of this market.

In summary, I want to argue that firstly, the neoliberal agenda pursued by some western economies, especially those of the United Kingdom and the United States has meant that individuals and households are now inextricably tied into the financial markets as a result of financialisation. Whilst they have been incorporated into these markets by new financial innovations and new financial services, it has been as a result of the retreat of the welfare state within neoliberal economies from its socio-economic functions in favour of the markets. Secondly, I argue that this new financial inclusion has also meant that some sections of society are also excluded from participating in the economy; as a result financialisation has developed unevenly in the affected communities as financial service providers target only profitable individuals or households, ultimately exacerbating differences amongst the affected target markets. The ascendancy of financialisation has one very important consequence, the fact that the State has become the mechanism through which financialisation and its process of global capital accumulation is fostered and its dissemination into the socio- economic sphere is guaranteed. Whilst financialisation has proceeded it has encountered a setback in the last financial crisis. Thirdly, as a consequence I want to argue that in looking for an alternative, it is simply the current economic system driven by neoliberalism in some countries, which is also at the forefront of seeking a new asset class, reinventing itself. It is within this context that new financial investment classes and markets emerge. Markets like agricultural land commodification and I would also argue in particular, Islamic finance are all outcomes from the search for new ways for capitalism to reinvent itself.

Based on the preceding the research on Islamic finance assumes a singular significance. Although it still constitutes a very tiny amount with total financial assets of just over $1 trillion (Pollard & Samers, 2011) compared to the huge global conventional banking and finance assets of about $227 trillion in 2012.,(Lund et al. 2013). It presents an opportunity of bringing in an untapped market in the form of the Muslim faithful who are concerned about dealing with interest based institutions. In the same vein it is also for economies like the UKs, a vehicle to attract oil monies from the Middle East into the City of London. The previous literatures on the political economy of neoliberalism, in particular with regards to the process of the financialisation of spatial socio-economic relations and the construction of new economic subjectivities by strategies such as financial inclusion promoted by the State are relevant to this research. This is due to the fact that they highlight the processes involved in including more groups into the financialisation process and at the same time disenfranchising others from participating in the financial markets. These readings provide us with the foundations on which we analyse the formation of Islamic home finance markets as a practice in a non-Muslim majority country, the United Kingdom.

In the next section, alternatives to the existing conventional arrangements in the financial sphere that have been identified in literature are explored. In particular new markets that privilege socio-economic well-being within society as a whole are also analysed.

2.3 Alternative forms of finance/Alternative economies

In making a case for an alternative economy, it is worth mentioning that there are already variants of alternatives in different economic spheres. Moreover, in making a justification for the need to research more on this, Hughes (2005) notes that the relationship between alternative and conventional economies is unstable and ever changing, and that the dynamics of this relationship are central to local, national and international political agendas, which in turn renders this body of work both intellectually challenging and relevant to policy and practice. The notion that these systems, the capitalist and alternative, are somewhat fixed is challenged by the earlier statement and the imperative to study them becomes even more apparent.

All societies engage in some form of economic activity or the other. These interactions take the forms of production, distribution and allocation of the goods produced. To further untangle these practices, they have been again classified into those that are provided by the state (public), those provided by the market (private) and those provided by the community (informal) sector (Giddens, 1998; Gough, 2000). Looking at the economy through this perspective demonstrates that the dominant form is the market.

Despite the previous discussion, on the notion of the supremacy of capitalism or its inevitable ascendancy (Soto, 2001; Castree et al., 2004), a new discourse that challenges this narrative has emerged in the last decade. Developed by the feminist geographers Gibson-Graham, they termed this framework a *'diverse economies'* approach. The diverse economies approach, challenges the assumption of the dominance of the market and also the notion of futility in the search for alternatives to capitalism. In doing this, it offers a second look at the very nature of economies and simultaneously, the trajectory of the development of not only western market economies but also non-western market economies. As Smith (2004: 14) notes, they seek to liberate the non-capitalist from its secondary position in understandings and to reposition "capitalism". Again as elucidated by Rogers and Williams (2012-6) *"their argument is that accepting market hegemony reinforces the vested interests of capitalism by constructing its dominance as natural, immutable and inevitable and closes off the future. The intention therefore, is to de-centre market hegemony and articulate alternative representations of how economies are, and might be organised by recognising the present-day existence of multifarious practices".*

Gibson-Graham's framework of diverse economies as shown in Fig 1 below, groups a sampling of these varieties into three columns – transactions (including all the markets, alternative markets and non-market transactions that circulate goods and services), labour, including wage labour, alternatively compensated labour and unpaid labour) and enterprise (including all the non-capitalist and capitalist enterprises that produce, appropriate and distribute surplus in various ways).

Table 2.1 A Diverse Economy

Transactions	Labor	Enterprise
MARKET	WAGE	CAPITALIST
ALTERNATIVE MARKET Sale of public goods Ethical ‘fair-trade’ markets Local trading systems Alternative currencies Underground market Co-op exchange Barter Informal market	ALTERNATIVE PAID Self-employed Cooperative Indentured Reciprocal labour In kind Work for welfare	ALTERNATIVE CAPITALIST State enterprise Green capitalist Socially responsible firm Non-profit
NON-MARKET Household flows Gift giving Indigenous exchange State allocations State appropriations Gleaning Hunting, fishing, gathering Theft, poaching	UNPAID Housework Family care Neighbourhood work Volunteer Self-provisioning labor Slave labour	NON-CAPITALIST Communal Independent Feudal Slave

Source Gibson-Graham, (2008, p616)

Although these categorizations uncover the non-market sector, they leave the market intact as a unified whole and simultaneously separate the market from the non-market and portray them as distinct entities. This helps us to perceive the connections that exist in the development of the markets and the fact that these connections are not always distinctly different enough to warrant a distortion in the dissimilarity between them (Gibson-Graham, 2006; Lee, 2006; Pollard et al., 2009; Smith and Stenning, 2006; Williams, 2005). This makes for a more nuanced understanding of the market and its development.

Gibson-Graham (2008) has called for academic practices to contribute to the exciting proliferation of economic experiments occurring worldwide. In this thesis, I will be answering this by bringing to light the under researched area of Islamic Finance, through the lens of Islamic home finance market practices in the United Kingdom. This is in consideration of the fact that Islamic banking and finance practices cannot at least for now be labelled under particular categorizations due to its heterogeneous set of practices as noted by Pollard and Samers (2007).

The aim of this research is to uncover this form of economic practice, in order to promote it as a viable and credible alternative that will better serve the needs of society as a whole, as opposed to other types of economic practices that privilege the self or few over the whole (In the next chapter, I have provided a comprehensive review of Islamic banking and finance practice) In doing this, I extract what Gibson-Graham, 2008 call a *"perfomative ontological project"* strategy that utilizes a different kind of academic research practice, which involves crossing different academic disciplines and the use of my own subjectivity to *"sketch out some of the productive lines of inquiry that emerge from an experimental, performative and ethical orientation to the world"* (Gibson-Graham, 2008- 629)

2.4 Islamic Finance

The emergence of Islamic Banking and Finance in recent years has brought along with it the imperative for researchers to take a closer look at it with a view to understanding it. With its stated ideals of being more closely aligned with the real economy and the implicit social welfare function in its theory, there is need to study it in more detail. In this section I will provide a very brief introduction to Islamic Finance, chapter three will provide a more detailed account of the theoretical framework that guides the practice of Islamic finance, reasons for its emergence, and key geographical spaces where Islamic finance is practiced.

In defining what Islamic Finance means , (Maurer, 2005, p28) stated that "*the broadest definition of Islamic banking and finance would include all those activities understood to be financial or economic that seek to avoid Riba* (Islamic definition of interest, see chapter 3) itself a term of considerable anxiety generally through profit and loss sharing , leasing, or other forms of equity or asset based financing". It is essential to note that the issue of what Riba means is central to what defines Islamic finance. It is one of the constantly recurring terms that will come to highlight the contested nature of Islamic finance itself as will be shown in the thesis.

The primary attraction is its prohibition on interest which is the cornerstone on which the whole Islamic finance rests, and other redeeming characteristics such as moral grounding (avoidance of gambling and speculation), and its socially conscious nature of investing. Essentially Islam forbids the practice of interest (both giving and receiving) and prescribes severe penalties for partaking in it.

In defining Islamic finance, cognisance should be taken of the underpinning theory which is provided by Islamic economics. The ontological and epistemological sources of Islamic economics are the Holy Quran and the Hadith. These two determine the framework of the economic value system: it's foundational and operational dimensions and the behavioural norms of individual Muslims (Asutay, 2007, p171). Islamic economics is then defined as an "*approach to [and process of,] interpreting and solving man's economic problems based on the values, norms, laws and institutions found in, and derived from all sources of knowledge in Islam"* Asutay (2007).

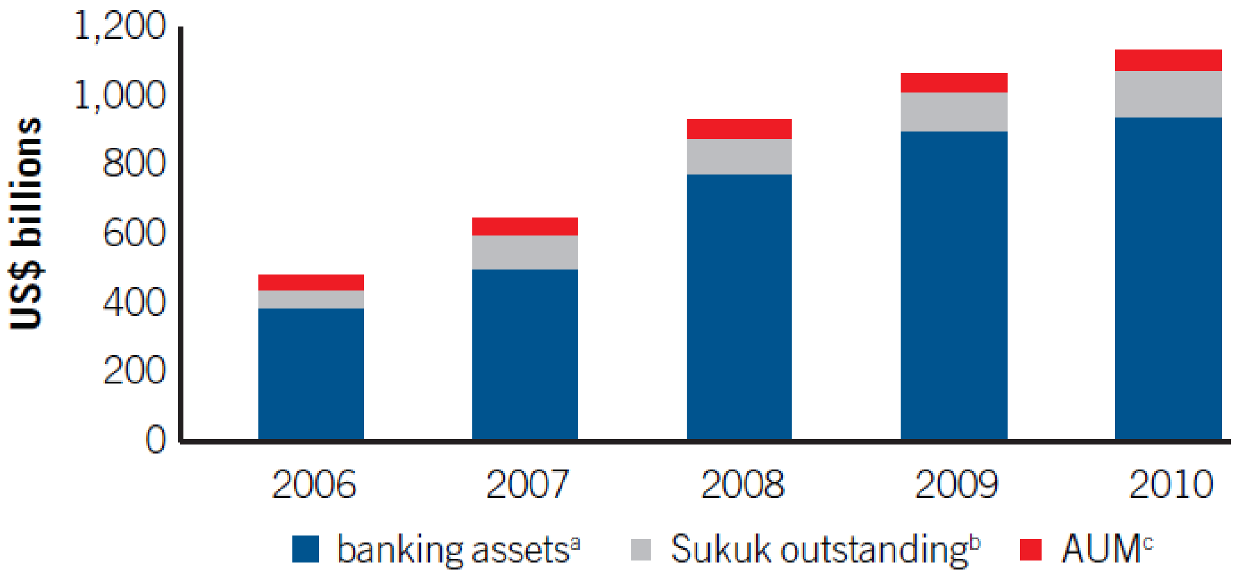
The popularity of Islamic finance is exemplified by the IMF (2010) in a recent report where it notes that, when compared to its peers in the conventional Banking industry; Islamic banking appeared to have had more resilience to the recent economic crisis. This again supports the view about why it needs to be studied. See Tables 2.4.2 and 2.4.3 respectively on the growth of Islamic finance.

Table 2.2: Major Forms of |Islamic Finance Contracts.

Product	Type	Description
Ijara	Leasing	A contract under which a bank leases assets for a specified rent and term. This can take the form of a lease purchase contract in which each payment includes a portion of the agreed asset price.
Mudarabah	Profit and loss sharing	A trustee type contract in which a financial institution provides finance for a client who provides all the labor for setting up the business. The financial institution is guaranteed a share of the profits but assumes responsibility for all losses. In many cases a manager (*mudarib*) is appointed to manage the business.
Murabaha	Debt	A cost-plus purchase and resale transaction in which a bank buys or takes title to a desired commodity from a third party and resells it at a predetermined higher price to the client.
Musharakah	Profit and loss sharing	An equity partnership in which each partner contributes capital to a project and shares profit/loss in preagreed proportions.
Qard hasan	Debt	A loan that is returned at the end of the agreed period without any interest or share in the profit or loss of the business.
Sukuk	Bond	An asset-backed security that gives investors a share of an asset and exposure to its cash flow and risk.
Takaful	Insurance	A pool of donations in a fund that is used to indemnify each of the participants against certain losses.

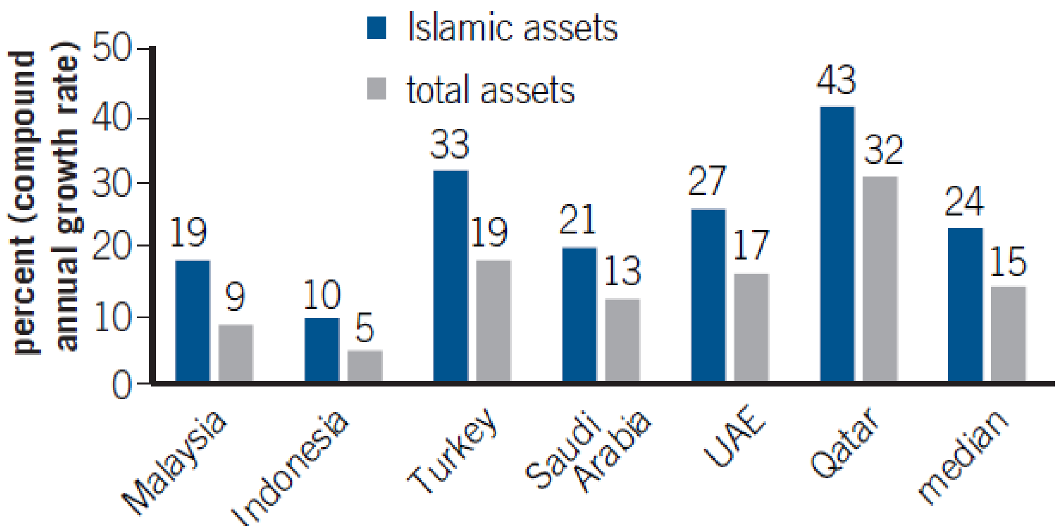
Source- Al-Omar and Abdel-Haq (1996), Vogel and Hayes (1998), and Warde (2000). Adapted from Pollard and Samers, (2011).

Figure 2.4.1: Global Shariah-Compliant Financial Assets



Sources: (a) Deutsche Bank 2011; (b) International Islamic Financial Markets database, March 2012; and (c) Ernest & Young 2011a.

Figure 2.4.2: Growth of Islamic Banking and Conventional Banking Assets in Selected Countries (2006–10)



Source: Deutsche Bank 2011, 10.

The next section highlights the different approaches used to study how financial markets are constructed and reproduced in modern economies and the importance of its inherently social structure. It moves on to also justify why the financial ecologies approach is appropriate as the framework of analyzing how the Islamic home finance market is constructed.

2.5 Creation of markets

In this section various approaches towards analysing how markets evolve are evaluated and the justification for the use of a financial ecologies approach is advocated.

2.5.1 Creation of markets

Whether as an idea (l), a system or as economic practice, markets lay at the heart of capitalist societies; nevertheless, they remain one of the most abstract concepts within social sciences (Lai, 2007). Contemporary literatures that have been engaging with the trajectories of development of markets have had as their focus the social nature of markets. Arguments made by these literatures include the observation that markets like other economic institutions are not unified, stable or have predictable outcomes as they can take on multiple forms and different outcomes (Peck, 2005; Gibson-Graham, 2006; Fligstein, 2001; Berndt and Boeckler, 2009). Therefore, this reading of economy views the market as being socially embedded. This is in direct contrast to the orthodox view of the market, which neglects the role social relations play in the formation of markets. This almost mechanical view of the market espoused by the orthodox approach is shown below in the prepositions of a virtuous market in the table below

Table 2.3 Propositions of the 'virtuous market'

• The market enshrines the principle of consumer sovereignty.
• The market permits, sustains and delivers individual freedom of choice and action
across the economic and social spheres.
• The market is an ideal mechanism for exchange because its incentive structures are
consistent with basic features of human nature
• The market is applicable to many, if not all, forms of human activity; its principal mode of
rational calculation being suitable to all spheres of life.
• The market is the epitome of efficiency in the allocation of resources and is unfailingly
superior to any other system of economic governance.
• The market is the best guarantor of reliable quality in products and services.
• The market guarantees sustained growth in standards of living in all countries, whatever
the level of development.

(Source: Metcalfe and Warde, 2003: p4)

There is thus a need to break down the virtuous market model being promoted by orthodox economists and investigate its basic processes by analyzing its institutions and actors.

2.5.2 Approaches to markets

Berndt and Boeckler (2009) have proposed heterodox alternatives to the orthodox free market logic of the Market. These approaches are Markets as networks (Socioeconomic approach), Markets against networks (Political economy approach) and Markets as network effects (cultural economy approach).

They argue that for socioeconomists, markets are embedded in social structures and are totally distinct from the virtual market model promoted by orthodox economists. They further argue that social relations guarantee real markets. Work undertaken in this context places a premium on social relations and institutions, and analyses how non-economic organizations either enable or constrain efficient market exchange. This is especially important in the context of Islamic home finance, which is the focus of this study. As a condition for the market to exist, non-economic actors in the form of Sharia scholars (Pollard and Samer, 2011) and other new actors (as will be shown later in chapter 6) have to give it legitimacy for it to be accepted by the target market. Equally non-economic institutions, such as mosques are also shown to play a major role in the development trajectory of the Islamic finance market here in the UK.

As will be shown later in chapters 4, 5, 6 and 7 the development of the Islamic finance market in the UK has had to undergo various stages of development that involved cooperation amongst several groups. This included the government, the private sector and the Muslim community. In the creation of the market, the primary intention was for Muslims to be financially included. This for the government was very important as it was a veritable means of guaranteeing social relations amongst the UK community (chapter 6).In the establishment of the market itself, the process was done within the ambit of the law, which itself serves as a medium for how different kinds of relationships (e.g. social, economic etc.) amongst the various people and the community are governed.

For political economists they insist that contrary to neoliberal claims to the contrary, capitalism cannot exist without *"market imperfections"*. In these versions, the market model is nothing else than a spurious conceptual device to hide from view the underlying dynamics of capitalism. In this instance, political economists regard it as their task to remove the veil and to lay it open.

For them, cultural economists apply the theoretical concept of performativity in relation to the market. Here, *"markets take on an ambivalent form as relational effects of socio-technical networks engaging in the twin processes of framing and overflowing. The latter process includes the proliferation of new social relations, groups and communities which may articulate economic and non-economic alternatives"* (Berndt and Boeckler, 2009, p546).

2.5.3 Markets as networks

Using socioeconomic approaches Berndt and Boeckler argue that these approaches study the market from the premise of an actually existing entity within the confines of its social and cultural context rather that an ideal-type Market model. They argue that to solve the problem which gives rise to uncertainties occasioned by market exchange and competition (by the various players involved in the market), there is a recourse in the form of *'socially agreed institutions',* which act as stabilizers for the various parties involved. They also note that despite the existence of various strands of the socioeconomic approach on the markets, the dominant one is the one that focuses on the links between the various actors and emphasises the role that social networks play in engendering trust and making market exchange possible. They termed this dominant position, *"market-as-network"*. They further note that that the key concept in this was the concept of embeddedness popularized by Granovetter's (1985) article which heralded the revival of economic sociology and at the same time used the concept of embeddedness as its primary framework (Swedberg,1991).

Berndt noted that this particular approach was the key to understanding the network through which the process is mediated. As argued by Granovetter (1993: 3) *"If economic action is embedded in networks of relations, it is logical to begin our investigation by discussing the nature of those relations".* Although Granovetter is credited with the popularization of this approach, it was Karl Polanyi who provided the initial theoretical foundation when he stated that "the human economy is embedded and enmeshed in institutions, economic and non-economic" (Polanyi et al 1957:250). The basis of the embeddedness approach is that social networks whether fashioned on kinship or friendship, trust or goodwill sustain economic relations and institutions (Lie, 1997). As argued by Polanyi, (1957 2001: p36) "life itself is embedded in broader social, political and cultural settings, social and structural factors are crucial in examining economic relations and phenomena: Human society, then, is embedded and enmeshed in institutions, economic and non-economic. The inclusion of the non-economic is vital. For religion or government may be as important for the structure and functioning of the economy as monetary institutions".

Some sociologists that have been noted to epitomise the embeddedness approach include White (1981), whose works involved the analysis of production markets and the struggles for control and autonomy. Others extended the work of Granovetter, and White Fligstein (1996) for a political–cultural approach that combined insights with that of the cultural frame approach. Lie (1997) suggests that the embeddedness approach seeks to strike a correct balance in the analysis of markets and other economic phenomena. Further arguing that it does this by avoiding both the over socialised (economic anthropology) and the under socialised economic approaches. As a result, he notes that the approach recognises the existence of different market institutions and relationships. The fallout from this he notes is the avoidance of market essentialism and the incorporation of power. He argues that markets at various stages of development are containing the firm and the state as actors. Theoretically, the market is examined in terms of fields, actors and rules.

Fligstein (2001) argues that social action takes place in arenas that might be termed fields which contain collective actors who try to produce a structure of power in that space. The dominance of different groups in society means that those rules tend to reflect one set of interests over others. Structured exchange within markets can thus be understood as a *'field'* because any social structure (including markets) are cultural structures where actors are locked into a *'game'* in which the dominant players try to replicate their advantageous position, while the controlled try to challenge the power of the former. The social order of the state is also seen as a set of fields of policy domains where actors claim the power to make and enforce rules for other actors in society. These orders are governed by formal and informal rules that create and limit social and political interaction within particular domains. Fligstein distributes the actors within a market into incumbent and challenger firms. This production of social structures in markets is guided by four types of rules governing the production of social structures in markets. Property rights are thus rules that define who has claims on the profits of firms and includes issues of different legal forms, the relationship between shareholders, employees, communities, customers etc. They help reproduce conditions of stability by ensuring that exchanges occur under conditions that are applicable to all. Conceptions of control are forms of local knowledge that reflects market specific agreements between actors regarding internal organization, tactics for competition and cooperation and the hierarchy of firms within a market (Fligstein, 2001: p32-35).

The theory of fields also suggests how states as a set of fields interact with markets as a set of fields. Creating a general set of rules where stable markets can be reproduced helps to structure exchange in particular fields. However, it is possible for a particular group to capture the regulatory agency and allow officials to accept their view of the industry and influence the rules of governance. This political-cultural approach implies that the historical problems of instability for market participants, the formation of institutions in response to these problems and the configuration of economic and political elites are fundamental to the formation of stable markets as a set of fields is probably false (Fligstein, 2001: p22)

Pollard and Samers (2011) noted that the embeddedness approach enunciated above has some notable shortcomings directly related to debates in relation to rationality and networks, and other influences highlighting work by Krippner 2001; Hess 2004; Krippner et al., 2004; Peck 2005; Yeung 2005; Jones 2008a. In particular, they reflect upon three major concerns highlighted by Jones (2008a) on the shortcomings of the embeddedness approach.

The first criticism relates to the observation by Jones (2008) that markets in the embeddedness method have been relegated to an analytical space *"somehow outside, beyond, or external to the various 'more embedded,' 'more social, 'or 'more institutionalized'* *spheres of economic life"* (Peck 2005, p145). The second critique is the implicit assumption with regards to spatial epistemology which is the norm in the concept of embeddedness that privileges importance of local institutions and cultures over and above translocal networks. Lastly, is the argument that embeddedness fails to *"capture the role of actors and agents and of power relations in the global economy"* (Jones 2008a, 75). Similarly, Thrift (1999) asserts that a notable flaw in the network approach is its lack of consideration for the role of place and spatial consequences of the dynamics of relations of networks. (Leyshon, Burton et al. 2004) note that this inattention exists in spite of the fact that there is a varying level of connection between people and places to financial networks, with attendant spatial impacts that are dynamic and cumulative. To obtain a more balanced view of how the Islamic home finance market has emerged and progressed, it is essential to gain an understanding of the effects of its developments on related spaces and places. This is essential considering the contested nature of the Islamic home finance market, the changing nature of the market, and lastly the different actors whom operate at different space and places.

In conclusion, I have highlighted in this section the heterodox alternatives to the orthodox conceptualisation of what is termed a market. Orthodox methods promote the use of non-rational elements of human behaviour when markets are being analysed. This approach neglects the complex networks that constitute markets. This is very significant particularly when trying to investigate the markets' microstructure, which reveals that as opposed to the orthodox economics approach, markets are made up of different actors and can assume multiple identities with varied spatial implications. I argue that to lay bare the Islamic home finance market, a financial ecology approach is particularly salient in understanding the flows and creation of market ideas, actors and practices.

2.5.4 Towards a financial ecology of Islamic home finance in the UK

In their study of retail financial services in different localities, Leyshon et al., (2004), have been influenced by authors such as Star (1995), and Nardi and O'Day (1999) whom in the field of science and technology developed what they termed an ecological approach in contrast to conventional approaches in their study of technological systems. The financial ecologies methodology argues that similar to all other systems, the financial system is made up of smaller units that ultimately constitute it. Of particular note is the observation that a financial ecological approach is not an alternative to a network approach but it is constitutive of it, in that the topology of networks is uneven in their connectivity and material outcomes. According to Nardi and O'Day, (1999: p50), *"Fragmenting systems to the level of ecologies* *that make them up offers the distinct advantage of identifying individual points of leverage and ways into the system, and avenues of intervention".*

Its relevance in other areas has been noted by Leyshon et al., (2004) by drawing comparisons with it, and the organisation of retail financial services in which certain arrangements emerge that could be replicated over time. In particular, they observe that they are concerned with what they described as distinctive 'financial habitats', which takes cognisance of the unique kinds of financial knowledge and practices embodied in the actions undertaken by institutions and actors in space, which leads to their possible replication.

In identifying an approach that will encompass the use of both place and space, and to develop an approach to financialisation and a financial subject formation that is spatially sensitive, this study adopts a financial ecologies approach to explore the evolving landscape of Islamic home finance in the UK. The use of this approach offers several advantages with the essential ones being that it uses a geographical platform to investigate various ways financial subjects are formed and captured using the same means and changes in financial service provision in different places.

Consumption of retail financial services as part of their wider research into processes of financial inclusion. In particular they have argued that there is a clear relationship between knowledge and trust that leads to the production of what they termed distinct financial ecologies.

In explaining this argument in terms of Islamic finance I have identified a typical ecology or what Leyshon et al termed as 'relic' ecologies. This ecology of Islamic finance is located in the borough of Tower Hamlets in London, which is home to the largest concentration of Muslims in the UK (ONS, 2011) and moreover, is an area of relative deprivation and poverty(GLA,2010), characterised by high population of immigrants.

According to the Council of Mosques (2012), there are 45 mosques in the borough of Tower Hamlets. These mosques are generally segregated into either Sunni, Shia or other sects (Islam has two major sects, Sunni and Shia) and they primarily serve their different host communities which are also segregated on the basis of ethnicity. Of these mosques, the East London Mosque and Muslim centre, which is Sunni, is the largest and oldest in the area and in the UK. On a typical day, the mosque records approximately three thousand daily worshippers for prayers alone, which rises to seven thousand on Fridays and almost doubles in Ramadan (ELMC, 2013). It also hosts several activities which include, birth ceremonies, marriages and funerals. In addition, it also has schools, a radio station, provides counselling services, fund raising, and rents out space for special occasions, whilst also letting out office spaces within the complex.

Close to the East London mosque on Whitechapel/Mile End Road there are several banks including the Islamic Bank of Britain and HSBC Amanah (which has since stopped Islamic finance services on a retail level in the UK), Habibsons Bank, NatWest and Barclays Bank. Only the Islamic Bank of Britain and HSBC were specifically offering Islamic finance products at the time of this research. Furthermore, there are also local money transfer agents called Hawala in the area.

The borough is also home to Halal take away shops and restaurants, wholesale shops that sell clothes and traders that retail different kinds of commodities that range from groceries to phone accessories. Some of the shops, specialise in traditional clothes, especially those of Asian origin. Equally, the area is home to Muslim organisations such as the Muslim Council of Britain which is the largest umbrella organisation for Muslims in the UK, in addition to the Muslim women's collective, a charitable organisation.

In the creation of knowledge in this area, the role of imams in the various mosques as will be shown later in chapter six is key. As they command respect and trust within the various communities they serve.

For financial institutions that specialise in Islamic finance, the area provides a niche opportunity for the provision of specialised products. These range from everyday savings and current account needs to specialised services that include money transfers abroad owing to the large number immigrants in the area. Other opportunities include investment accounts for communities, mosques, charities and charitable causes. This area, as will be shown later in the thesis is a typical area that is excluded from the financialisation process for a variety of reasons, with low income levels being a key example. Although there exists within this ecology both typical mainstream finance institutions and the Islamic variant, the main difference between the two types is basically in the products and approach to marketing. For the Islamic finance institutions, there products were essentially Shariah compliant versions of the typical mortgage products(see chapter 6), and their approach to marketing was typically to use Islamic names e.g `Amanah` which means trust, and an appeal to Muslim sentiments based on the Islamic religion.

As noted by Coppock (2013) in her study of rural household engagement with rural finance, the use of financial ecology is important for three main reasons. Primarily, it can be used as a means to identify spatially, those that benefit from or are excluded from mainstream financial networks. A second compelling argument made is that financial ecology aids in detecting the magnitude of diversification through the use and development of alternative practices and institutions by those that have been excluded. Lastly, in studying the different ways in which families participate with both conventional and non-conventional financial networks, it provides an avenue into studying the role of place in subject formation and highlighting the variegated response by individuals to top-down neoliberal forms of financial subjectification in their daily lives. Another valuable contribution of this approach by this thesis is in teasing out the roles of the State and individuals, especially elites play in finance and financial subject formation. In this thesis I will be using the financial ecologies approach to analyse spatially, the Islamic home finance markets financial inclusion/exclusion practices, and I will also provide a basis for understanding the extent of both inclusion and exclusion and seek to highlight alternative practices that those who have chosen to subvert the market have chosen.

Summary

In the formation of the Islamic finance market described above different groups are involved. Their roles also differ, just as their impact on the market varies too. The acknowledgment of the variety of actors and interests within the United Kingdom's Islamic finance market and the ever visible contestations about its practice is significant to my analysis. The practice and structure and speed of market formation involved in the development of the Islamic finance market is a contested process that involves adopting a cautious and sometimes complex negotiation process amongst its different actors, not least incumbents and challengers (Fligstein, 2001). These different actors include the United Kingdom government represented by its different agencies, international and local financial institutions, foreign state institutions, international private agreements e.g. Basle II and other international practices that are accepted as conventions across different geographical locations, and the local UK Muslims.

The emergent form of the Islamic home finance market in this instance is an outcome of the negotiated process and is itself a continuous work in progress, as it is continually subject to the dynamics of this conflict engineered by the change in agendas and the politico-social context in which it evolves. This discourse on the construction of markets has a significant effect in aiding policy making and the practice of Islamic home finance. The UK government has a particular interest and vision in the development of the UK Islamic finance market. In this vein also local and international firms have their own understandings of what the market should be and are framing it accordingly. Equally, the target consumers too have understandings and expectations about its emergence. Thus, how are all these actors framing the market?

The present form of the Islamic home finance market is an outcome of both economic and historic contexts guided by state policies. It has also advanced invariably in response to wider socio-economic pressures of the UK and international economy, the agenda of foreign investors, local relations and changes in the local financial market, especially following the last recession. Thus, I examine some of the processes involved in negotiating this contested market and unlocking how the Islamic home finance market is developed.

My aim is to highlight not only the structure, but the process involved in bringing this market to life principally by engaging with the market participants and noting the dependant social relations amongst the participants in different spaces and places. I intend to do this by using the financial ecologies approach as noted above and also in addition, combining significant insights from the various approaches in the writing of this thesis.

2.5 Crossing Boundaries: Geographies of Law and Religion

One of the very important academic contributions this thesis intends to make is in enriching the literatures of geographies of law and religion. In the next section, my focus will be on the geographies of law and religion. Geographies of law have a singular significance to my research in that primarily, Islamic finance is a social construct. Law and religion are the tools that are vital in its formation and practice. I will argue that Islamic finance needs a geographical space as well as legal interpretation and accommodation for it to exist. Considering that there is very little in geography, academic literatures on law and religion, my thesis intends to make a contribution and adding to the literature by showing the connections that exist between geographies of law and religion.

2.5.1 Geographies of Law

In this section, I propose to show not only the interconnection between law and geography but their similarities and how Islamic finance as a practice in its entirety relies upon the law, to formulate its theories, develop products and seek regulatory accommodation in different geographical spaces for its right to practice. My contribution will be in introducing it through the lens of geographies of law and show that these (geography, law, and Islamic finance) are not incompatible; rather they share a necessary relationship that mutually reinforces the significance and potential success of Islamic finance.

The practice of Islamic finance is first debated upon, agreed upon and permission sought for its practice, and if granted it is practiced in different geographical spaces. In all these steps, decision to practice; seeking permission for practice; regulatory approval for practice and the actual practice in a given space, different influences come into play. These influences revolve around two main issues law and space. The intersection of law with space gives Islamic finance its legitimacy and as such the effect of law on space is a very vital issue in the constitution of its practice.

Blomley and Bakan (1992) have noted that until recently there has been an implicit divide between legal, social and spatial analysis. They argue that it was only recently that a critical strain of research emerged within geography. This strain, they still note has done a lot in terms of research into questions of politics, race and gender but has neglected legal ideology.

They in turn, have identified similarities that exist between law and geography internally and the fact that both share various areas of research. They identify a basis for crossing the divide in the form of the critical traditions within each discipline, these concepts being law in legal studies and space in geography. Critical geographers and critical lawyers have rejected the notion that law and space can be independent of society but that they have concentrated instead upon their significance in terms of politics and ideology on the society.

The claim that legal thought and practice contain within them a *"number of representations or geographies of the multiple spaces of political, social and economic life"* was advanced by Blomley and Bakan (1992, p669). They argued that despite the various ways law relies on claims that involve history and time, it at the same time defines and draws upon a complex range of geographies and spatial understandings. They further argue that in trying to make meaning of the complexities and ambiguities of social life, those involved in the legal process make meaning out of space in different ways. These meanings are varied and abundant; they could take the form of property, crime, business relations, and governmental actions and so on.

In terms of what this relationship means to Islamic finance, it demonstrates that in the construction of the legal space that is termed Islamic finance, it is not an empty or objective category. Rather, it is a social construct through which Islamic law and social life are interpreted. More importantly in evaluating Islamic finance, its spaces and its social relations, the point to note is that Islamic finance is constituted not only by social and political life but also economic life through law. Moreover Islamic finance itself is constitutive of these same elements of social life, political life and economic life under whichever governing law it finds itself in any given jurisdiction.

In summary, Islamic finance as a project is based on different subjectivities and constructions. Key amongst its constructive elements is law. The challenges include the definition of Islamic finance itself which is different in different geographical locations, the legal recognition it receives in the various spaces and ultimately the reception or otherwise it receives from its intended target market. The geographies of law have shown that Islamic finance has entanglements that span space and the legal requirement. These entanglements define what form Islamic finance takes and to a large extent its success or failure. This is not to say that there are no other extraneous factors that might be of concern, rather these two factors are significant enough to warrant further study when viewed against the scale of their influences on Islamic finance. I am undertaking this research in the United Kingdom, a geographical space that is far from the current centre's of gravity of Islamic finance and viewing its acceptability in the home finance space under the United Kingdom's geographical space.

2.5.2 Geographies of Religion

In showing the intersection between religion and geography, it has been stated that the main questions relating to religion in terms of how *"it starts, grows and impacts on people's lives are all rooted in geographical factors"* Park (2004, p1). In particular what happens, and where it happens are all within the geographical study context of space and place. One way space is used to study religion is shown in terms of the spatial variations existing in religion in various countries and even within a country Park, (2004). Once again, Park (2004, p27) notes that *"religious belief also fuels religious practices" which ultimately are expressed spatially.*

Kong (2001) made a case for the research of how different religions may inform the construction of different moral geographies and how these moral geographies are influenced by other secular agents in terms of how they might be contradicting, negotiated or reinforced.

In this instance, Islamic finance as a construct based on religion is not working in isolation. It is impacted upon by the conventional system in various ways. In terms of being contradictory to the conventional financial system, its prohibition of interest (Riba) is clearly in direct opposition to the conventional financial system. Islamic finance is also seeking to establish itself in different locations by negotiating jurisdictional accommodation. This is as a result of the fact that in many countries, the laws that govern the operations of financial relationship do not recognise the Islamic law upon which Islamic finance is based, which is the Shariah. As such Islamic finance practitioners seek accommodation within the existing governing laws within each jurisdiction. An example is the double stamp duty exemption granted to buyers of mortgages in the United Kingdom by the government. In terms of reinforcement, Islamic finance is currently being promoted in different arenas by the same conventional financial agents; it seeks to provide an alternative form of finance. This is evidenced by the opening up of Islamic finance windows in conventional banks, seminars and workshops by institutions such as Euro money, academic research undertaken in educational institutions like the Harvard Islamic Finance Program and other western educational institutions.

In recent time's research on religion has moved from traditional spaces, for example churches, mosques and other religious sites into new spaces. Kong, (2010, p3) remarks that the studies undertaken have recognized religion as *"neither spatially nor temporally confined to reservations, practiced only in officially assigned spaces at allocated times"* instead there are different ways in which other everyday spaces can be *"implicated in religious meaning-making, legitimating, maintaining and enhancing but also challenging religious beliefs, practices and identities".*

For Islam, outside the mosque, where social relations are established and the religion is taught, there are now important spaces that are having an impact on the religion, such as Islamic banks and Islamic social welfare organisations like Islamic relief. For Islamic finance in particular, its legitimacy is enhanced in the outside world by the various stamps of approval that religious scholars give its products. These products are themselves usually debated by the scholars outside the walls of a mosque, presumably in the offices of Islamic financial institutions and other spaces. These debates that ultimately give the products their legitimacy also come about as a result of religious meaning-making. This meaning-making presupposes that only trained religious scholars can understand the intricacies of the various rules and regulations that govern the transactions of Islamic finance, which fall under Sharia law. As such Islamic finance has brought about two important roles of meaning-making of religious injunctions regarding commercial transactions under Sharia and the granting of legitimacy to products of Islamic finance. In marketing it, the strategies undertaken highlight an important point; that is raising the profile and the prestige of not just the religion (as having solutions to worldly problems) but also the prestige and profiles of its practitioners, in particular the religious scholars within the industry.

Previously, much of the attention that religious scholars received was principally because of their sermons in the mosques, sermons which were barely in any way linked with economics beyond the exhortation of the religious texts. Their new found role has brought about an enhanced prestige for the privileged few as they now sit on advisory boards of financial institutions and command excellent remunerations (Kahf, 2004).

Islamic finance challenges the ways we view religious beliefs, practices and identities in many ways. One such way is in the definition of what constitutes *'interest'* according to Islam. There are conflicting definitions on what interest means in Islam, as such the practice of Islamic finance has taken on a geographical expression. This difference in practice is shown by the different approaches taken by the Malaysian experience of Islamic finance, which takes on a more liberal reading of the Quranic injunctions as opposed to the Middle East's stricter version of Islamic finance (chapter two provides more on this).

Again, Islamic finance has brought to the fore the fact that Islam has other facets that can lead to social wellbeing, challenging the notion that it is an extreme religion with violent undercurrents. More importantly, Islamic finance also shows that it can overcome the way we view religious identities by showing its capacity for social good through its programs of charitable donations, tax distribution and its commitment to social welfare. Once more, Islamic finance has shown capacity for its accommodation under existing legal systems.

In summary, the relevance of religion to my study has been highlighted in this section. Islamic finance being a construct based on Islamic doctrine also challenges many beliefs that are currently held about religion. One of the beliefs is the separation of religion from everyday affairs, principally in the official arena. Islamic finance has shown that religion is relevant for the construction of a socially relevant form of finance. The moral voice in issues has always been loudly proclaimed by religion. In this particular area also I noted earlier that there has been little written about the commercial aspects of religion. This work will contribute in showing the relevance religion has to the economic discourse from a geographical perspective. Furthermore, this thesis will provide a link between the geographies of law and religion and indicate how connections exist.

2.6 Conclusion

In conclusion, this chapter started by highlighting the effects of the recent financial crisis and the effects it has had geographically. In doing this it has demonstrated that the effects were spatially variegated. Whilst not being the first financial crises, the most recent had a more profound effect than the previous one because of the level of global interconnectedness of the financial markets. The chapter analyzed the capitalist economic system, its different variants and its most recent manifestation in the form of financialisation, which itself was a consequence of neoliberalism. The effects of financialisation on society were also explored and in doing so the role of the State in actively pushing for its development was exposed. Subsequently, there was an engagement with the alternative economies framework, which challenged the notion that there is no viable alternative to the capitalist system. The framework has suggested various ways of thinking about the economy and uncovering markets in particular. As a consequence of the importance of studying new economic practices through markets, this chapter also highlighted the heterodox approach to markets and their various meanings and advocated the use of the financial ecologies approach as a framework for understanding the Islamic home finance market. Lastly, the connections that exist between geographies of law and religion with Islamic finance serving as a link were explored. This illustrated the relevance of law and religion in the accommodation of Islamic home finance in the UK, whilst also noting the contributions this thesis makes to the fields of geographies of religion and law in the form of new literature enriching the field.

Within the preceding context, I have put forward four main arguments. Firstly, that there is a compelling need to test other alternative means of financing economic activities. This has been shown by the recent economic crisis, which has led to geographical instability in the affected countries. This is further underlined by the fact that the current system has privileged unbridled capital accumulation by the elite few at the expense of the poor majority and the abdication of the State's responsibility in favour of protecting these few. This abdication is as a consequence of adopting neoliberal policies that have emphasized in the long run the financialisation of the affected economies, chiefly those of the United Kingdom and the United States. Secondly, that a promising alternative is Islamic finance. Islamic finance in its structure has demonstrated that it has the capacity to be an alternative that has the social wellbeing of the society as a whole as its main objective. This function is what is inherently lacking in the dominant system being practiced now, capitalism. Thirdly, in the study of Islamic home finance the use of financial ecologies approach that unearths the market is appropriate. Finally, that this thesis can provide the crucial link between geographies of law and religion and hence contribute to academic literature.

The next chapter will look at Islamic finance in more detail by tracing its roots, laws, theoretical underpinnings, accepted contracts and current debates.

Chapter 3

Unveiling Islamic finance

3.1 Introduction

This chapter presents the background context that informs the empirical chapters of this thesis and is thematically arranged in eight sections. The first section provides a recent history of Islamic banking and finance. It frames the arguments around the rise of newly established Middle Eastern wealth and power and the need to create a distinct identity built on an Islamic character. It also argues on the desirability of the value preposition being presented by IBF which privileges societal wellbeing above other individual considerations and the close alignment of financial investments with the real sector (tangible economic activity that involves the production of goods and services as opposed to speculative financial activity) and thereby aiding growth. This is in direct contrast to what is happening in some neoliberal economies, which privilege only financial growth and the gradual withdrawal of government from the social sphere.

The second section highlights the theoretical underpinnings of Islamic banking and finance, which is provided by Islamic economics.

The third chapter examines the principles of Islamic banking and finance. This section also analyses in-depth what is known as ‘Sharia’ and lays bare what it is constituted of. It also demonstrates why the term Sharia cannot be easily applied to Islamic banking and finance as is being shown in popular literature.

The fourth section identifies the sources of Islamic law, and in particular Islamic finance law. It also shows how these laws are developed.

The fifth section deals with the topical issue of interest in Islamic law. It engages with the closely aligned topics of gambling and speculation (Gharar and Maysir), which together with Riba form the key constitutive prohibitions in Islamic banking and finance.

The sixth section is devoted to the corporate governance of Islamic financial institutions and the vital role Sharia scholars play in the development of Islamic finance.

The seventh section investigates the Islamic home finance market in the United Kingdom and reveals how it has been received and accommodated by the government.

The eighth section is the conclusion.

3.2 Islamic Finance: A recent history

There are various accounts of the recent growth in Islamic finance. These accounts can be situated within the nexus of oil money, Middle Eastern and Far Eastern geopolitics and international competition for power and recognition using Islamic identity. Vogel (1998) and Vogel and Hayes (1998) have noted that the earliest account of an Islamic financial institution was the Mit Ghamir project established in Egypt in 1963, which was followed by the establishment of the Nasser Social Bank in 1971, in Egypt. Previously, they note that in the recent history of the Middle East, very few people have investible wealth and these were channelled to Western financial institutions, which did not work in line with Islamic principles. Dramatic increases in the oil wealth in the 1970s changed all that, as it brought about significant changes in the wealth available not only to the ruling families but to the Middle Eastern economies, which meant surplus savings where hitherto there was none. These had a consequence; there was now a pressing need to look at how such monies were to be invested particularly, as there had been at the same time a push for the adoption of Islamic principles in reaction to a surge in the formation of an Islamic identity (Vogel and Hayes, 1998). In identifying the reasons for the emergence of Islamic finance, Warde (2004) noted that most accounts suggest that the turning point came when King Faisal of Saudi Arabia was sold on the idea of the creation of a pan Islamic Bank following the new found wealth bestowed on the Kingdom of Saudi Arabia by the quadrupling of oil prices in 1973-74. This he notes marked a watershed in making many to believe it had ushered in if not a new international order, at least a new era in global North- South relations.

Warde (2004) divided the development of Islamic finance into two major stages. In the first stage of its development he suggests that it occurred following the creation of the Organisation of Islamic Conference (OIC) and subsequent creation of research institutes focusing on Islamic finance and economics. In 1974, there was the creation of the Islamic Development Bank (IDB) which was to become the cornerstone of a new banking system inspired by religious principles. This led to further developments in the 70s and 80s which included the formation of the first modern non-governmental bank in Dubai, the Dubai Islamic Bank in 1975. In another account (Maurer, 2005, p9) stated that the end of Bretton Woods and oil price rises (petrodollars) occurred with a new quest for purity on the part of wealthy Middle Eastern Muslims seeking a means to clear consciences, give alms and spiritually renew themselves. Petrodollars and Islamic finance Maurer (2005) submits, sustained each other.

In recent times, Pollard and Samers (2007) noted the rapid growth of Islamic banking and finance (hereafter IBF). They note in particular the global character that IBF has assumed with over 300 Islamic banks and institutions with varying degrees of success in banking (estimated assets of $200-$300 billion), and asset management (with estimated assets of $1.1trillion). Its global presence they also suggest extends into Western countries with Muslim minorities citing the setting up of the Dow Jones Islamic index at the New York Stock Exchange in 1990 and the involvement of the German state of Saxony-Anhalt in the Islamic bonds market as examples. Moreover, in a recent report the IMF (2010) noted that when compared to its peers in the conventional banking industry, Islamic banking appeared to have had more resilience against the recent economic crisis.

The preceding again gives an impetus into why IBF should be studied more closely, as it may have answers to some of the problems being experienced in the way banking and finance is presently being practiced in its current conventional forms. In the next section, the theoretical foundation of IBF is examined.

3.3 Theoretical foundations of Islamic finance

This section examines the theoretical foundation of Islamic finance, which is provided by Islamic economics. In this section, the development of Islamic Banking and finance from its roots, the theoretical foundations to the principles defining its character are reflected upon.

Chopra (1996) elucidated on the primary difference between Islamic economics and conventional economics when he stated that Islamic economics is different from the conventional because of the different world view of the two. He stresses that the world view of Islamic economics is based on three fundamental concepts which are: Tawhid (oneness and unity of God), Khilafah (leadership of human beings on the earth) and Adalah (justice). In summary, the Islamic goal is the achievement of God`s dictates while taking into consideration that others have a right to the limited resources (which ultimately belong to God). It also means that the sharing of this resource, justice must be ensured. Islam emphasizes the collective good as being more paramount than the individual's satisfaction. This is in direct contrast to the view of contemporary economics, which focuses more on the maximum utility consumption of the individual.

The ontological and epistemological sources of Islamic economics are the Holy Quran and the Hadith. These two determine the framework of the economic value system: it's foundational and operational dimensions and the behavioural norms of individual Muslims (Asutay, 2007, p171). Islamic economics is then defined as an *"approach to [and process of,] interpreting and solving man's economic problems based on the values, norms, laws and institutions found in, and derived from all sources of knowledge [in Islam]"* (Haneef ,2005 in Asutay,2007 pg. 172)

In defining what Islamic banking and finance means Maurer (1968-28) stated that *"the broadest definition of Islamic banking and finance would include all those activities understood to be financial or economic that seek to avoid Riba - generally through profit and loss sharing, leasing, or other forms of equity or asset based financing".* This definition although very broad and encompassing, unfortunately privileges the profit/loss approach or equity/asset type of contracts, which as the subsequent sections will show is not what is obtainable in practice.

3.3.1 Principles of Islamic Banking and Finance and the definition of Sharia

IBF as a construct as noted in the previous section is predominantly based on Islamic principles derived from Islamic Law. Its main distinguishing characteristic is the definitive ban on interest in financial transactions, avoidance of speculative activities, and a ban on non-Islamic practices such as alcohol, pornography and gambling. As further argued by Pollard and Samers (2007) IBF also has as it key aspiration the close alignment of the financial and the real economy. This is to stimulate real sector development as opposed to the decoupling of economic activity by the increasing prominence being attached to financialisation as noted in the previous chapter.

In the pursuance of the above objectives IBF utilises Islamic Law to achieve its aims and objectives. Islamic Law which is the source for all rules and regulations Muslims use in all their daily activities is also known as Shariah Law. Islamic Law starts, first and foremost, with the notion that it is applicable to all times and places and is based on a methodically all-inclusive mode of organisation of religious and worldly affairs. This means that it deals with all aspects of life, including the relations between man and God, and prescribes the basis on which to undertake mutual relationships between individuals and society as a whole. These relationships transcend the spiritual and physical realms. As such for Muslims all their activities in every sphere are governed by these laws which may also have implications beyond even their lifetimes.

In the next section, a definition of Shariah is provided while also explaining its source. In addition, the methodology used to arrive at rulings with respect to questions of Islamic Law is also explained. This is significant in further highlighting the roles that Sharia scholars undertake and also show the processes they undergo in arriving at the rulings. This process is crucial to the formation of Islamic finance contracts, which are the building blocks of Islamic finance itself.

3.3.2 The Meaning of Shariah

When people generally speak of *'Islamic Law'* it is presumed that they are referring to *'the Sharia',* which in fact is a misconception. As argued by Masood (2003) there exists a delicate but equally important distinction between these two terms. The Sharia is the totality of divine categorizations of human acts as laid out in the Quran and the Hadith, constituting issues of both legality and morality. While there is no dispute regarding its divine origin, Sharia, in and of itself, does not exist as a ready-made body of law to administer. Or in other words, while Sharia is God-given, its application and interpretation is man-made and therein appears the principal dilemma that has taxed Islamic legal history for over fourteen centuries: Law is proposed by God, yet disposed by ordinary mortals. Between the original divine proposition and eventual human disposition appears an extensive field of intellectual activity, differences of opinion and hotly contested decisions. Therefore, the peculiarity inherent in Islamic law is its dual nature as both divine law and jurists' law Masood (2003, p1).

The word Shariah originated from both the Quran and Sunnah as the sources of legislation. Literally Shariah means the way to a watering place or the way to a source of life. Muslims cannot, in good faith compartmentalize their actions into secular and religious dimensions as all their actions are infinitely bound to the Shariah. As a result, Islamic law thus epitomizes an encompassing set of duties and practices including worship, prayer, manners and morals, marriage, inheritance, crime and commercial transactions (Lewis and Alagoud 2007).

According to Alzuhely (2006) Shariah doctrine mainly deals with issues from two main perspectives. Firstly in Ubudiyyah (holy issues) the general principle is that *'nothing is permitted unless covered by explicit or analogical permission by the law giver'* whom in this instance refers to Allah (swt). Secondly, Muamalat (mutual transactions) operates the general doctrine that *'everything is permissible unless expressly prohibited by God'*. Shariah protects the first doctrine whereas provision or power is given in the second doctrine to man to interpret and expand divine commandments by applying other sources. Both principles constitute Islamic Law or Shariah Law, which governs the conduct of a person. Islamic finance falls under the second doctrine of mutual transactions giving guidance either in the form of prohibiting transactions or allowing them with certain conditions or within certain limits.

The science of Usul-al-fiqh represents the technique that is used in the development of the Shariah. It is concerned with the sources of law, the techniques by which legal perspectives are derived and their ordering according to importance.

3.4 The sources of Islamic law

These sources fall into two main categories regulated by Usul-Al-Fiqh. The primary sources of the Quran and the Sunnah together provide the original basis upon which the whole of Shariah is constructed. The secondary sources are principally Ijma (consensus), Qiyas (reasoning) and Maslahah (public good).

3.4.1 Primary Sources - The Quran

The first point to be noted about the Holy Quran, unlike other man-made laws, is that it is not amendable. It is the main source of Islamic jurisprudence. Shariah is derived from Quranic verses according to the rules of jurisprudence, this states that in trying to comprehend the meaning of the glorious Quran, the meaning should be sought in the Quran itself, noting specifically that the meaning of a verse should not be contradictory to another when following the principles that have been laid down. It should be equally noted that these principles apply more specifically to the decisive verse.

In most cases the Quran laid down definitive statements on most issues. Nonetheless, there were many instances wherein the Quran was silent, not clear or even ambiguous. This led to some verses being interpreted in the light of the traditions of the Prophet (hadith), or on the judicial interpretations adopted by jurists. Quranic rulings may be divided into two broad categories, specifically those which are permissible and those that are forbidden. It does not lay down degrees of permissibility and prohibition, which came into existence later once Fiqh (Islamic jurisprudence) had developed as an independent science.

It is of great importance to note that the Quran's position as the most important theoretical basis for legal theory does not mean that it treats every problem meticulously. Although the legal verses of the Quran are quite definite, nevertheless, some are open to interpretation, and different rules can be derived from the same verse on the basis of other sources. Although this creates room for different interpretations among Islamic jurists, the idea is that this should be performed in strict cognisance of the methodology of Usul-Al-Fiqh.

3.4.2 The Prophetic Sunnah

The Sunnah is the second principal source of Islamic Law which, like the Quran, originates in the era of the Prophet Mohammad (pbuh). It is known as the tradition of the Prophet and can be classified into four categories: interpreting any ambiguity in the Quran; approving or disapproving a deed performed by Muslims; the Prophet Mohammad's own deeds and sayings; and the Prophet Mohammad's tacit approvals (Lewis and Alagoud, 2001).

These ideas were transmitted to Muslims by the Companions of the Prophet in his lifetime and documented in the Hadith. 'Hadith' is an Arabic word meaning verbal communication. The importance of this source is its interpretation of the Quranic verses, furnishing the general principles of the Quran with elaborations and giving instructions to Muslims on the conduct of their daily lives. The Quran clearly proclaims that all Muslims are forced to admit the authority of the Sunnah: *"He who obeys the Messenger, obeys Allah"; "So take what the Messenger gives to you, and refrain from what he prohibits you*'' (Quran ,80:4, 7:59)

In addition, the Sunnah gives concrete shape to the Quranic teachings. The Quranic injunctions from which Shariah is derived are further explained and translated into practice by the Sunnah of the Prophet. For example, the term Riba is prohibited as states in the Quran *"Allah has permitted trading and forbidden Riba",* but does not lay down the details of applications. In practice this was explained by the Prophet where he made definitive statements.

3.4.3 Secondary Sources - Ijma (Consensus)

This is defined as the unanimous opinion or consensus of all qualified Muslim jurists on a particular ruling during a particular period after the era of the Prophet (pbuh). Amongst the characteristics of Ijma is that it is supposed to be based on, and not contrary to, Quranic or Sunnah injunctions. According to the definition of Ijma, the consensus of all learned Muslims scholars must be attained to obtain a valid ruling on such an issue. Thus, in the contemporary situation Ijma cannot be conducted for the reason that it is not possible to obtain the endorsement of all Muslim jurists on one issue. What is held in recent times by most Muslim scholars is based on Ijtihad, which is principally based on an independent judgment or a group of scholars.

3.4.4 Qiyas (Analogy)

According to Forte (1999) this is exercised in the formulation of a new rule of law by using a precedent judgment identical in analogical reasoning (cause and effect) and applying it in the new situation. It is regarded as a last resort, to be used only after the other principle sources have been considered and where no rule is established to cover the new situation. Addressing the new situation must not, however, run contrary to primary sources. The principles involved in Qiyas require a correlation with the exact wording of the Quran and the Sunnah, in order to acquire validity and enforcement. In practical terms, Qiyas is operated by evaluating one situation or case in the light of another, which has the same effect or cause. It is exercised in order to reach a new legal decision by providing a more flexible method of coping with new problems. It is considered a dynamic source of innovation in the law and thus, a potentially useful legal tool in domains such as the financial market, which are driven by innovation.

3.4.5 Maslahah (Public Interest)

Al Ghazzali the great Muslim philosopher laid down five objectives of the Sharia *"The objective of the Shariah is to promote the well-being of all mankind, which lies in safeguarding their faith (din), their human self (nafs), their intellect (aql), their posterity (nasl) and their wealth (mal). Whatever ensures the safeguard of those five serves public interest and is desirable"* Chapra (2008, p118). In this instance the interest of the public within the ambit of God`s dictates forms the principal overriding aim in the formulation of the Law. The application of Maslahah has certain conditions, these include the need to ensure that it does not contradict any ruling provided by the previous sources as they are superior in the hierarchy relative to it (Maslahah), equally it should only be used to protect the previous five principles laid down by Al Ghazzali.

3.5 Islamic Fiqh (Jurisprudence)

Islamic jurisprudence is further divided into two main categories with regard to rules and regulations. Fiqh Al-Ibadat (devotional acts) governs the relationship between man and Allah and are divided into further aspects of Islamic jurisprudence, in a more specified and documented manner, e.g., concerning prayer, Zakat (almsgiving) and fasting. Secondly Fiqh Al-Muamalat (mutual transactions) governs the relationship between man and man, and man with other creatures of Allah. This includes rulings relating to family law (marriages, custody of children, divorce, etc.), the administration of justice in Islam (procedures, appointments, evidence, etc.) and financial transactions (sale and purchase contracts, leasing, regulation of companies, etc.).

After the death of Prophet Mohammad (pbuh) Fiqh was expounded by the Companions who dispersed to different parts of the Muslim world leading to the rapid expansion of Islam. Most of them took up positions of intellectual and religious leadership, and were approached by local people and asked to make decisions regarding various issues.

Subsequently, different Schools of Thought emerged whose leaders differed in methodology and application. The schools of jurisprudence were named according to their founders: Hanafi, Maliki, Shafii and Hanbali. These appeared geographically as follows:

- Shafi School: Created by Imam Muhammad Ibn Idris Ash-Shafii (767-820 A.D.), Egypt, Southern Arabia and most of East Africa, Malaysia and Indonesia.

- Maliki School: Established by Imam Malik Ibn-Anas (713-795 A.D.), Iraq, North Africa, Central and West Africa.

- Hanafi School: Founded by Imam Abu Hanifa (699-767 A.D.), Pakistan, Lebanon, Syria, Turkey, Bangladesh and some parts of India and Jordan.

- Hanbali School: Established by Imam Ahmad Ibn Hanbal (780-855 A.D), Saudi Arabia and the Gulf countries (Hallaq, 2005).

Historically, Islamic Scholars from each School of Thought worked to analyse the rulings found in each of their respective schools to deduce the fundamental principles behind their rulings and to codify them. This was developed in a set format for writing Fiqh books which became standard where even the topics in each chapter appeared in a standard order. A prime example is the one issued by the Ottoman Empire known as Majallat al-Ahkam al-Adliyah in accordance with the Hanafi School.

As a consequence of this historical development path in relation to Fiqh there is no single Islamic legal or judicial system covering all Islamic countries. Judiciaries tend to give preference to a particular school and judges usually refer in their judgment to the classical Islamic books by the jurists.

This accounts for the differences observed in the adaptation and implementation of Islamic Law in Islamic countries. In most Islamic countries, privilege is given to their legal constitutions above any other law, such as those embodied by the Fiqh. Thus, the application of Shariah across the Muslim world is affected by various factors, including primarily its governmental structure, political leanings, religious affiliations and social make up. To this list can be added historical antecedents, as some have been largely influenced by past events which have helped shape their present outlook.

Islamic Finance transactions or commercial dealings are prescribed in accordance with Fiqh Al-Muamalat Al-Malyh (Islamic Jurisprudence of Financial Transactions) (IJFT). They regulate more than twenty five transaction models which are considered the root of Islamic financial practice. These include sales and transfers of ownership; hire (Ijarah), transfer of the usufruct of property (rent or any benefit derived from the use of a property), gifts (hiba) and gratuitous transfers of the corpus of property, and loans, gratuitous transfer of the usufruct of property. These fundamental principles are applied to the various aspects of Islamic finance.

Lewis and Alagoud (2007) have documented five religious rules when undertaking investments according to Islam. These are:

- Riba is not allowed on all transactions
- Business activities should be undertaken on the basis of permitted activities (Halal)
- That gambling (maysir) is prohibited and all transactions be devoid of speculation
- Banks should pay zakat for societal benefit
- All activities should be performed in line with Islamic principles under the guidance of a special Sharia board who can advise on the appropriateness of such transaction`s.

In summary

IBF is deeply rooted in Islamic Law for its foundations and operations. Its principal defining feature is the abhorrence of conventional interest that is used in modern finance. In the same guise, IBF has other notable features, which include avoidance of non- permissible financial transactions like gambling and speculation. In a clear departure from the trajectory of the development of modern finance, particularly in the financialised economies of the West, which promotes financial sector development as opposed to real sector development, IBF seeks to at least theoretically align investments in the financial space to the real sector with the specific aim of aiding development. Along the same lines, IBF pursues these goals within the understanding that the objective is an overall societal goal and not the individual utility consumption promoted by conventional economics. I want to argue that this offers a recipe for ameliorating a number of the problems that were highlighted in the previous chapter, as an outcome of the Neoliberalisation project, which has led to a gradual shifting of social responsibility away from the realm of the states to that of the markets with attendant consequences. The most visible of which is the current economic recession being faced by the United Kingdom and some other countries.

The development of Islamic finance relies on the Holy Quran, Hadith, Qiyas, Ijma and Maslaha as sources from which the rules are derived. These rules and regulations are in turn subsumed under what is known as Islamic Jurisprudence or Fiqh in Arabic and are classified into two main groups. Fiqh al Ibadat, which relates to the jurisprudence in acts of worship and Fiqh al Muamalat, which deals with mutual transactions. For this research, the second jurisprudence Fiqh al Muamalat (on transactions) is of primary interest as it is under this heading the laws of IBF fall. In particular, there is a specific name for the rules covering financial transactions and it is the Islamic jurisprudence on financial transactions (IJFT) otherwise known in Arabic as Fiqh al Muamalat al Malyh. This is significant because it is a misnomer to ascribe the Sharia as being the Law from which Islamic finance is obtained, as is being done in popular literature. As section 3.3.1 has shown the term Sharia has subtle meanings attached to its interpretation and it does correspond directly with IBF, as it covers much wider areas which could be interpreted differently. This again I argue brings to fore the contested natures of even the laws that shape Islamic finance.

Nonetheless, as noted in the previous chapter, the geographies of law and religion are central to understanding how markets are formed. In this particular market, it has been shown how the dispersal of the prophet’s companions to various parts of the world after his death led to different meanings occurring in the development of Islamic jurisprudence. This dispersal can be shown to be the major reason for the differences noticed in the readings of various groups to not only practice IBF but regarding other aspects of Islam too**.** As a result, the contestations although primarily geographical are also in reality staunchly ideological, and thus, I want to argue that crossing this ideological divide will not be an easy task if it can be undertaken at all. I want to argue that following on from this contested history of Islamic development, the outcome will only be different shades of IBF within each region, and moreover, with its own distinct character.

In the next section Riba and Gharar (uncertainty) and Maysir are considered in more detail. I will highlight debates about their roots and contested definitions.

3.6 Riba, Gharar and Maysir

Without doubt, one of the most debated issues in the construction of IBF has been about the definition of what constitutes Riba. This debate is critical to IBF as it raises some fundamental credibility questions regarding the nature of the institutions that practice IBF. These questions principally revolve around the advertised character of these institutions, as in are they compliant with Islamic rules and whether the financial contracts they offer are in line with Islamic principles.

Saleh (1986) has suggested that prior to the coming of Islam there have been various positions in history that have been taken on the question of interest. These positions have been taken in most cases by the religious institutions over centuries. In addition, non-religious thinkers like Aristotle have also contributed to the debates concerning interest by stating his position within the wider context in relation to the use of money. The earliest restrictions on the amount of interest charged were in 1750 BC and were incorporated in article 93 of Hammurabi's Code of Law. In the era of the ancient Greeks and Romans, interest was not restricted and the borrower became a slave in the event of his not being able to repay a loan when it matured. Subsequently, under Christianity and Judaism, the practice was that the charging of interest was prohibited between believers but was allowed to be compulsory upon strangers. Gordon Barry (2010) elucidates on this where he notes that the debates about Interest had specific historical contexts within which it developed. He notes some of them as the

- Times before Deuteronomy (Exodus 22:25-6) being an example
- Deuteronomy: The period of reform (Deut.23:20-21)
- Leviticus – The second siege of Israel for which one of the crimes to be punished for is the charging of usury and interest (Ezek .22:12)
- The second temple (job 24:2-3, 9 & 11)
- Plato and Aristotle (Politics 1258b)
- Luke – During Christianity (Luke 6:35)

This shows that long before Islam the practice of what was termed usury and interest had been receiving considerable attention by the predominant creeds at various times in history, and the verdict was not a favourable one in its defence. Pointedly Aristotle stressed that *"The* *most hated sort "of wealth getting" and with the greatest reason, is usury, which makes a gain out of money itself and not from the natural object of it. For money was intended to be used in exchange but not to increase at interest".*

Under Islamic Law, it is a given that all times Muslims are not supposed to exploit anyone in any form of activity not least economic activity. In the Quran and the Sunnah, there have been constant reminders on the need to ensure justice and equity in all human dealings. A good example of not abiding by those principles is receiving any financial advantage in a commercial transaction in the absence of equivocation in the transaction for the counterparty. Riba in this instance symbolises, in the Islamic concept of money, a prominent source of unjustified advantage. Hassan and Lewis (2007, p45) have highlighted five reasons cited by Razi a Persian scholar why it was necessary to prohibit Riba.

1. That Riba is the same as obtaining another person's property without giving back in return any counter value. This is reinforced by the saying of the prophet that a man's property is unlawful to the other as his blood. Furthermore, that insisting upon a sum which is certain in return for what is uncertain is but harm done to the debtor.

2. Riba is also prohibited because it prevents men from participating in real activities. Those in possession of wealth if they earn this wealth through Riba will rather take the easy way out and avoid undertaking any activity that will lead to the progress and prosperity of the people.

3. That contracts involving Riba lead to strained relationships between men. Noting that if it is made illegal, there would be no difficulty in lending and collecting back what has been lent. Conversely, if it is made legal, in order to satisfy their desires, people will borrow even at an exorbitant rate of interest. This results in friction and strife and strips society of its goodliness.

4. That the Riba contract is made simply to enable the rich to receive an excess of the principal, which is not only unlawful but it is also against justice and equity, which leads to the rich becoming richer and the poor becoming poorer.

5. Lastly, that the text of the Holy Quran has shown that Riba is illegal and that it is not necessary that men should know the reasons for it.

There is a consensus amongst most scholars about the need to conform to the provision of barring Riba in transactions although that is where the consensus ends. There are controversies on what Riba means. These debates are a primary source of discord not only within the circle of Islamic scholars but also within the Muslim communities. These controversies like others in the development of the Islamic finance industry have become a constant reminder of the tensions that exist in the formation of the industry and act as signposts at every turn.

3.6.1 Definition of Riba

The root meaning of the Arabic word 'Riba' is increase, excess or growth and is mentioned in the Quran at least twenty times. The Holy Quran has mentioned Riba in four different verses Quran (30:39, 4:161, 3:130-32 and 2:275-81). It is suggested by Lewis and Alagoud (2007) that the actual meaning of Riba has been debated since the earliest times. Noting further that Umar the second Caliph of Islam regretted the fact that the Prophet Muhammad (saw) died before giving a detailed exposition on what Riba constituted. Lewis and Alagoud (2007) further argue that in their view and citing (Quran2:279) as evidence that not only is interest banned , but that according to Islamic scholars, Riba embraces not only usury but all interest (Riba). They proceeded to delineate Riba into two major forms: Riba al-qurud, which relates to usury involving loans and Riba al-buyu, which relates to usury involving trade. Riba al-qurud, which is the usury on loans sometimes also referred to as Riba al-nasia is practiced by having a charge on a loan over the passage of time (interest). This form of Riba is the cornerstone of the Western financial system and is considered repugnant by Islam. In explaining the other forms of Riba, Lewis and Alagoud (2007) note that

A. Riba al-fadl: This involves exchanging two similar objects with unequal qualities or quantities. This type of Riba stems from the Hadith of The Prophet (pbuh) requiring that if gold, silver, wheat, barley, dates and salt are exchanged against themselves they should be exchanged on the spot and be equal and alike.

B. Riba al-nasiah: This means to postpone, defer or wait, and refers to the time that is allowed for the borrower to repay the loan in return for the addition or the premium. It covers a multitude of transactions of different sizes specified in the contract, as a loan to be paid in addition to the principal. It has a similar function to normal interest, and implies that securing in advance a fixed return, in addition to the actual principal as a compensation for time. It does not matter if the interest will be used for consumption or business purposes, either taken by a government or individuals. All jurists admit by consensus that such interest is prohibited. However, if the return is not specified in advance and left to depend on the result of the running business which could involve risk that indicates the profit is not known in advance, then this is allowed taking into consideration the Shariah rules of sharing profit and loss.

Similarly, it makes no difference in what form the interest is received or paid such as a fixed or a variable percentage of the principal, or in an advance payment or on maturity, or received in the form of a gift or prize or service, if stipulated as a condition in the loan contract, or an extension in its maturity as a condition of the loan. Although there is a consensual opinion among scholars that the Riba al-naisah is prohibited, there is an existing practice which applies the predetermined positiveness of the return in complicated forms so as to appear to be Shariah compliant. These forms use very complex structures to deceive, since Riba can be very complicated when involved in a sophisticated business.

3.6.2 Counterviews on Riba

Lewis and Alagoud (2007) have also noted counter positions to the ones above. These viewpoints include those held by Rahman (1964), who argued that the Sunnah of the prophet was not fixed but dynamic and that it should be understood and applied within particular contexts. His argument essentially was that prohibition of interest related to only prevention of excessive Interest, not all Interest. In the same vein they noted others like the Syrian Doualibi, who differentiated between consumption loans and productions loans on the premise that verses in the Holy Quran relating to Riba go hand in hand with the injunctions also in the holy Quran. These relate to the alleviation of the condition of the poor, the needy and the weaker sections of the community. Likewise, Tantawi the Sheikh of Al Azhar in Cairo advanced the position that prohibition of Riba covers only individuals, not the giving or taking of interest by corporate entities like companies, banks or governments. Along the same lines are arguments in support of a floating interest rate as opposed to a fixed interest rate. This argument though plausible on the face of it when looking at it from the perspective that there is no predetermined rate of return, on further scrutiny fails the test. As the basis upon which the floating rate is set i.e. the LIBOR is pre-set before adding the floating rate component of it.

3.6.3 Gharar and Maysir

The Holy Quran strictly prohibits games of chance in Quran (5:90-91). Using the word Maysir for it, which is it derived from usr (ease and convenience) the term is now used generally for all forms of gambling. According to Lewis and Alagoud (2007-39) *"the Shariah determined that, in the interests of fair, ethical dealing in commutative contracts, unjustified enrichment through games of pure chance be eliminated".*

Another problem which is addressed by Islam through the Prophet Muhammad (saw) relates to speculative business transactions otherwise known as Maysir. Specifically as noted by Lewis and Alagoud (2007-39), *"in a general context, the unanimous view of jurists held that in any transaction, by failing or neglecting to define any of the essential pillars of contract relating to the consideration or measure of the object, the parties undertake a risk which is not indispensable for them. This kind of risk was deemed unacceptable and tantamount to speculation because of its inherent uncertainty. Speculative transactions with these characteristics are therefore prohibited".*

In summary, the importance of this section lies in the fact that the issues highlighted above; Riba, Gharar and Maysir are the operational pillars upon which IBF rests. The avoidance of these three elements is the defining feature of this prohibition led industry. Significantly, it is also about the definition of the main prohibition – Riba, which has led to many debates. These debates have been on both sides of the divide. The positions taken on the debate range from those that are unequivocal concerning the implicit nature of interest, those that argue that there are various forms and to those that even accept it, noting that in modern society it cannot be avoided.

I want to argue along the lines of those that deem interest unacceptable in any form as the Quran has been clear about the dangers of engaging in any interest led activity. I would also argue that despite our being in modern times, the use of interest should not be an acceptable permanent feature for all the previously mentioned negative effects it has on society. More significantly, I would like to draw attention to the little discussed drop in interest rates, where the European Central Bank dropped its overnight deposit rates to zero and the fear that banking would unravel did not happen (Giles and Harding, 2012). Following in the footsteps of the ECB, the Danish Central Bank also reduced interest rates to below zero without any attendant banking crisis. The main effect being that banks now pay the central banks for keeping funds that they do not wish to lend. At the same time, customers will pay the banks for safekeeping. This is more in line with what Islamic finance envisaged for they would now be forced to lend to the real sector in those economies if they cannot find any safe investments (financial sector activities e.g. currency trades, derivatives) havens outside(see Hansen ,2012). This also has implications for future research, as it a potential research area that can shed light on the effect of negative interest rates in developing economies along real sector lines.

In developing a framework for the development of the Islamic financial industry, the corporate governance structure of Islamic finance institutions has evolved a unique difference in relation to the conventional ones. This difference arises from the creation of an additional level of governance called Shariah Supervisory Boards. In the next section I will explore the constitution, roles and other related activities of the Shariah Scholars with a view to understanding the significance of the role they play in the making of the industry.

3.7 Corporate governance of IBF institutions and the role of Shariah scholars

The power wielded by the scholars is immense but rather than focus on the narrow reading of this role that is epitomised by the near rock star status they enjoy in their new found role, I will follow in the footsteps of Pollard and Samers (2011-4) to *"demonstrate the constitutive significance of the territorial legalities that Shariah scholars navigate, mobilize and ultimately transform".*

Pollard and Samers (2011) argued that Shariah scholars occupy a fundamental position in the creation and navigation of complex territorial legalities that define the development of Islamic banking and finance in different contexts. As previously noted, Islamic finance is advanced by the strategy of adapting Islamic laws that are related to its operation. In the identification of these laws and interpretation of the rules, the key actors are the Shariah scholars. Pollard and Samers (2011) further refined the activities undertaken by the scholars into four major roles in trying to meet the original objectives of market creation and navigation.

They suggest that the first role the Shariah scholars contribute to is in the determination of whether a particular financial practice is *'Islamic'.* This they do in reaction to compliance with local regulations in different territories.

Secondly they propose that scholars play the role of adjudicators when deciding on the Islamicness of different products. They note that in performing this particular function, the scholars produce what they term as 'cosmopolitan legalities' and they navigate through the dynamic intersections of Shariah and other forms of law.

Thirdly, they point out that the scholars perform their duties by the use of three adaptive mechanisms-departures from tradition-because of local custom (urf), public interest

(Maslahah) or necessity (darura). And in doing so they are expected to do so under the ambit of the broader objectives of the Shariah despite the cosmopolitan legalities being set.

Lastly, they put forward that the scholars are expected to not only monitor the importance of their rulings but if necessary act retroactively with the aim of correcting their initial positions. Citing Anwar (2008); Maurer (2010); Bassens, Derudder and Witlox (2011) in which one of the most renowned Shariah scholars Sheikh Taqi Usmani ruled in 2007 that roughly 85% of Islamic Sukuk (bonds) in circulation violated Islamic rules. This willingness to act they argue signifies the implacable authority of the Islamic scholars and their willingness to act when they feel Islamic principles are being compromised.

In the next section the role of Ijtihad is examined.

3.7.1 The Roles of Ijtihad in Islamic Finance

The void in the classical laws of Islam on the suitability or otherwise of modern financing contracts has necessitated the need for the development of rules and regulations to fill this void. With the recent growth in Islamic finance Ijtihad is now being employed as a technique to derive rulings to legalise the industry in the absence of any explicit ruling from the Quran and Sunnah.

Ijtihad means an effort or a mental process to arrive at a Fiqh ruling by employing Usul-al-fiqh. The derived ruling must not contradict a rule established by the Quran and Sunnah. Only an authorised person is competent to exercise Ijtihad and it is actively practised in Islamic society.

As stated previously, there are different schools of thought in Islamic Jurisprudence with the four mentioned earlier being the most recognised ones. When employing Usul-al-fiqh to process their Ijtihad, Islamic jurists usually take cognisance of the particular school they belong to or they prefer in that instance. As a result, a ruling cannot be predicted, as based on a location you may have different rulings on the same subject. As a consequence, the practice of Ijtihad for Islamic finance is a contested process. This has far reaching significance for the industry as standardization cannot be easily ensured. More fundamentally what is deemed legal in one location may be deemed illegal in another location. Again as has been highlighted in this section, the role of Sharia scholars cannot be underestimated in the formation and practice of IBF. They essentially act as gatekeepers charged with safeguarding the development of the IBF project. Although they have been pivotal to the development of the industry, they also stand on another pedestal where they are being blamed for the seeming conflicts the industry has been facing, particularly in terms of an identity crisis. The unique nature of IBF necessarily demands continuous meaning making and true to its roots of Islamic jurisprudence, there will always be a need for judicial intercession, which is essentially undertaken by those trained in Islamic law- Sharia scholars. For all their imperfections which are only human, there are safeguards in their adjudication process which triggers them to be reflexive about their legal decisions and this may be the one advantage they possess in the event of making mistakes.

3.8 Islamic home finance in the United Kingdom

The focus of my study is on Islamic home finance in the UK. This medium of Islamic home financing is the window through which I intend to explore Islamic finance in detail. There are several reasons why I am choosing this option. Firstly, for every household, the largest single spending decision they have to make over their lifetimes is often the spending on the purchase of a home. This decision is very crucial and very difficult to make. In making this decision, several factors come into play, which include; income, family size, location, cost and increasingly more important, the availability of financing and the financing options. Secondly, mortgages constitute a significant amount of all disposable income spending in the United Kingdom. As noted by the FSA (2009) *“Residential mortgage debt in the UK amounts to around £1.23trillion, accounting for approximately 70% of all credit extended by lenders in the UK”.* Finally,the recent financial crisis which was triggered by the fall of the mortgage market in the US that has affected several countries including the United Kingdom. This event has led to the need to search into alternative market practices that are not only socially prudent but also institutionally stable. (See appendix 5 for detailed figures on UK mortgage lending)

The next section looks at the history of conventional mortgages and its development while introducing Islamic home financing alternatives.

3.8.1 Conventional mortgages

Maurer (2005, p17) reveals that mortgages originally had a religious history. He demonstrates that contemporary Islamic home mortgages actually try to replicate and at times challenge this history. His main theme of association revolved around the connection between usury, life and death. He noted that the words gage, engagement, wage, wages, wager, wed and wedding… all sprang from the same root. This root word is the Latin vadium which referred to a pledge given as a security against the payment of money or the performance of some act by the person by whom it was given or from whom it was taken. Maurer (2005, p17) noted that the usurious potential for such gages was debated in feudal England. He made a distinction between two kinds of gage based on a treatise on the laws and customs of England. These differences he noted depended on whether the profits and rents accruing from the pledged land shall count towards repayment.

In the first example, using the example of agricultural product yield (being the profit of the land) was used in repaying the creditor, and then the agreement was truthful and binding. In the event that they were not used, the agreement was unjust and dishonourable, but they were not forbidden by the court of the king, although they were deemed as a kind of usury. The name given to this form was vif–gage or the living gage. Another name for this form was the vivum vadium. The second kind of agreement identified by Maurer, (2005) is the mortum vadium, the mort-gage or the dead. This was considered as being dead because the pledged land was not going to contribute toward the reduction of the debt. He further noted that even though the mort-gage was permitted, *"any creditor holding a gaged land under such a dead pledge at the time of his death was treated as a usurer- his property was forfeited to the king, and he was considered to have died in sin"* Maurer (1968, p17). The only partial remedy was to have completed the transaction before ones death and obtain partial forgiveness, as anything beyond death meant the punishment followed.

In advancing reasons for why a mort-gage was considered as a form of usury Maurer (1968) offers three explanations. His first being the Aristotelian argument that money should not begat money, which he says is echoed in the medieval Christian texts (for example, Deuteronomy 23:19, Levictus 25:36 and Luke 6:35). Maurer notes that despite these clear injunctions there are other injunctions in the Old Testament which are at odds with the previously mentioned ones. One such different injunction can be noted in Deuteronomy 23:20 which allows that *"unto a stranger thou mays lend upon usury; but unto thy brother* *thou shall not lend upon usury".* In another exhortation that seems to be at variance with the rest we are informed of an occasion where a servant who buries his masters talents to keep them safe, rather than engage them in business (as in lending or trade) is the one who is cast out *"you should have put my money to the exchangers, and then at my coming I should have received my own with usury"* (Mathew 25:27). Another explanation offered by Maurer (2005, p18) dwelt on the Aristotelian argument that *"money's natural use was to facilitate trade for the purpose of acquiring the necessities of the household".* Maurer gives the second explanation for the consideration of a mortgage as a form of interest in the form of a basis of a transaction. He considered that if there was no clear conveyance of a thing to the creditor in return for the loan – only what he termed the abstraction of the money payment in the form of interest. Here, he notes a transaction *"is usurious if it is based on something immaterial or intangible"* Maurer (2005, p18). Finally, he considered a mortgage usurious because the creditor had entered into an arrangement with a borrower without risk. This was based on the premise that the borrower was obligated to repay the debt and despite that fact; the creditor did not assume any obligations or risks to the debtor. In summary, he suggests that from their common law beginnings, mortgages were bound up in the questions of life, death, sin and the status of the soul and that the shifts in the understandings of death and debt equally influenced the development of what is at present termed the mortgage market over time.

The relevance of tracing the genealogy of the mortgage is in establishing the differences in the thinking behind home financing structures. As is evident, the mortgage as is presently being practiced runs counter to Islamic finance's prohibitions on interest. This examination of the mortgage has also shown that the term mortgage cannot co-exist with Islamic finance, as is sometimes being currently undertaken. Rather a better choice of words would be home financing.

After tracing the genealogy of the current day mortgage, it can be easily noticed that it has some similarities with the template of what is being offered as Islamic home finance. Three key elements stand out, the first being the recognition that interest comes into play in transactions and that such interest denotes a negative. This negative as was earlier explained by Maurer was in the form of a lack of justice (Aristotelian). This fits in comfortably with the prohibition of interest in Islamic finance transactions even though the definition of what is interest in Islamic finance in itself is rather problematic. Nonetheless, if equity is chosen as a basis then a common ground can be established between Islamic finance and the argument put forth by Maurer. The second emergent position, which also defines transactions that do not have the intellectus (mind or spirit) in accordance with the res (matter or things) echoes the principle in Islamic finance that makes it compulsory to tie any transaction to an underlying asset and not just an abstraction which in this case is a rate of interest. Thirdly, the argument that any transaction in which the creditor does not assume any risk is usurious and also resonates with Islamic finances spirit of risk sharing.

3.8.2 Islamic home finance in the United Kingdom

For Muslims, the prohibition on dealings that involve interest have been a limiting factor in their quest to acquire homes not just in the West but even in their home countries where financial institutions are interest based. It is in this vacuum that financial institutions offering Islamic home finance arose. In the United Kingdom, the government has facilitated IBF by enacting several legislations to aid the development of the industry. These include the following:

• Since 2004, the Financial Services Authority (FSA) has authorised a number of Islamic financial firms, which are currently the only Islamic financial institutions in the European Union. This has been achieved by applying exactly the same authorisation criteria to both Islamic and conventional financial institutions, working towards a level regulatory playing field;

• In early 2007, UK Trade & Investment (UKTI), through their Financial Services Advisory Board, agreed to set up a separate sub group to produce a strategy for the promotion of the UK as a centre of excellence and global partner for the provision of Islamic financial services. The sub group consisted of 15 practitioners and representatives from the UKTI and HM Treasury. Four private sector working groups were set up to feed into the sub group on Banking & Insurance, Legal, Accountancy and Education, Training and Qualifications (ETQ). The internal strategy was agreed in late 2007 and the group and its sub groups continue to meet on a six monthly basis to gauge both the implementation of the strategy and market changes; and

• In April 2007, HM Treasury hosted an Islamic finance summit at 11 Downing Street, on the back of which an Islamic Finance Experts' Group (IFEG) was established. The group consists of a number of UK and internationally based experts from financial, legal and advisory firms, as well as Government and Muslim community groups. The IFEG has met a number of times, providing advice to the Government on how to best support the development of Islamic finance in the UK (UK Treasury 2008). More specifically for the home finance segment of the market, special accommodation in the form of

• The first tax legislation catering specifically for Islamic finance arrangements came in the 2003 Finance Act, in the area of stamp duty land tax (SDLT). It catered for individuals using alternative property financing arrangements (covering Islamic mortgages), removing the double charge to SDLT that might otherwise arise where a financial institution buys a property and then re-sells it to the individual. The SDLT provisions were extended in 2005 to equity sharing arrangements, and in 2006 to companies. Moreover, the second type of borrowing catered for in 2006 was diminishing musharaka, or diminishing shared ownership, a form of property or other asset financing under which the borrower progressively acquires the lender's share in the asset, at the same time paying a rent or financing charge for the share of the assets the lender retains. This type of contract can be used in Home Purchase Plans (see appendix 5 for more specific legal accommodations).

In conclusion, the foray of IBF into new financial spaces has continued. In attempting to cover new markets especially in the West, IBF has sought legal accommodation in various jurisdictions and has had varying levels of success. In the United Kingdom for mortgage issues, the Government has abolished double taxation that initially existed on mortgages (Finance Act 2003) and which was acting as a disincentive to investors. The government also enacted finance Acts in 2005 and 2007 to place Islamic financial products on the same tax footing as its conventional counterparts as noted by Ainley (2007). Again in encouraging IBF in the United Kingdom the FSA was trying to encourage financial inclusion as it felt that IBF would provide a means for more Muslims to participate in the financial system. This point though is debatable as there is no concrete evidence to suggest that Muslims in the United Kingdom have overwhelmingly embraced IBF. The important point remains that IBF operating under different rules is now to an extent accommodated under English law to operate. This action is wholly reminiscent of my earlier argument that geography and law are mutually reinforcing. In summary, IBF as a project is based on different subjectivities and constructions. Key amongst its constructive elements is law and space. These two factors play a key role in its definition and operation. These two factors also play a role in determining the successes or failures of IBF in different jurisdictional spaces.

As a social construct based on law, in this instance Islamic law, IBF has had many challenges in trying to prove itself. The challenges include the definition of IBF itself which is different in different geographical locations, the legal recognition it receives in the various spaces and ultimately the reception or otherwise it receives from its intended target market. The geographies of law have shown that IBF has entanglements that span space and the legal. This entanglements define what form IBF takes and to a large extent its success or failure. This is not to say that there are no other extraneous factors that might be of concern, rather these two factors are significant enough to warrant further study when viewed against the scale of their influence on IBF. I am undertaking this research in the United Kingdom, a geographical space that is far from the current centres of gravity for IBF and viewing its acceptability in the home finance space under the United Kingdom's legal space. My contribution will be in adding to the literature not only Islamic finance but equally importantly to the literature on the geographies of law and religion.

In delineating the difference between Islamic home finance and the conventional mortgage a comparison of Mortgages and Islamic home finance contractual forms is captured below.

Form Contract Type Terms

- Conventional mortgage: Interest-bearing loan, where the borrower pays the principal plus interest each month according to an amortization schedule. The payment amount stays constant, but an increasing proportion of the payment is put toward the principal of the loan over time.
- Murabaha: Cost plus the borrower pays a preset and unchanging fraction of the total loan amount ("principal") plus a preset and unchanging mark-up each month ("fee")

- Ijara/Lease: The borrower pays the principal plus a portion of the fair market rent of the property determined by the borrower's share of ownership, which increases with each monthly payment, thereby decreasing the portion of the rent paid to the lender.

- Diminishing Musharaka Partnership: The borrower and lender enter into a corporate partnership which owns the property. The borrower buys out the lender's share in the partnership in the property over time (ownership payment or "acquisition payment", structurally similar to principal) plus a “profit payment “ to the lender as an administrative fee (structurally similar to an interest payment)

3.9 Concluding remarks

This chapter has shown the importance of the geographies of religion and law in the constitution of financial spaces. In this instance, the financial space being examined is the Islamic banking and finance space. It undertakes this by bringing to the fore the seldom researched area of IBF especially in Western economies such as the United Kingdom. In articulating the developmental trajectory of Islamic banking and finance, it has also simultaneously engaged with issues that have defined the economic relations particularly between different geographic regions and countries and their relevance to current economic realities.

Within this framework, it has presented five main arguments. Firstly, the value proposition offered by Islamic finance in terms of an implicit social welfare function and close alignment of all investment activities with the real economy. This aids development and makes it a very attractive candidate for further scrutiny and possible adoption, especially considering the recent economic recession in some countries including the United Kingdom. Secondly, the IBF project is a contested project at every turn. Most of these contestations revolve around the definition of terms and their use in practice. This thesis argues that these contestations are historical, geographical and more importantly ideological. As such, the calls to have a more standardized form of IBF may not necessarily materialise. Rather different forms of IBF in different spaces may likely emerge with their own distinct characteristics. Thirdly, due to the unique roots of IBF which are inextricably bound to Islamic law and the fact that IBF itself is an on-going project, there will always be the need to have scholars who make meaning out of these laws. These Shariah scholars have within their rules for judicial adjudication and religious meaning adaptive reflexive mechanisms, which enable them to revisit previous decisions and as such they will always be necessary within this particular industry. Fourth, the time has come to re-examine the interest rate as a measure of economic performance. This is as a result of two events, one the LIBOR rate scandal and follows on from the continued collapse of interest rates in some Western economies that has not led to any economic dislocation, rather it has helped to stabilise these economies. Lastly, that as a construct IBF is constituted and is itself composed of law and religion, which rather than being limiting factors have provided it with the ability to exist in spaces far away from where it was conceived and where it has a comparative advantage in terms of localisation. Equally, this flexibility has also allowed it to redefine North-South relations, as in this instance the global south is now exporting a product in the form of IBF to the traditionally dominant North in an era of post-colonialism.

The next chapter provides the research methodology that is used to open up the Islamic home finance market in the United Kingdom. It traces how this market is formed and identifies the various actors that are crucial to the framing of this market

CHAPTER 4

Methodology: Exploring the contested market of Islamic home finance in the United Kingdom

This chapter highlights the research methods that have been used in undertaking this research and explores the methodological approach that underpins this project. The first section explores my motivations and justifications for pursuing this field of study. The second section documents the different approaches to data collection that I undertook in London and other places, along with the justification for my choice of methods. These sections also discuss some of the challenges I have encountered in the field. In the third section, I have explained the process of data collection and finally, in the last section I have outlined the ethical underpinnings that have guided this research, as well as a discussion on issues of positionality and representation that have played a major role for the duration of this study.

4.1 INTRODUCTION

In the aftermath of the recent financial crisis, the most severe since the 1930s, this research follows in the footsteps of other research that interrogate alternative economic practices and explores Islamic home finance practices and networks as an alternative and possibly cheaper source of providing homes for families and individuals in the United Kingdom. The research will examine Islamic finance networks from the perspectives of (1) institutions that provide Islamic home financing (banks and other service providers). (2) Potential and existing home owners (who will be targeted for their responses in mosques and other settings) and investigate whether members of this group are aware of and are participating in Islamic home financing or not. The research will also reveal the different attitudes that exist towards the Islamic finance project as a whole using Islamic home finance as a focal point. The project will bring to fore the little researched area of Islamic home finance and inform debates about alternative economic methods in different fields by drawing upon a multidisciplinary perspective to inform its context. This project will also provide useful policy information by contributing to the United Kingdom's policy on financial inclusion. In addition, it will provide information for the financial industry by engaging critically with their intended audience, in this instance the potential and existing subscribers of Islamic home finance products. In justifying this research, it is notable that there is a dearth of literature on Islamic home finance market creation not only in Islamic banking and finance but also in the United

Kingdom market as a whole. The few that do exist emphasize the supply side by highlighting the availability of Islamic home finance within the UK and the institutions that provide them. Very little exists in terms of an empirical study that investigates the practices and consumers attitudes toward the business. As a result, this study aims to undertake an empirical evaluation of Islamic home finance in the United Kingdom to cover the existing gap in the literature.

The significance of this study lies in its intention to explore Islamic home finance in the United Kingdom a major non-Muslim country. With London now regarded as a key centre for Islamic financial products in Europe, this study will explore how Islamic finance can prosper in the aftermath of the most serious financial crisis since the 1930s. The study is intended to contribute to a greater understanding of the practices of Islamic home finance in these two areas to academic researchers, business practitioners, regulatory authorities and consumers amongst other users of the information. More importantly, the empirical study will provide an evaluation of the consumption of these products in the United Kingdom. This study is also unique in that, unlike previous studies, it intends to evaluate both the supply and the demand sides of Islamic home finance. In doing this it will use different techniques of analysis in evaluating both the demand and the supply sides, and will generate and build on fresh data and the qualitative assessment. This study has been conducted through a geographical disciplinary lens. This comes against the backdrop in which economic geography has adopted a certain "fluidity" (Crang 1994) that allows it to engage in cultural research. In terms of this project there is a wide engagement between culture, religion, law, ethics and geography. This follows in the footsteps of previous studies that have sought to uncover these relationships, albeit in different ways. These include studies that have revealed the relationships and entanglements of Islamic finance and economic geography, studies which have revealed the changing shades of religion within geography and research that investigates alternative trading spaces (Pollard and Samers 2007) Kong 2010; (Hughes 2005).

In justifying why the United Kingdom is chosen as the site for the research, the following reasons are notable: there are approximately 3 million Muslims in the UK who are a potentially large market for Islamic home finance (Mathews and Tlesami (Undated)Mathews and Tlesami (Undated)Mathews and Tlesami (Undated)Mathews and Tlesami (Undated)Mathews and Tlesami (Undated)Mathews and Tlesami (Undated)Mathews and Tlesami (Undated).As a new business model that is seeking accommodation in new legal jurisdictions, the United Kingdom has been very accommodating to Islamic finance and

Islamic home finance, in particular by giving legal backing to encourage IBF in the form of removing obstacles to the development of Islamic home finance. In addition, the United Kingdom has a policy in place to encourage financial inclusion of minorities that have no access to finance for a variety of reasons. Finally, London is widely acknowledged to be one of the world's top financial centres and an emerging global hub for Islamic finance, with years of experience in financial expertise.

4.2 THE RESEARCH DESIGN (QUALITATIVE STUDY TO ILLUSTRATE CONTESTED MARKET OF ISLAMIC FINANCE)

According to (Yin,2009) a research design is the logic that links the data to be collected (and the conclusions to be drawn) to the initial questions of the study. Every empirical study has an implicit, if not explicit, research design. As I embarked upon this research, I was immediately confronted with the question of what kind of methodology was to be adopted for the research. This methodology to be adopted is in turn informed by the research questions to be answered. In choosing a particular method, the focus ought to be on when and why a particular type of study should be chosen for a project; taking into account the pros and cons of each type, including the factor of relative costs and the time required; how they overlap, and hence, present partial alternatives; and moreover, how they can be combined or linked together logically in a research programme consisting of a number of individual projects (Hakim, 2000, p3). O'Leary (2004) suggests that in making a decision about what design strategy to adopt, a researcher is faced with the choices of following conventional strategies with the advantage of drawing on the methodological approaches that have been tried and tested and thus spending more time on execution. The disadvantages of this approach include limitations in creativity, unreflexive acceptance of unwarranted assumptions and the fact that the accepted ways of doing things may not necessarily be the best. Furthermore, in trying to be innovative, it confers one the advantages of having the potential to break new ground, be context-specific in the design and not be limited by other's experiences or lack of. The disadvantage here lies in the fact that primarily it is easy to become misplaced and confused, entails much harder work to break new ground and finally, may be difficult in demonstrating credibility. In research design, O'Leary (2004, p88) recognises that there are three key elements. Firstly, in ascertaining whether the design addresses your research question(s). Secondly, the need for the researcher to have, or be willing to develop, the skills and interest needed to undertake the plan. Thirdly, that all the elements of the methodological design are achievable. In this context, the design should be completely appropriate to the question and be within the comfort of the researcher.

In order to explore the complexities of how the market for Islamic home finance market is created, and understand how it is perceived by the target market, I have relied on a mixed methods methodology. The study was performed using qualitative methodologies such as ethnographically-informed semi-structured interviews, participant observation, questionnaire surveys and focus groups.

I established issues of empathy and reflexivity particularly, which were important personally, as a researcher and more generally, for this type of research. Specifically, as Muslim and secondarily as a black African male, these qualitative methods allowed me to gain access, identify and explore more fully the process of the creation of this market and more importantly unravel the many contested meanings of what is understood by Islamic finance. In addition, these methodologies have also allowed me to elicit what the people I have engaged with articulate to be their experiences and expectations of what Islamic finance is. I did this in order to place the research into the wider socioeconomic context in which they occur. This context is necessary to gain a wider understanding of the socio-economic background, religious beliefs and other empirical data about the target market in UK society. The importance of providing this data rests on the fact that the practice of Islamic finance is shaped not only by individual practices in the communities in the UK but also by broader structures and processes that define their form and perception. These techniques were particularly important for me because they not only facilitated the process of recruiting research participants but also allowed me to acquire a wide range of contextual and practical insights not available in the formal literature.

4.3 Methodologigal approach

The methodological approach used in this research is principally informed by the use of some of the principles and practices of '*Grounded Theory'.* Grounded Theory is a qualitative research approach jointly developed by Glaser and Strauss. It has in place systematic techniques and procedures of analysis that enable a researcher to develop a substantive theory following the use of qualitative methods to generate empirical data (Glaser and Strauss, 1967). While noting that the procedures are put in place to give the *"analytic process precision and rigour"* (Strauss and Corbin, 1990, p31), there is the added emphasis on creativity as another element. It is this element of creativity that enables the researcher to *"ask pertinent questions of the data and to make the kind of comparisons that elicit from the data new insights into phenomenon and novel theoretical formulations"* (Strauss and Corbin, 1990-31). Grounded Theory's procedures guide researchers in how to collect useful data, develop the ability to step back and critically analyse data, be theoretically sensitive, learn coding procedures and memos, and perform other procedures such as writing theses and giving talks about your research (Strauss and Corbin, 1990). As Charmaz (2006) and Draper (2004) suggest, a Grounded Theory approach formulates theories based on data generated from empirical research unlike approaches that seek to test hypothesis formed from pre-existing theories. In line with other interpretivist approaches, Grounded Theory is inductive, as it classifies empirical evidence as it is obtained and moves to formulate theories to explain observations and phenomena from the systematic analysis of the data that is obtained from the empirical research (Bryman, 2008; Draper, 2004; Saunders et al., 2003).

In explaining how Grounded Theory offers a useful approach for researchers intending to understand and extricate complex social issues,Pandit(2006) highlights the three key elements in Grounded Theory which include concept generation, categories and propositions all of which I have used in my research. As a result, I proceeded into the field without any preconceived hypothesis. Instead I undertook an iterative process of the three key elements of Grounded Theory and focused on my area of study, and thus, let the data guide me to what is relevant to that area which is *"allowed to emerge"* (Strauss and Corbin, 1990, p23). I have performed this research using the discipline of economic geography as the background, or more specifically as the disciplinary framework for the study. Thus, this has enabled me to undertake this study using a wide multi-disciplinary engagement between culture, law, religion, business, economics and geography in the formation of a conceptual framework for this study. This framework allows for the unveiling of the contested meanings and processes that are crucial in creating the Islamic finance market. The disentangling enables us to understand the actions of the actors involved in the formation of this market. Thus, I have developed a theoretical framework that has as its empirical basis, a cross-disciplinary study that highlights the unique capacity geography has in exposing not only the entanglements but also the relationships in the discourses of the formation of financial markets and religion. This role of geography heeds in part the various calls for geographers to cross disciplinary boundaries. A second important contribution of the methodological approach adopted in this thesis is in the approach used in gaining empirical data. Unlike previous research (e.g

Tameme 2009) that have sought to conduct studies from either the consumer's perspective or the provider's perspective, this study has been able to combine providing a much more balanced picture of the market. Thirdly, in incorporating information technology by way of Google hangouts to conduct a focus group, it is drawing attention to little explored areas in methodology which has potential consequences in the way research is completed in Geography.

To investigate the Islamic home finance market, I have identified two distinct ecologies that are going to serve as my focus, namely; the protagonists of the market, and the intended consumers. This is in line with my aspirations of using the financial ecologies approach as outlined in chapter 2.

4.4 THE METHODS

To address the questions generated by the literature review, I felt it was necessary to build a comprehensive and in-depth understanding of Islamic home finance as a theme within its natural spaces, taking into account the environment within which the companies that are providing the products and services are set up and their operational context, which as the preceding literature review has suggested is a vital component in the formation and development of Islamic home finance. I used a multi-method approach in the research which involved the use of qualitative research methods. Concurrently secondary data sources were also used to further gather more information. The use of these methods of data collection will facilitate triangulation, a vital consideration if rigour is to be achieved. The four methods used in the field study consisted of:

- Semi structured interviews with corporate executives and other stakeholders,
- Focus group interviews,
- Questionnaire surveys,
- Participant observation / volunteer ethnography.

4.4.1 Semi structured interviews

My decision to conduct semi-structured corporate interviews rested on the fact that not only would it provide me with an excellent opportunity for gaining valuable insights into Islamic home finance from the key players in the industry, but also afford me a chance to establish contacts that would give me further access to other players. The first step for me was to identify the major players in the industry in terms of firms and individuals. In identifying them, I set about the creation of a database of Islamic finance related companies in the United Kingdom. The information included location, type of business engaged in, key management personnel and contact details. This list was generated by searching initially on the internet by visiting company websites and subsequently from names and contact addresses provided by contacts in the course of the fieldwork. The initial reliance on the internet-based sources meant that the data so generated had some inherent problems, which included inaccurate information, partial information and information that was out of date due to the irregularity of updating the websites. Beyond its initial function of serving as a sample population for Islamic finance institutions and key individuals, this database could not be relied upon as a source of research material due to the aforementioned problems. After this first stage of choosing the firms and individuals to approach, I discontinued the update and use of the database.

I initially had a list of 12 individuals whom I felt represented various parts of the chain of what is involved in the creation of the Islamic finance market. I tried contacting them by sending emails and calling them on the telephone. Five responded instantly and provided me likely dates for the interviews, which have since been honoured. A number have replied whilst to date others have not. I should also state that from my subsequent research, the size of the industry is actually very small with only a few key players. This resulted in me refocusing on whom to contact. In all, I completed a total of twenty one semi structured corporate interviews with respondents in London, Birmingham, Manchester, Blackburn and Munich. Eighteen of the respondents were male and 3 were female. In carrying out the interviews, I used a digital tape recorder to record the interviews, except on two occasions where the interviewees specifically asked not to be recorded.

Name	Occupation	Gender	Date	Location
Ahmed	Commercial banking	Male	Jun-12	London
Fatima	Corporate law	Female	Jun-12	London
Mohammed	Chartered Accountant	Male	Oct-12	London
Hassan	Banking (retail)	Male	Aug-12	Manchester
Naseeb	Banking (retail)	Male	Aug-12	Birmingham
Azzam	Financial Advisory	Male	July-Various	Manchester
Usmani	Marketing	Male	Jun-12	Manchester
Baba	Financial Advisory	Male	Oct-12	London
Rim	MCB,Aviation	Male	Oct-12	London
Yana	lawyer	Female	Jul-12	Munich
Abdullah	Chaplaincy	Male	Jul-12	London
Ibrahim	Chaplaincy	Male	Jul-12	London
Steve	IT & Venture Capiatlist	Male	Oct-12	London
Samer	Medicine	Male	Oct-12	London
Khalid	Oil and gas	Male	October	London
Zainab	Oil and gas	Female	Oct-12	London
Othman	Law	Male	Oct-12	London
Abdul	Chaplaincy	Male	Apr-12	Newcastle
Buhari	Doctor	Male	Feb-12	Newcastle
Habeeb	Doctor	Male	Feb-12	Manchester

4.4.1.1 Practice – Interviews

Hughes (1999) argues that when dealing with particular types of research, they can be best studied through the use of corporate interviews. Hughes further suggests research projects that aim to paint a picture of a wide variety of business practices, have several limitations that inhibit the use of more textured, in-depth research methods. Under these circumstances Hughes (1999) suggests that in-depth interviews with a large number of corporate actors might provide the most appropriate research technique. Additional reasons why I have decided to incorporate interviews into my research design include; depth of information and valuable insights, interviews have the potential to produce data which deal in depth and detail with topics. In addition, they can also produce valuable insights based on the wisdom of the key informants; this was suggested by Schoenberger (1991). Another advantage of an interview is that they require only simple equipment and build on conversation skills which researchers generally have. It also allows for flexibility in the line of enquiry, as they can easily adjust when undertaking them by changing the direction of questioning to accommodate other perspectives. As a competent source is providing the information, data can be checked for accuracy and relevance as they are collected. Moreover, there is a personal element to interviews, as they can be rewarding for an informant given that they have an opportunity to talk about their ideas to a person whose purpose is to listen and note the ideas without being critical. Gillham (2000-19) also notes that if research *"requires an elaborated in-depth response then a semi structured interview is needed"*.

I had my first interview unexpectedly, when I called one of the institutions at headquarters in London and asked for an appointment with one of the management staff and subsequently, was transferred directly to his line. This was a technique I consequently used and which proved very effective in gaining access to the corporate elites I wanted to interview. This initial interview apart from also providing the first valuable insight into the state of the industry, also helped in pointing me in the right direction of what and who will be most relevant in my research. In addition, this first interview also helped me in learning how to articulate shorter questions where time was very limited and exposed me to management practice in the UK in terms of the best times to call and how to present myself. I conducted a total of twenty one semi structured interviews, of which thirteen were in London. I was particularly interested in finding out from these elites (corporate) what informed the development of the Islamic finance market, its history, prospects, prominent actors, limitations and performance so far. The purpose of these interviews was to place in context the scale of the market and other institutional influences on its development. Through this approach, I was also able to obtain more interviewees who were relevant to my research by using the snowballing technique were the interviewees either introduced me to other relevant people or pointed me in their direction. It was also while conducting one of these interviews that I came across a live marketing event being undertaken by one of the Islamic banks in Manchester. Prior to conducting the interviews, I had in most cases provided the interviewees with broad outlines regarding the aims of the research through the provision of research participant information sheets and consent forms.

4.4.2 Questionnaire surveys

Surveys have been noted by Smith (1991) to have different meanings, each appropriate to a context in social research: the uses being to examine or ascertain some condition, situation or value; to determine the form, extent, or shape of a thing; and to examine some phenomena with care. Survey methods include both interviews and questionnaires. Interviews entail a special form of conversation in which one person attempts to extract information, opinions, or beliefs from another (Smith, 1991-249); a questionnaire is a self-administered interview. In undertaking a questionnaire, it requires that in the design particularly clear self-explanatory instructions and questions should to be used. This is because there is often no interpreter to interpret the questionnaire for the participant.

4.4.2.1 Choice of surveys

My decision to use a questionnaire survey in addition to other methods stems from the need to answer some very basic and direct questions from as many people as possible, which will in turn guide me in asking further nuanced questions during the other stages. In making the choice of surveys, there are also very valuable insights I could acquire from asking people to complete them. In addition, the following are also important factors for my consideration of the surveys. Survey methods are often the sole way of retrieving information about a respondent's past history. This is particularly true with behaviour that occurs irregularly, privately, or rarely. Survey methods have wide applicability. Moreover, they can be adapted for different situations, populations, and settings. Of course certain exceptions do occur such as in the case of extremely young children, or persons with extreme physical or mental incapacities. Data structure and collection efficiency - this allows for high amounts of data standardization which makes them highly amenable to statistical analysis. They also provide large amounts of data at a relatively low cost and in a short period of time. Surveys also allow for *"confidentiality"* (O'Leary, 2004, p152). In my research, this will be very important as there may be an element of suspicion as to the eventual use of the data generated by the respondents. Assuring them of anonymity is essential.

While all the factors above are relevant, it is important to also note that surveys have some inherent problems; these include - view point bias; here the problem is that respondents may not be truthful. This is especially the case when the respondents feel they have to respond with "acceptable" answers (e.g. when respondents are asked about having voted in elections). Memory decay is also an observed problem. Memory decay is greater with more elapsed time, lesser occurrence of the event, and the relative unimportance of the event, a stronger connection of the event with the respondent's negative self-esteem and less accessibility to relevant data. Another problem has to do with a tendency towards empiricism - there exists the danger that a user of the survey approach with fixed focus on producing data based on a wide and inclusive coverage , can become obsessed with the data to the exclusion of an adequate account of the implications of those data for relevant issues, problems or theories. "*The significance of the data can become neglected"* (Denscombe, 1998, p28).

4.4.2.2 Questionnaire Survey –Practice London

I decided in the month of August **2011** to visit London again and distribute a questionnaire to elicit responses to various questions, some of which arose out of my initial interviews with the Islamic finance professionals. The timing for me was crucial as the Islamic holy month of Ramadan fell within that period. The significance of Ramadan lies in the fact that it is the month long period where Muslims who are able to are under obligation to fast from dawn and break their fast at dusk i.e. abstain from eating drinking and having adult relations within this time period of the day. Crucially, the month of Ramadan has as one of its notable features the highest mosque attendance times in a year. In addition, during the month of Ramadan, Muslims are encouraged to undertake more charitable tasks. My area of distribution of the questionnaires was the borough of Tower Hamlets in East London. The importance of this area was that it has the highest proportion of Muslims in any borough of the UK. With 36% of all Muslims in the British Isles and it has a population of approximately 235,000 (Mayhew and Harper,2010). Equally the area accommodates most of the banks that offer Islamic home finance products in the UK, lined up along Whitechapel, which is virtually opposite the East London Mosque.

With this in mind I travelled to the East London Mosque and the Al-Huda Cultural Centre and mosque to distribute my questionnaire. My main strategy was to encourage the Imams to ask people to kindly complete the questionnaires, as by directly engaging the Imams it would add more credibility and at the same ensure the questionnaires were completed and returned, as the Imams had considerable influence over their congregations. It was felt that doing this would carry more weight than me standing outside the mosques and asking individuals to complete a questionnaire. However, in relation to the East London Mosque I could not do that although I still ended up having groups of people that I noticed were assisting each other to fill in the questionnaires.

The second mosque, the Al-Huda Centre turned out to be more rewarding for my proposed strategy. Here the Imam kindly asked the congregation to fill in the questionnaires and return them to him. Fortunately, I had brought a considerable number of pens which I intended to give to everyone to enable them to complete the questionnaire, and as such it came in very useful as most of the people completed it there and then. After collecting as much as I could from these two mosques I decided to change direction and meet people on the street. Here again I obtained different reactions depending upon which group I spoke to. I walked around Mile End Road, Commercial Road and finally, ended up at the Shatney shopping market all in the borough of Tower Hamlets and obtained various responses. During this period I obtained 190 valid responses. I relied on using qualitative sampling techniques which had overlapping strategies of convenience sampling, judgement sampling and theoretical sampling during this period.

Marshall(1996) argued that that there is a world of difference between the goals of qualitative and quantitative size of samples when doing research. An appropriate sample size for a qualitative study is one that adequately answers the research question. In this particular instance the questions that I needed answers for were simple direct questions that required a yes or a no. *"For simple questions or very detailed studies, this might be in single figures; for complex questions large samples and a variety of sampling techniques might be necessary. In practice, the number of required subjects usually becomes obvious as the study progresses, as new categories, themes or explanations stop emerging from the data (data saturation). Clearly this requires a flexible research design and an iterative, cyclical approach to* *sampling, data collection, analysis and interpretation. This contrasts with the stepwise design of quantitative studies and makes accurate prediction of the sample size difficult"* (Marshall 1996). This was consistent with my Grounded Theory approach of allowing the theory behind this study to emerge. The iterative process I used in the qualitative study design meant that samples are usually theory driven to a greater or lesser extent. Theoretical sampling necessitates building interpretative theories from the emerging data and selecting a new sample to examine and elaborate on this theory. This approach played a significant part in formulating the questions I asked during the interviews and focus group stages of my research.

4.4.3 Focus groups

Krueger (1994-6) defines focus groups as *"a carefully planned discussion designed to obtain perceptions on a defined area of interest in a permissive, non-threatening environment".* Focus groups are said to be focused because they are usually centred on a particular activity where the participants are expected to engage themselves. This action which engenders interactive action with accompanying group forces and dynamics is what is of interest to the researcher. In holding a focus group, the synergy that it facilitates leads to a production of a broad range of ideas, experiences, and opinions which ultimately lead to insightful information (Littoselliti 2003).These interactions make focus groups invaluable for many social research projects (Kitzinger 1994) and (Gibbs 1997). Focus groups in addition to their being useful for verifying findings (validity checking) and thus facilitating triangulation, are also suitable for Grounded Theory development, where the objective is in the generation of rather than the validation of predetermined hypothesis and concepts (Kitzinger 1994). Focus groups are a form of group interviewing; however, it is important to distinguish between focus groups and group interviewing. *"Group interviewing involves interviewing a number of people at the same time, the emphasis being on questions and responses between the researcher and participants. Focus groups however rely on interaction within the group based on topics that are supplied by the researcher"*(Morgan, 1997: 12). Hence, the key characteristic which distinguishes focus groups is the insight and data produced by the interaction between participants (Gibbs 1997). Crang 2002 suggested that the use of group interviews have emerged as an alternative approach to economic issues when investigating consumers. This research also follows in this tradition although with a slight difference –

researching consumers using focus groups to acquire a more nuanced understanding based on the interactions observed.

Another innovation introduced in this methodology is the adoption of online teleconferencing using internet based computer mediated technology - Google Hangouts. This particular methodology is an under researched area in geography. The use of online teleconferencing has been noted to have several advantages (Sweet, 1998). These include extending access to participants, ability to cover wide geographical areas, promotes contact with hard to reach populations and gain sensitive accounts. In addition, Sweet (1998) notes that this method saves costs as there would be no need to hire venues, travel long distances and in doing this time is also saved. Furthermore, the use of internet based technologies to conduct focus groups may eliminate other undesirables, for instance, the tendency for some people to dominate the discussion to the detriment of others; it also helps in that it is less likely for participants to edit their thoughts due to the constraints of time. In knowledge creation, Rallet and Torre (1998) argued that there is no longer a need for co-location, rather the use of information and communication technology has changed the need for geographical proximity between knowledge users. My use of Google Hangouts apart from not invading the personal space of interviewees and altering power relations is also reflective of the above mentioned advantages. The use of this methodology was not intended deliberately from the onset, but was undertaken when I discovered that the willing participants, consumers in terms of Islamic home finance products were widely dispersed in terms of location and it would be very difficult to all gather together in one place at the same time. After several test runs with small groups containing four people alternating between Newcastle, Manchester, London and Birmingham, I subsequently decided to proceed with the focus group of six. Of the six participants, four were male and two female.

Muslim Council of Britain business committee focus group, London

Name	Sector	Date	Age- Group
1.Shan	Financial Consulting and Taxation	October	40-above
2.Rim	Aviation	October	55-above

3.Afren	Oil and Gas Exploration	October	40-above
4.Hemma	Oil and Gas	October	30-above
5.Likita	Medicine	October	30-above
6.Amjad	Lawyer	October	30-above
7.Fodio	Playwright	October	40-above
8.Ilmi	IT Leader and Angel Investor	October	30-above
9.Hassan	Solicitor and Environmental Activist	October	40-above
10.Hussain	Solicitor	October	40-above
11.Charles	Banker (wealth management)	October	30-above

List and profiles of Home purchase plans focus group participants

Name	**Gender**	**Age**	**Occupation**	
Nurudeen Faisal	Male	40s	Medical Doctor	
Anjem Salim	Male	40s	School teacher	
Rima Salim	Female	30s	Self employed Housewife	
Rifkat Ahmed	Male	30s	Travel Agent	
Mohammed Kamal	Male	30s	Local Council staff	
Fatima Ahmed	Female	30s	Medical staff	

4.4.3.1 Interviews Muslim council of Britain – London

During my prior visits to London I was able to gain access to the Muslim Council of Britain. I had earlier tried unsuccessfully to have them send my questionnaire through their mailing list. They in turn had earlier agreed to a focus group meeting to be held with their business and economics committee, which comprised Muslim professionals in the finance industry and finance related activity. I had initially given up on this group because of lack of response to several reminder emails; however, I then received mail from the chairman of the committee asking for a meeting in London between me and the secretary of the committee. I attended the meeting which led to a further date being arranged for a focus group meeting in London.

At the initial meeting I had briefed them with regards to the research and its status, and as a result, they made further suggestions on who to talk to, and we agreed on the format for the focus group meeting. Eventually, the meeting was held at a restaurant one evening with twelve people in attendance including three guests. All the attendees save one were male. The whole activity took place during dinner, and as such there were a number of interruptions. After a point, I had to move around the table and interview people either in pairs or individually. Furthermore, I was also able to attain the contacts of those I could not interview at this stage, so that I could contact them to arrange further appointments. In terms of expediency, this meeting was exceptionally useful considering the level of exposure to the participants. I personally felt I was very fortunate to have such an informed group answering my questions that were also able to clarify certain aspects, in relation to my research. (See appendix 2 for list of participants).

4.4.4 Participant observation / Volunteer Ethnography

After my first interview in London, I decided to travel to East London to gain a feel of the area in terms of the community set up, activities, and most importantly identify mosques that I would later use for my questionnaire survey. Prior to coming to London, I had identified the locations of some potential mosques and Islamic organisations via a Google search and downloaded their addresses and locations via Google maps.

After reaching East London (Whitechapel Road) I found the East London Mosque and Islamic Centre, where I not only prayed but took time to talk to some officials at the Muslim centre on the types of activities taking place at the mosque and when such activities occur. The significance of the East London Mosque lies in the fact that it lies in the heart of the borough of Tower Hamlets, home to the UKs largest Muslim community. I spent considerable time there over the next two days, as I tried to understand the make-up of the attendees and times when they were most likely to attend. I was back to further search for other likely sites along Whitechapel Road, Mile End Road and Commercial Road, which I had observed to be the key commercial areas where people would most likely be aware of the kind of questions I intended to ask. I also located the headquarters of the Muslim Council of Britain where I had a meeting with the administration manager who was very helpful and asked me to write a formal request so that the organisation could help in my research. They have since been in touch and have been an invaluable resource, primarily in terms of contacts and secondarily in terms of data on the Muslim community in the UK from their own funded research and other collaborations.

The Muslim Council of Britain's involvement is very significant as they are the largest umbrella of Muslim associations in the UK, with about 300 associations represented. I also identified another mosque the Al-Huda Islamic centre and a mosque on Mile End Road as being another likely site for my questionnaire owing to the mix of attendees. Somalis being the majority group at this mosque. I also employed another set of methodological practices, which included joining key groups in the Muslim community in the UK and participating in their meetings, academic presentations and other projects. This involved volunteering on a committee of one the key Muslim organisations in the UK - the Muslim Council of Britain (MCB), which has enabled me to establish further contacts in the UK Muslim community, more especially with the finance, academic and political actors within the community.

4.5 ACCESS AND RECRUITMENT

In recruiting participants, I have used theoretical sampling methods which have afforded me some flexibility during the study. Strauss (1987) notes that theoretical sampling, *"involves much calculation and imagination on the part of the analysts"*. As theoretical constructs evolve, precise information is sought to refine emerging ideas. When undertaking theoretical sampling, researchers must determine what data sources (e.g., groups of people, documents, bodies of literature) could yield the richest and most relevant data, and what cases (e.g., individuals, particular settings, specific documents) drawn from these sources are most likely to provide empirical indicators required for category development. In recruiting participants for my research I used the theoretical sampling method.

The main criteria I adopted for the interviewees for the corporate interviews was that they had to be involved in the Islamic finance industry, specifically in home finance. I was privileged in this regard by being a member of the Nigerian Muslim Forum UK, which usually organises conferences annually, and in 2010, the theme was on Islamic finance and they had invited several industry experts. One of the speakers was my initial contact that pointed me in the right direction, which led to my use of snowballing techniques to meet other industry officials. I also searched for the name and addresses of other industry experts, sent emails and in some cases contacted them by telephone. However, my main strategy was the use of snowballing techniques.

My most rewarding strategy was joining the Muslim Council of Britain's committee on economics and business where I had access to not only their resources but their wide membership, which more or less is the largest such group of educated Muslims in the UK. The chairman was very helpful in circulating my research details to some of their members and I was also given the option of interviewing several of them.

The issue of *positionality* in research was also a deciding factor as my being a Muslim provided me with the advantage of undertaking this research in several ways. It allowed me unfettered access to mosques, especially the mosque officials. The Imams were also vital to my recruiting participants for the surveys that I undertook both at the pre-fieldwork stage and during the fieldwork. During one particular instance at the Al-Huda Mosque the Imam was instrumental in convincing his congregation to complete my questionnaires. For the consumers of the home finance products my main method was in dealing with an independent financial adviser. This was after several repeated attempts to ask the banks to give me access, which they declined. Once again being a member of the Islamic Society at the university, which is further affiliated to wider Islamic societies in the United Kingdom, allowed me to have some leverage with a network of contacts.

4.6 DATA ANALYSIS

The approach I used in data analysis is based upon Grounded Theory *"because of its emphasis on the generation of theory and the data in which that data is grounded"* (Strauss, 1987, p22). This I did by intensively analysing data from the interviews, field notes (diary), transcribed recordings and questionnaires, systematically. In analysing the data, I combed through it sentence by sentence or by phrases, thereby developing codes and concepts as they emerged from the data. This method was particularly productive in presenting me with useful data through which I could now construct new grounded theories. The focus was not just on collecting lots of data or organizing the data but on building on new ideas that emerged from processing the data. My field notes (diary) also played a very helpful role as in some cases where I was not allowed to record the interviews or where for some reason the recorder failed, and thus, I used the diary to record the interview. I also used the diary to record my own personal experiences during the field work; this has been invaluable in assisting me to reflect upon the process and the context within which the research was done.

Immediately after each session of interviews that involved the use of the tape recorder, I transferred them into my computer and transcribed them. While doing the transcription, I also engaged in the process of *"open coding"* (Strauss 1987) that is taking note of some key words and recurring themes that are related to the formation of the Islamic home finance market. These notes were a compilation of what I found to be interesting regarding different themes and concepts, which I may not have caught up on during the interview or in some cases indicators on what to look for next in trying to unravel the Islamic finance market. Moreover, this has also played a critical role especially in helping to refine my questions and position as the research progressed. All this was done in preparation for a fuller and more inclusive analysis of the data using the qualitative analysis software Nvivo.

As Grounded Theory is an iterative process that involves data collection, analysis, writing memos and designing models, Bringer, Johnston et al. (2006) have noted that Nvivo software facilitates this process. The Nvivo software allows the analyst to analyse the data as soon as they are collected and moreover, it also facilitates data analysis by techniques such as open coding, building nodes, and allowing hyperlinks to non-textual data such as audio clips and pictures, and the exploration of ideas visually among several other functions. I opened a project file in the software from where I have been transferring my data and engaging in searches for meanings and linkages as the project advanced. I was asking the questions using items such as the textual search, interpreting data and deciding what to code in spite of the fact that the computer programmer as the role of researcher had to be divorced from the computer programme. The use of the software was simply to improve efficiency. Nevertheless, the use of the software also had its limitations, which includes *"excessive or non-reflexive coding",* which meant that the researcher did not reflect on the data being coded and the belief that *"meaning making can be computerised"* (Garcia- Horta and Guerra 2009). To guard against such influences, I decided to adopt the use of both software and freehand methods, thereby limiting the shortcomings of either. For the questionnaire surveys, I entered the responses into SPSS statistical software for analysis. In particular, for most questions I carried out simple statistical tests noting percentages and fractions, but for some other kinds of questions, I stretched the analysis by undertaking non- parametric tests such as chi square (Hole, 2000) to determine correlation between responses, a way of guaranteeing triangulation. The writing of this thesis was a consequence of performing this final stage of data analysis.

4.7 CRITICAL REFLECTIONS ON REFLEXIVITY, POSITIONALITY AND ETHICS

4.7.1 Reflexivity

During the course of the research, I have constantly been casting reflexive attention on what I had been doing. This constant reflexive action was aided by my keeping recordings of the interviews that I had performed. I kept returning to the interviews to notice if there was something in particular that I had missed. In addition, in line with that I always referred back to my field notes in the form of the field diary. This has helped me considerably to not only guide the research but also assist me in my own personal capacity to see how far I had developed or otherwise over the time period.

4.7.2 Representation and Positionality

Hraway(1991) argues that when research academics undertake research, they do so based on some conscious facts that are influenced in turn by their race, gender, national and racial attributes, and location in time and space. As such, a researcher's knowledge is always as partial as his/her positionality is, as a result of those influences which in turn affect the way we view and interpret the world.

In this section, I reflect on my positionality as a black Muslim male from Nigeria studying Islamic finance in the United Kingdom, and thus, I should acknowledge right from the onset that my interpretation of the study is influenced by my positionality and power relations (Schoenberger 1991). My attributes of being a Muslim, African, Nigerian and an academic privileged me to this research in many ways. Prior to this academic research I have never been to the United kingdom and as such I do not have insider knowledge of the people I was researching (Rose 1997), unlike most of my interviewees that were either born or had spent their formative years here in the UK. Nonetheless, because most of my interviewees were originally from developing countries similar to mine, which share a common colonial history, I had on most occasions, a common cultural platform on which to relate to them. This I did quite effectively, as we could easily identify practices which we all had knowledge of. Practices which were mostly shaped by the religion we belonged to - Islam. My positionality during the course of this research was not static as I had to navigate different institutional and personal spaces. As a result, I had to adopt the toga of an academic when I was undertaking the corporate interviews with the elite and by demonstrating a sound knowledge of the subject at hand I sought to portray myself as not only an insider but also showcase myself as an intellectual equal (Mullings 1999). Being a black African male also facilitated my research as most of the people I did interviews with were from a non-African background and I felt that they considered me not to be an insider as such, which gave them the confidence to talk to me freely.

Abu-Lughod (1988) and Hill-Collins (1990), *have argued that 'insiders', researchers who study a group to whom they belong, have an advantage because they are able to use their knowledge of the group to gain more intimate insights into their opinions. By contrast, 'outsiders' argue that by not belonging to a group under study, they are more likely to be perceived as neutral and therefore be given information that would not be given to an outsider (Fonow and Cook, 1991). 'Outsiders' also argue that they are likely to have a greater degree of objectivity and ability to observe behaviors' without distorting their meanings" (Mullings 1999)* .

These binaries for me were roles I had to be conscious of. As my research dealt essentially with Islamic finance and it was Muslims I was aiming to elicit information from, I had to also use this consistently in various ways. This meant that I had to portray myself as an insider in different ways e.g. by growing a beard at a point in time. Finally, in order to faithfully untangle the contested market of Islamic finance I have had to negotiate and occupy different spaces. These spaces positional at every given time were spaces that allowed me to elicit and at the same time share situated knowledge during the interviews and followed on from a level of trust generated primarily by being a researcher. This was solidified by the various attributes I had going for me in this particular research. These attributes were religious affinity, gender, ethnicity, and my location at particular instances. These positions as noted by (Mullings 1999), are at most times transitory as they cannot be reduced to the common binaries of insider/outsider based on visible attributes. Nonetheless, this multi positioning has been very rewarding in this research.

4.7.3 Ethics

In its narrowest sense, ethics refers to the moral principles by which single individuals are guided but more broadly it is defined *" as rules of conduct recognized in certain associations or departments of human life , because one person's actions often affect others"* Smith (1991, p589). In undertaking research, researchers are unconditionally responsible for the integrity of the research process. The power to produce knowledge requires responsibility for its integrity in its production. Similarly the power relations inherent in researcher- researched(respondent) interactions require the responsibility (on the part of the researcher) to ensure the dignity and wellbeing of the researched. Equally important is the fact that *"poor practices affect not only our individual and professional reputations but also the veracity and reliability of our individual and collective work"* (Israel and Iain ,2006, p5). Ethics is foundational to all research; with power comes responsibility. In producing knowledge by research, a researcher has many responsibilities, which include the idea that responsibility for knowledge production requires that researchers attempt to "recognize and balance subjectivities: give accurate research accounts: act within the law: and develop required expertise"O'Leary, 1994, p50.

In balancing subjectivities, it is recognized that try as we may we can never be totally bias free. Even a residual amount of bias does exist in our perception of the reality around us. As such to balance our subjectivities, O'Leary (1994, p50) has suggested some techniques that a reflexive researcher may use in addressing the issue. These include appreciation of alternative realities, making an attempt to obtain the full story and ensuring that the data obtained during research is authentic. A key way of authenticating researched data is by triangulating data and findings.

In these research, I have from the onset been bound by the University of Newcastle's ethical conduct rules for conducting research and I was given the go ahead for the research having satisfied the school on the various steps needed for ethical conduct (ethical consent). Before conducting the research, I had in place participant information sheets that informed the participants what the research is all about and what is expected of them if they decided to participate, and in addition, participant consent sheets for them to acknowledge consent. I have also taken the additional steps of keeping the recordings of my interviews in secure storage and will destroy them at the end of the research. Participant's anonymity will also be maintained by the use of pseudonyms except where they expressly waive them.

4.8 CONCLUDING REMARKS

This chapter has outlined the research methodology used in this study. This has aimed to be consistent with the Grounded Theory approach in this research. This has been performed mainly using the methods of semi-structured interviews and focus groups, in addition to other techniques with the aim of unravelling the Islamic home finance market from the two perspectives of the supplier and the consumer. In the thesis conclusion, I will reflect on the use of these particular methodologies and their potential impact as part of wider discussion on the contributions that these methodologies can make to geography. In this chapter, I have shown the practical considerations that have helped shaped this research. Lastly, I have also included my data analysis methods and a critical discussion on representation and positionality with the attendant ethical considerations that have shaped this study.

Chapter 5

A survey of sample characteristics and home ownership perceptions among Muslims

This chapter explores and analyses the development of the Islamic home finance market in the UK making particular use of empirical evidence drawn from the questionnaires distributed to Muslims in the East London area and supporting same with secondary data. This chapter also provides the results of the statistical tests carried out on the analysis of the data. The chapter is subdivided into eight sections and arranged thematically as follows: The size and demographic profile of the UK Muslim population is presented in section 5.1. Section 5.2 presents demographic data from the survey, which includes data on age; sex and education. Section 5.3 displays data and analysis with regards to the level of financial engagement within mainstream financial institutions and other indices, for instance, income levels and their association with indices like education. Section 5.4 studies the level of awareness of home finance products with particular reference to Islamic home finance products and how respondents heard about them. Section 5.5 makes an empirical investigation on the levels of home ownership or alternative arrangements. Section 5.6 assesses respondent’s views on Islamic home finance products. 5.7 is the conclusion.

5.1 UK Muslims – Profile of a community

According to the Office of National Statistics (ONS), the question on religious affiliation in the census was first introduced during the 2001 census and was voluntary. Analysis of the 2011 census by the (ONS) reveals that respondents who identified themselves as being Christian were the largest group; 59% (33.2 million) of the usual residents in England and Wales. It noted that this group had decreased by 13% from 2001when it was 72% (37.3 million) of the usual residents who stated their religion is Christian. Despite the population growth, it is the only group to have experienced a decrease in numbers from 2001 and 2011.

The second largest grouping was those that reported no religion. This group increased by 10% from 15% (7.7 million) of usual residents in 2001, to 25% (14.1 million) in 2011.

The next most stated religion in England and Wales was Muslim, which represented 5% (2.7 million) of the residents that stated their religion in the 2011 census. This group increased by 2% from 2001 when 3% (1.5 million) of respondents answered that they were Muslim.

Age and religion

According to data from the 2011 Census, Christians displayed the oldest age profile of those who responded to the question on religion, with one in five (22%) aged 65 and over. In contrast, Muslims represented those with the youngest age profile of the religious groups. Nearly half of Muslims (48%) were aged under 25 (1.3 million), an increase of 505,000 since 2001. In terms of the population as a whole, those reporting no religion had a younger age profile than the population as a whole in 2011. In percentage terms, of those reporting no religion (39%) were aged below 25.

Diversity and religion

Weedon et al., (2013) in their research on Muslim children and education have demonstrated that even within a small sample there is variation between individuals who identify themselves as Muslims and that this variation is linked to context, culture and socio-economic status. In terms of diversity and religion, in England and Wales, Christians were the least diverse of the groups with nine in ten Christians (93%) reporting they were white and nine in ten (89%) were born in the UK. The majority of people with no religion were reported as white with (93%).

The most ethnically diverse group was reported to be the Muslims. Two-thirds of Muslims (68%) were from an Asian background, with Pakistanis making up the majority (38%) of the total Muslim population. This represents a 371,000 increase (from 658,000 to over a million) since the 2001 census. Just over half of all Muslims (53%) in 2011 were born outside the UK. The numbers of foreign-born Muslims have almost doubled from 828,000 in 2001 to 1.4 million in 2011. The Muslim population in the UK is dominated by populations with ethnic and cultural backgrounds from Pakistan (38%), Bangladesh (19%) and India (10%). Approximately 16% of UK Muslims are of Middle Eastern origin, with the remainder coming from Africa (13%), Europe (3%), and other parts of Asia (1%) (The Guardian, 2002). Muslims, most of whom observe the Sunni tradition pray at 1136 registered mosques every Friday (MCB, 2006). Furthermore, 20,000 British Muslims travel to Mecca for Hajj (pilgrimage) every year according to the Foreign Office (MCB, 2006).

In order to demonstrate how diverse the term Muslim is, research into Nigerian Muslims in the UK shows how this term is constructed and navigated by those termed as Muslims. According to the CLG (2009), the majority of Nigerian Muslims in the UK are Sunni and subscribe to the Maliki school of legal thought (see chapter 3), which is indicative of what is obtained in Nigeria. Nonetheless, there are those that belong to the Shafii and Hanafi schools of thought. There are also small numbers that are Shia Muslims, along with followers from the Tijjaniyah and Qadiriyyah Sufi orders. The study notes that these differences including ethnicity and language play a part in determining areas of worship within this particular community. This diversity is equally representative of the Muslims in the UK. Apart from the two main divides of Sunnis (whom represent the majority of Muslims worldwide) and the Shia groups, there are also numerous other groups and sub-groupings who have found expression within the UK whereas in their home countries they are not welcome a prominent example is the Ahmadiyya group which have been banned in both India and Pakistan.

Fig 5.1a.b and c below shows an analysis of the 2011 census by the ONS on the question of religion.

Figure 5.1a Counts and Proportions

Figure 5.1b Age Breakdown

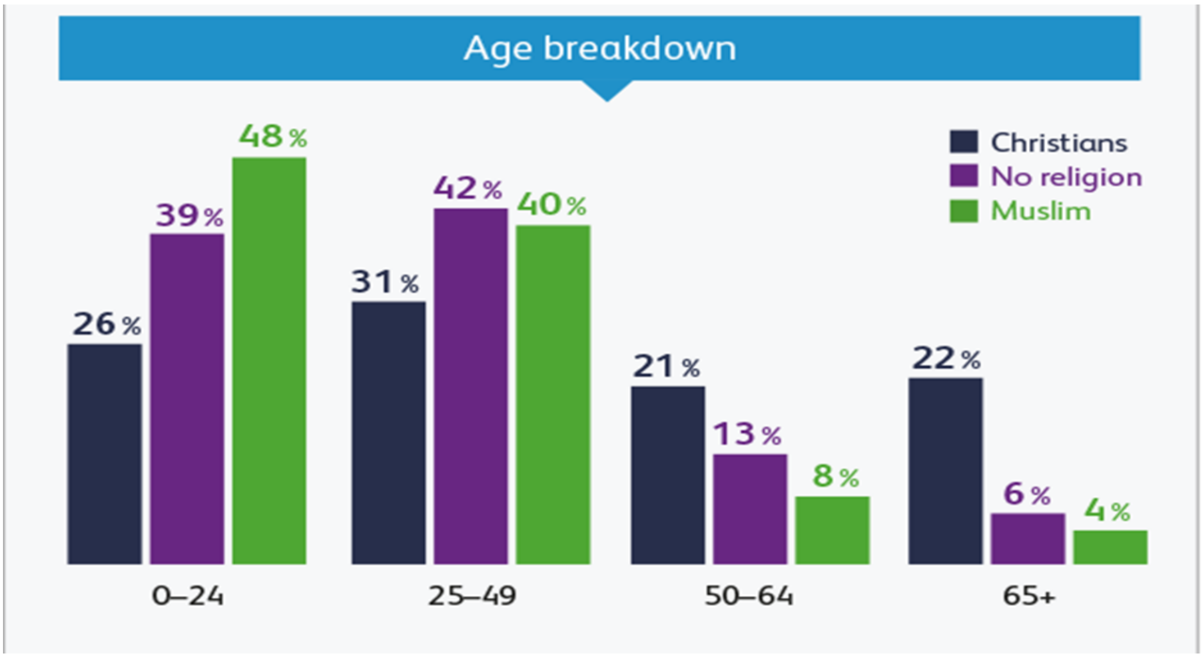
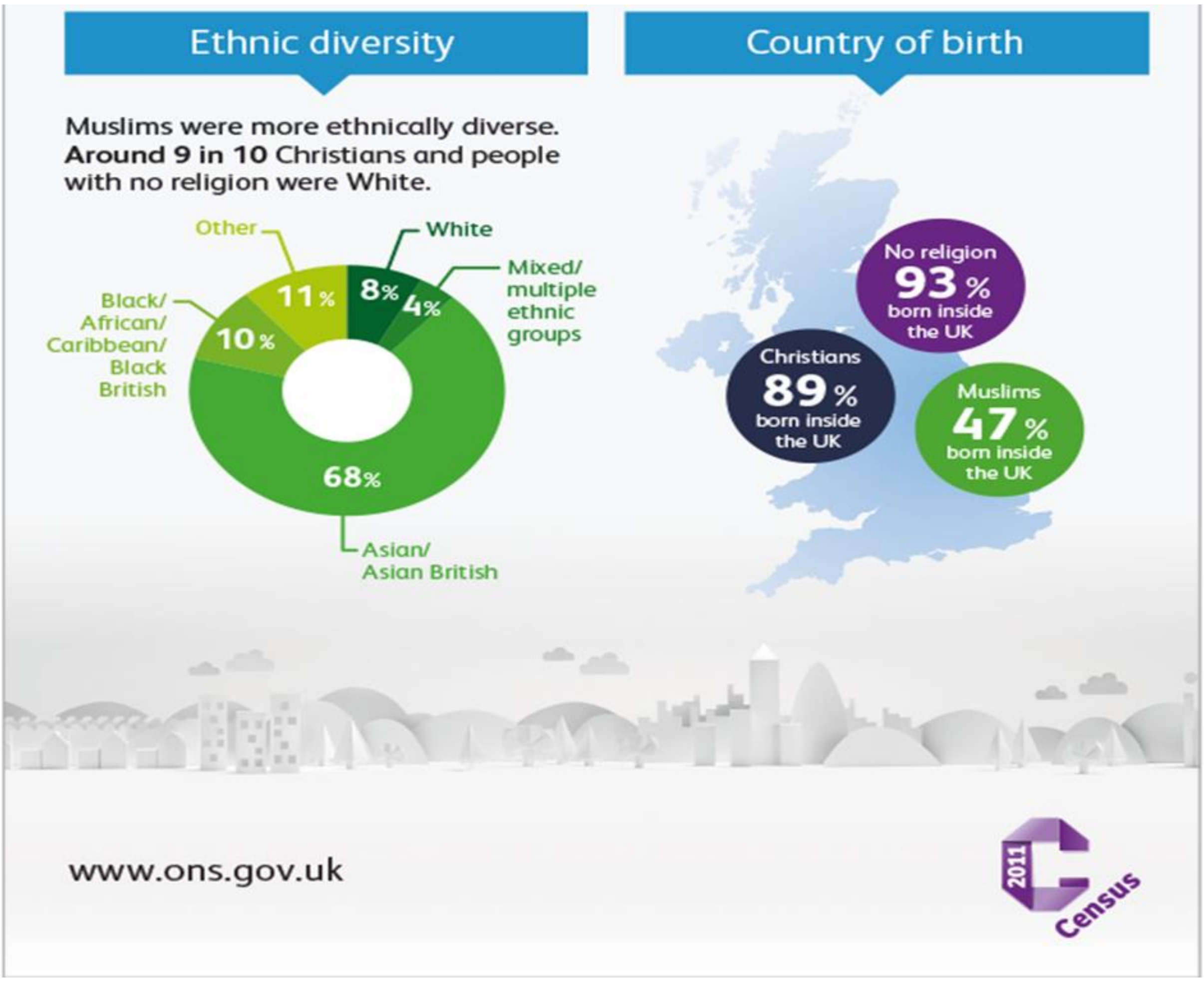


Figure 5.1c Ethnic Diversity



Source: ONS 2012

Figure 5.1d England & Wales Muslim Distribution

NORTH EAST	46,764
NORTH WEST	356,458
YORKSHIRE AND THE HUMBER	326,050
EAST MIDLANDS	140,649
SOUTH WEST	51,228
SOUTH EAST	201,651
LONDON	1,012,823
EAST	148,341
WEST MIDLANDS	376,152
WALES	45,950
	2,706,066

Source: Adapted from ONS 2011 (See Appendix 6 for more detailed data).

5.1.1 Muslims in the UK a chronological history

A report by the BBC detailing the origins of Islam in the UK noted references to Islamic scholars in the prologue to Chaucer's *Canterbury Tales* (1386). Engagement with Muslims began after the crusades with events such as Queen Elizabeth I asking the Ottoman Sultan Murad of Turkey for naval assistance against the Spanish Armada. A chronology of events is provided below:

- The first recorded Englishman to become a Muslim was John Nelson, who converted to Islam in the 16th Century.
- A 1641 document refers to "a sect of Mahomatens" being "discovered here in London".
- In 1649, the first English version of the Quran by Alexander Ross was published.
- In the 18th and 19th Centuries there were a number of converts to Islam amongst the English upper classes, a notable one being Edward Montagu, son of the Ambassador to Turkey.
- The first large group of Muslims to arrive Britain was approximately 300 years ago. They were sailors recruited in India to work for the East India Company,
- A considerable number of ships' cooks came too, many of them from Sylhet in what is now Bangladesh and there are records of Sylhetis working in London restaurants as early as 1873. (This is particularly relevant as a linkage will be shown in both the survey results and chapter six)
- The next major movement by Muslims to Britain occurred when the Suez Canal was opened in1869; the increase in trade caused a demand for men to work in ports and on ships.
- The majority of these immigrants came from the Yemen, probably because Aden was the main refuelling stop for ships between Britain and the Far East, and many of the seamen later settled in the port cities of Cardiff, Liverpool, South Shields, Hull and London. There are now an estimated 70-80,000 Yemenis living in Britain, who form the longest-established group of Muslims in the country. An example is the Yemeni community of South Shields near Newcastle-Upon Tyne, which began at the end of

the 19th century when Yemenis working as stokers on steamships moved ashore and set up boarding houses in the dock area.

- The first mosque in Britain is recorded as having been at 2, Glyn Rhondda Street, Cardiff, in 1860 (BBC, 2009).

5.1.2 London's Muslims

"London's ethnic and religious diversity makes the city one of the world's most cosmopolitan and dynamic places. The multicultural and international character of London contributes to the city's economic growth and dynamism" (GLA, 2006-8).

In a report by the Greater London Authority (GLA) in 2006, which drew upon statistics from the 2001 census, faith based organisations and other government and non-government organisations there were 607,000 Muslims in London at that time. Of the boroughs, Tower Hamlets had the highest proportion of Muslims of all local authority districts in the British Isles at 36%. This meant that it had the largest single concentration of Muslims in the country. Other boroughs with significant Muslim populations (over 10%) were Newham, Waltham Forest, Hackney, Brent, Redbridge, Westminster, Camden, Haringey and Ealing. The report noted further that there is vast diversity in the Muslim communities in London in terms of ethnicity and origin. It also argued that along the same lines in 5.2.1 above that the Muslim population as a whole is much younger than the general population as such. Muslims therefore have a major stake in the capital's success and it is in London's interest to draw on the talents of such a large proportion of its population.

In summary, London is host to 607,000 Muslims, who have added to the city's diversity and multicultural character. Since 2001 when the census reported about the faith of respondents there has been an interest in understating what role religion plays in the make-up of London's character. In particular for Muslim communities, it has documented indices like age, gender, education and employment amongst others. Key facts shown by the census include the fact that Muslims represent the most ethnically diverse group, that there has been a decrease of 12% from 2001 to 2011 of those claiming Christianity, and moreover, that there has been an increase in Islam by 2% over the same period. Despite the above it should be noted that there is still a gap in terms of research into other Muslim communities and related indices. Thus, in order to provide effective and appropriate policies and services for these communities there needs to be more research undertaken, especially into the under-researched groups such as the Somali and other Muslim communities.

5.2 Survey Response

This section aims to present the demographic and work-related characteristics of those Muslim households who responded to the questionnaire that was conducted as part of this study. It is crucial to comprehend the demographic profile of the respondents, as well as their employment status, income, financial health and their banking commitments, as this is one of the building blocks to understanding the target market and factors that may influence them. In presenting the data, the use of non-parametric methods such as descriptive statistics and cross tabulations using chi-square tests to check degrees of association are adopted, in addition to incorporating supporting data. This section documents very significant data that demonstrates the disproportionately poor income levels of Muslims in the survey area which agrees with other secondary data, it also crucially highlights the general lack of awareness of the Islamic home finance products by the survey respondents and other factors affecting the developmental trajectory of the Islamic home finance market.

5.2.1 Age and Gender

Table 5.1

Statistics

		What is your age?	What is your gender?
N	Valid	188	188
	Missing	5	5

The table above shows the total responses received for the questions on age and gender from the survey

5.2.2 What is your age?

These tables below show the responses for age and gender

Table 5.2

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	under 25	50	25.9	26.6	26.6
	26-35	60	31.1	31.9	58.5
	36-45	40	20.7	21.3	79.8
	46-55	22	11.4	11.7	91.5
	55-65	16	8.3	8.5	100.0
	Total	188	97.4	100.0	
Missing	99.00	2	1.0		
	System	3	1.6		
	Total	5	2.6		
Total		193	100.0		

As table 5.2 shows, 31.1% of the respondents belong to the age group ranging from 26 to 35 years old, while the percentage in the group of 36 to 45 years old is almost 20.7% compared with 25.7% for those 25 years old and under, and 8.3% for those over 55 years of old. In general, the table indicates that the majority of respondents come from a relatively younger age group. This confirms previous findings that the Muslim population is younger than the general population with only 3% of Muslims being over 65 (Sellick, 2004).

5.2.3 What is your gender?

Table 5.3

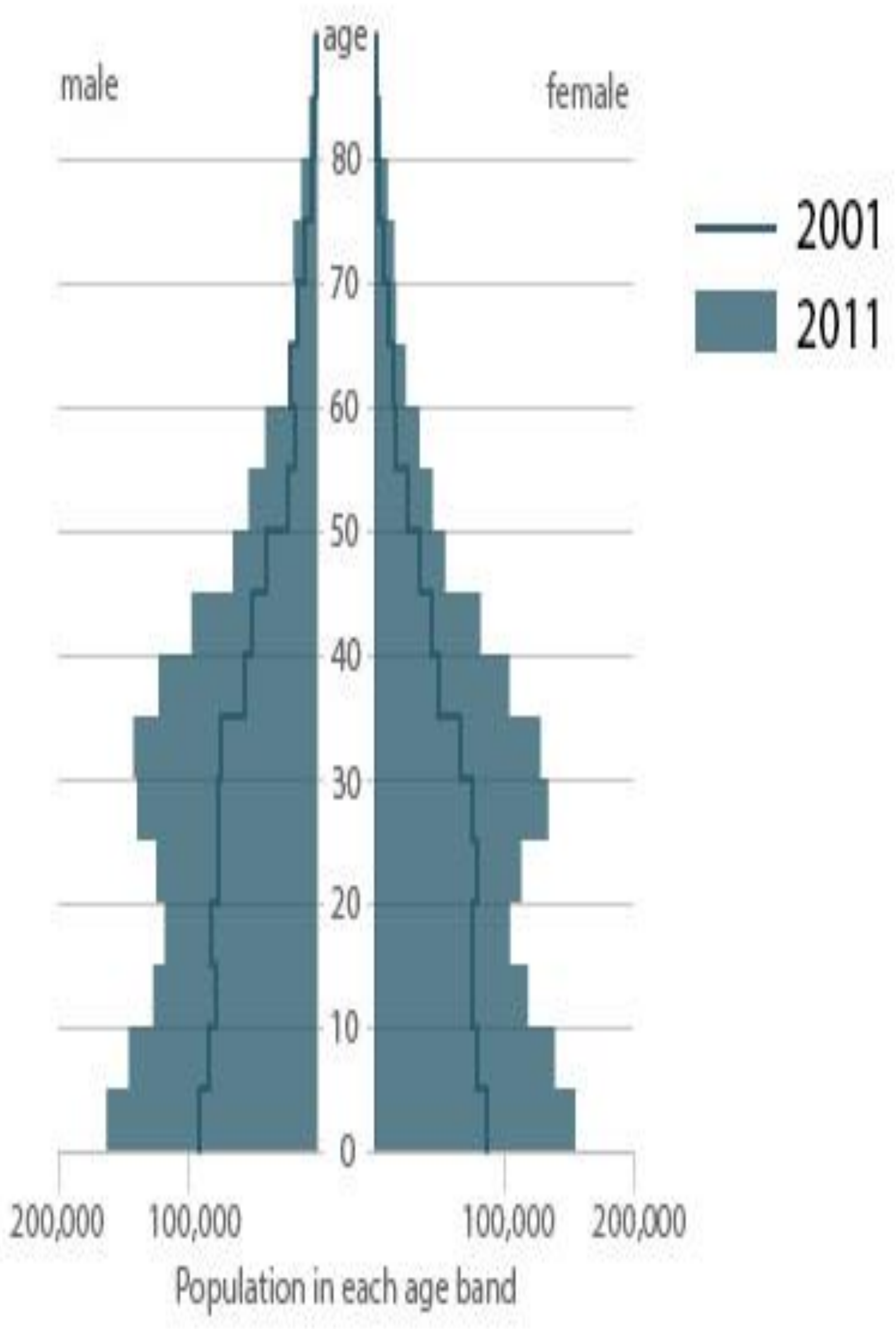
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	167	86.5	88.8	88.8
	Female	21	10.9	11.2	100.0
	Total	188	97.4	100.0	
Missing	99.00	1	.5		
	System	4	2.1		
	Total	5	2.6		
Total		193	100.0		

As can be seen from Table 5.3 the distribution of males and females is uneven. The females represent only 11.2% of the total sample and males represent 86.5% of the sample. This can be explained by the fact that when the survey was being undertaken, it was Ramadan[1] and hence, the likelihood of meeting any women and talking to them on the street was highly reduced. Equally, attempts to reach females through other means were not successful, as access could not able to be achieved. Another factor is the distribution of the population. According to the 2001 Census there are 310,477 Muslim men and 296,606 Muslim women in London. As the chart below from the ONS shows there were more men than women in 2011 (52% to 48%). The skew in the distribution of the population may be attributed to attitudes toward migration, where men with families migrate alone and the rest of the family follow at a later date, or as some respondents noted that the men are only here temporarily, to earn some money and hence, return home after some time.

Fig 5.2 Muslims according to age and sex 2001 and 2011 Census

[1] Ramadan. This is a period when Muslims observe the fast each year for a period of between 29-30 days.

Figure 5.2 Muslims According to Age and



Source: Census – The Office for National Statistics 2012.

5.2.4 How many dependants

These tables below show whether they have dependants and their number. This is important in determining the level of housing needs in the community.

Table 5.4

How many dependants

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 2	152	78.8	83.1	83.1
	2-4	27	14.0	14.8	97.8
	5-7	2	1.0	1.1	98.9
	over7	1	.5	.5	99.5
	11.00	1	.5	.5	100.0
	Total	183	94.8	100.0	
Missing	99.00	5	2.6		
	System	5	2.6		
	Total	10	5.2		
Total		193	100.0		

As the table above demonstrates, the majority of those surveyed (78%) report having dependants of two or less, while the next group which has dependants of 2-4 account for 14%, whilst those having 5 and over account for 1.5%.

5.2.5 Marital status

Table 5.5

Marital status

		Frequeny	Percent	Valid Percent	Cumulative Percent
Valid	Married	76	39.4	40.4	40.4
	Single	105	54.4	55.9	96.3
	Others with children	5	2.6	2.7	98.9
	Others without children	2	1.0	1.1	100.0
	Total	188	97.4	100.0	
Missing	99.00	2	1.0		
	System	3	1.6		
	Total	5	2.6		
Total		193	100.0		

The table above shows that 54.4% of those surveyed report that they are single and 39.4% report being married. In addition, other categories of others with children and others without children show 2.6% and 1% respectively.

5.2.6 Education

Table 5.6 Educational qualifications

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	GCE	139	72.0	73.2	73.2
	A levels	42	21.8	22.1	95.3
	B.Sc., BA	1	.5	.5	95.8
	MA, PhD	8	4.1	4.2	100.0
	Total	190	98.4	100.0	
Missing	System	3	1.6		
Total		193	100.0		

In general, the surveyed population report that they at least have a minimum education. The majority of them, 72% have at least a GCSE /O level qualification; 21.8% A levels; 4.6% have a degree and/or postgraduate degree. Educational attainment is often closely linked to socio-economic factors. Comparisons of attainment by age from the 2001 Census show that younger Muslims aged 24 years and under are achieving higher qualifications than older Muslims. However, Muslims aged 16-24 in London had lower levels of qualifications as a group compared to their peers in the general population. The 2001 Census showed that 17% of young Muslims aged 16-24 had no qualifications, compared to 13% of young people in the general population. A higher proportion of Muslims in this age group had a level one qualification in comparison to the general population. Moreover, 21% of the young people in the general population had level four and five (degree level and above) qualifications, compared with only 14% of young Muslims. According to GLA (2006) within inner London, 37% of young Muslims had no qualification or a level one qualification compared to 25% of the general population.

The GLA (2006) further pointed out that factors contributing to low levels of attainment in education are multifaceted and may be social and economic or related to faith. These factors include discrimination, a low level of aspiration by teachers of Muslim students, social class, the employment status of parents, and particularly relevant, a lack of fluency in English, poverty and deprivation. Weedon et al., (2013) have also reported similar observations.

5.2.7 Employment

Table 5.7 Are you employed?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	149	77.2	81.0	81.0
	no	35	18.1	19.0	100.0
	Total	184	95.3	100.0	
Missing	99.00	6	3.1		
	System	3	1.6		
	Total	9	4.7		
Total		193	100.0		

In terms of being employed, 77.2% reported yes, while 18.1% reported no. For the industries they were involved in, Table 5.8 below shows that the majority of those employed reported being self-employed, 63.3%; 17.6% IT; 3.6% finance; 2.1% management; the health and public sector accounted for 1.6% each and education accounted for 1%. Tameme (2009) reported that there were 2,450 Muslim businesses in London; i.e. one in ten businesses in London was owned by Muslims. There were 8,500 Indian restaurants in the UK, of which approximately 7,200 were Bengali. Despite this, the Bangladeshis and Pakistanis had two and a half times the unemployment rate of the white population. 25% of Pakistani men were self-employed compared with 11% of white men, while 65% of Bangladeshis were semi-skilled manual workers compared with 23% among other ethnic minorities and 15% among white Britons. Expressing similar sentiments, Modood (1997) noted that Bangladeshis and Pakistanis compared to Muslims from India faced more challenges in the greater economy. In a study about why and how poverty occurs in ethnic groups, Kenway and Palmer (2007), recognised that Pakistani and Bangladeshi households were essentially those that were trapped in income poverty with very few of them even on an average income. Low levels of economic activity have been traced by GLA (2006) and the following reasons such as discrimination, inadequate skills and training, and low educational attainment identified. Equally, it has been argued that for households with children, the lack of affordable culturally and religiously sensitive childcare services can act as a barrier to employment. This has been highlighted as a problem for some Muslim women, particularly those born in the UK, who choose to combine employment with raising children (GLA, 2006)

5.2.8 Employment Industry

Table 5.8

Employment industry

		Frequeny	Percent	Valid Percent	Cumulative Percent
Valid	Education	2	1.0	1.1	1.1
	Health	3	1.6	1.7	2.9
	Finance	7	3.6	4.0	6.9
	Public Sector	3	1.6	1.7	8.6
	Management	4	2.1	2.3	10.9
	IT	34	17.6	19.4	30.3
	Self employed	122	63.2	69.7	100.0
	Total	175	90.7	100.0	
Missing	99.00	15	7.8		
	System	3	1.6		
	Total	18	9.3		
Total		193	100.0		

From the data above, it was clear that the majority of the respondents 57% fell in the age group 35 and below. This is similar to findings from the 2001 Census and other similar data that shows that majority of the Muslim population has a young demography.

In terms of gender, this study reports more males than females, although the difference is huge 86.5% males compared to 10.1% females, this huge discrepancy can primarily be traced to the lack of access. Nonetheless, as shown by a comparative census study above of the periods 2001 and 2011, Muslim men still outnumber the women but not by a significant margin.

A huge proportion of the respondents 92% reported having dependents of which the largest proportion fall under those that have 2 or less, who represented 78.8%.

For the question relating to being married the highest percentage of 54.4% reported being single. The low level of educational achievement highlighted in 5.3.6 by the GLA (2006) report of the Muslim communities in the borough of Tower Hamlets in London was equally reflected in the results of the survey, where a majority 72% reported having GCSEs or less.

Those that answered the question on employment reported 77.2% as being employed, with self-employment being the highest form of employment (63%).

5.3 Financial Inclusion

In this section economic indices such as Banking services usage and annual household income were analysed based on questions relating to having a bank account, type of banking service used and annual household income.

5.3.1 Owning an account

Table 5.9

Owning an account

Data from those surveyed showed that 71.5% of the total that responded to the question of bank account or other type of financial engagement reported yes. 26.4% did not answer the question. On further enquiry, some of those surveyed implied that they were not likely to stay and instead engage with the traditional remittance businesses prevalent in the area to send money back to their families in their home countries. Furthermore, a store owner justified his not answering on the premise that it may have to do with taxation.

		Frequency	Percent	Valid Percent	Cumulative Percent
	.00	1	.5	.7	.7
Valid	yes	138	71.5	99.3	100.0
	Total	139	72.0	100.0	
	99.00	51	26.4		
Missing	System	3	1.6		
	Total	54	28.0		
Total		193	100.0		

5.3.2 Annual household income

Table 5.10

Annual household income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	10k and below	136	70.5	81.4	81.4
	11-20k	12	6.2	7.2	88.6
	21-30k	14	7.3	8.4	97.0
	31-40k	3	1.6	1.8	98.8
	11.00	1	.5	.6	99.4
	31.00	1	.5	.6	100.0
	Total	167	86.5	100.0	
Missing	99.00	23	11.9		
	System	3	1.6		
	Total	26	13.5		

Total	193	100.0		

Table 5.11

Banking services used

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Current	44	22.8	31.4	31.4
	Savings	84	43.5	60.0	91.4
	Debit Card	12	6.2	8.6	100.0
	Total	140	72.5	100.0	
Missing	99.00	50	25.9		
	System	3	1.6		
	Total	53	27.5		
Total		193	100.0		

Table 5.12

Types of bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Conventional	90	46.6	64.7	64.7
	Islamic	11	5.7	7.9	72.7
	BS	38	19.7	27.3	100.0
	Total	139	72.0	100.0	
Missing	99.00	51	26.4		
	System	3	1.6		
	Total	54	28.0		
Total		193	100.0		

Table 5.3.4 shows that the majority of respondents are from a low-income group. 70.5% of them earned very low incomes, i.e. less than £10k per annum, 6.2% received between £11k and £20k, 7.3% had earnings in the range of £21k to £30k per annum, and those who earned more than £30k represented only a tiny 1.6%. A high percentage, 23% did not answer this question, as explained in 5.4.2 above.

In terms of the types of services patronised Table 5.4.4 shows that 43.5% had savings accounts and 22.8% had current accounts with 6.2% having debit cards.

One of the major reasons advanced by the protagonists of Islamic finance is that it is going to enable financial inclusion for Muslims that have been excluded from participating in the conventional finance space because of religious reasons. As the tables above show, Muslims in this survey are financially included. Table 5.4.5 indicates that 46.6% of the respondents, who answered the question regarding which kind of institution they engaged with in terms of banking services, replied the conventional. In comparison 19.7% reported building societies and moreover, Islamic banking represented only 5.7%.

Shedding more light on this, one of the respondents noted that most of the money they earn is dispatched back to their home countries and as such they really do not need any complicated banking service. They dealt with local money transfer agents, for instance, Western Union, or whichever service provided the less expensive rate at that point in time. Remittances have been noted by several studies to be a key driver of economic development in areas where they are sent. As a corollary, this study noted that some of the respondents as stated in section 5.2 and subsequently in section 5.5 are only present temporarily in the UK, they are essentially economic migrants. Estimating remittances accurately are difficult as there are different ways they are sent, and some avoid the official channels of banks or other officially recognised intermediaries.

In summary, what the information above demonstrates is that Muslims from the survey are interacting with the conventional sources of finance despite the emergence of Islamic finance in the area. During the survey, it was noticed that the two major banks HSBC and the Islamic Bank of Britain, offering Islamic finance were located in the Borough. Nevertheless, despite their presence and based on the data Muslims have not been observed to make faith based decisions to switch their allegiance to them. Reasons for this will be looked into in the next two sections and in chapter 6

5.4 Awareness

This section interrogates respondent's views on several questions ranging from awareness about Islamic home finance; the differences between Islamic finance and conventional mortgages; and the source of information about Islamic home finance. This section also performs a cross tabulation analysis to understand the relationship any gender has with source of information. This is to enable better target marketing.

Table 5.12

Have you ever heard about Islamic mortgages or home finance?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	62	32.1	33.2	33.2
	no	125	64.8	66.8	100.0
	Total	187	96.9	100.0	
Missing	99.00	1	.5		
	System	5	2.6		
	Total	6	3.1		

Total	193	100.0		

The table above shows that the majority of the respondents 68% reported never hearing about Islamic mortgages or home finance, whilst 33.2% reported yes.

The significance of this result lies in the fact that protagonists of the Islamic home finance market have argued in chapter 6 that the target market are mainly Muslims in the UK. When viewed against the backdrop of the fact that the survey area hosts the largest concentration of Muslims compared to other boroughs of the UK, and the presence of the major home finance products providers it only reinforces my argument that these products are not meant for all Muslims , definitely not the poor.

5.4.1 Difference between Islamic and conventional Mortgages

Table 5.13 Difference between Islamic and conventional mortgages

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	94	48.7	51.9	51.9
	no	72	37.3	39.8	91.7
	not sure	15	7.8	8.3	100.0
	Total	181	93.8	100.0	
Missing	99.00	9	4.7		
	System	3	1.6		
	Total	12	6.2		
Total		193	100.0		

The table above reports that 48.7% of the respondents know the difference between Islamic and conventional mortgages; 37.3% report that they do not, whilst 7.8% report they are not sure.

5.4.2 Source

The table below shows that for those who have heard about the Islamic equivalent of mortgages, 77.2% primarily heard about this service in the mosque; 9.8% in newspapers; 9.3% from friends; and only 1% from adverts. This signifies the important role mosques play in disseminating information in Muslim communities. This is especially relevant on Fridays or during Ramadan where Mosque attendance is noted by a respondent to be the "highest" (Imam, Newcastle Central Mosque). See chapter 6 on the role of Imams.

Table 5.14 If yes how?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Newspapers	19	9.8	10.1	10.1
	Friends	18	9.3	9.6	19.7
	Mosque	149	77.2	79.3	98.9
	Adverts	2	1.0	1.1	100.0
	Total	188	97.4	100.0	
Missing	99.00	1	.5		
	System	4	2.1		
	Total	5	2.6		
Total		193	100.0		

Figure 5.3 below shows a bar chart that show the result of a crosstab that analyses whether there is a relationship between genders and where one first heard about Islamic home finance. As the results of the crosstab show the count is .387 which means that there is no significant difference between where Men and Women are likely to hear about it. They both have the same likelihood about hearing from the same source. A caveat here is that the female sample size as mentioned earlier is much less than the male sample size, but nonetheless, Muslim women equally go to the mosques for lessons especially on weekends with their kids, as such they too are likely to be educated about current events there.

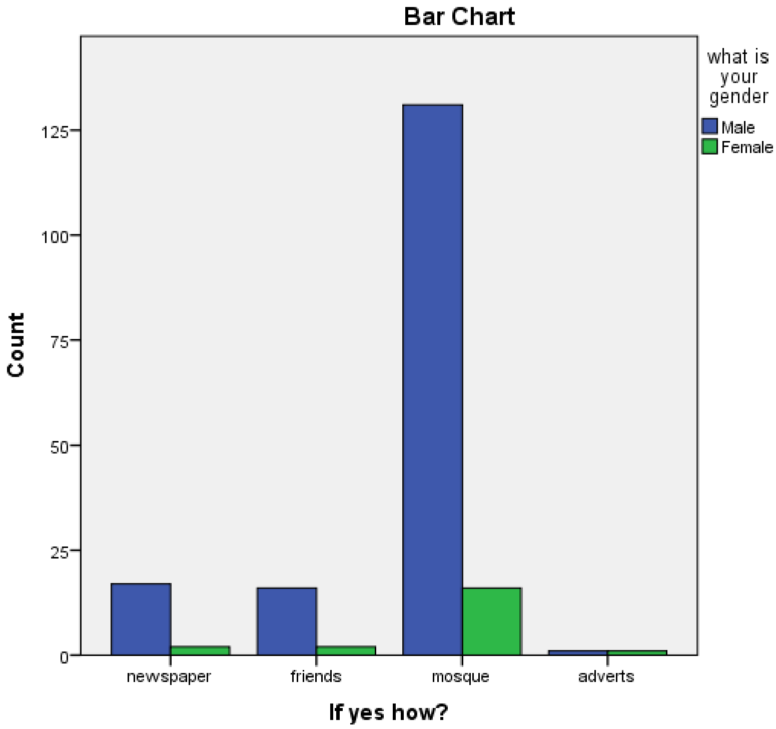


Table 5.14

Chi-Square Tests for gender and source

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.028[a]	3	.387
Likelihood Ratio	1.866	3	.601
Linear-by-Linear Association	.397	1	.528
N of Valid Cases	186		

a. 4 cells (50.0%) have expected count less than 5. The minimum expected count is .23.

In summary, clearly there is disconnect between the intention of the some of the protagonists and the providers of the home finance products. As this survey shows most of the respondents have clearly never heard about these products. This as shown is chapters 6 and 7 is as a result of it being above their income levels. Equally, for most of those who have heard about these products, the mosque was their first point of contact. This shows how important it is to engage the Mosques in the dissemination of information for Muslim communities.

5.5 Ownership

This section aims to provide an overview of attitudes towards home ownership and provides data on home ownership. It also analyses factors that influence owning a home and proceeds further to scrutinise the relationship between preferences and beliefs by performing cross-tabulations using chi square tests.

5.5.1 Property ownership

Table 5.15 Property ownership

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Rent	158	81.9	85.4	85.4
	Outright Ownership	27	14.0	14.6	100.0
	Total	185	95.9	100.0	
Missing	99.00	5	2.6		
	System	3	1.6		
	Total	8	4.1		
Total		193	100.0		

Table 5.15 above shows that the majority of respondents (81.9 %) are renting the home they are living in compared to only 14% of respondents who own their home. It is a fact that there is a gap in home ownership among the Muslim community compared with the general public. According to research commissioned by the Housing Corporation in 2004 in relation to the housing experience of Muslims in the UK, only about half of Muslim households (51%) are

homeowners, compared with 71% of the general population. Muslims are more dependent on social housing than the general population (28% of Muslim households rely on social housing compared with 20% of the general public) and on private renting. Moreover, 17% of the Muslim populations are in private rented accommodation against 10% of the general public (Sellick, 2004).

The prevalent solution to the problem of housing for the first generation of Muslims was confronted by a resort to buying homes outright. This was as a result of the fact that Muslims were not eligible for council housing which required a minimum period of stay before eligibility. This restriction was reviewed in the 1970s; hence, nearly every council in the UK removed the residence qualification requirement (Robinson in Clark et al., 1984). The process by which first generation Muslims achieved home ownership through outright purchase has been noted in some studies, for example Halliday (1992) in his studies of Yemenis elucidates on the process whereby a group of people would combine together to save a certain amount per week, thus, over a certain period of time, from the pool money would be enough to purchase a house for the first member of the club. This process went on till the next member turn and so on.

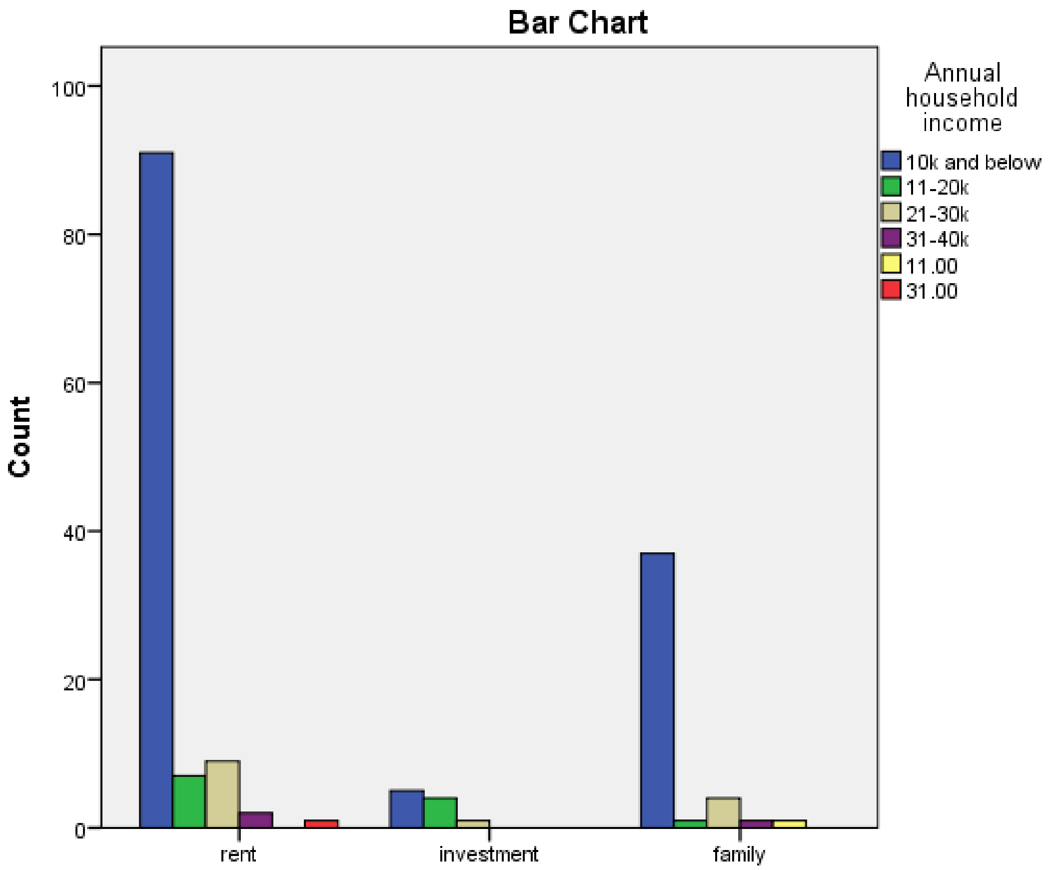
Table 5.16 factors influencing purchase

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Rent	124	64.2	66.3	66.3
	Investment	14	7.3	7.5	73.8
	Family	49	25.4	26.2	100.0
	Total	187	96.9	100.0	
Missing	99.00	3	1.6		
	System	3	1.6		
	Total	6	3.1		
Total		193	100.0		

Based on Table 5.16 above, the majority of the respondents, 64.2% cite high rents as the foremost reason that influences them to want to purchase a home. 25.4% note that the issue of having a family as a reason for the purchase of a home, while 7.3% consider buying a home as an investment.

In Figure 5.3 below further analysis of whether income plays a role in whether there is a desire to purchase a home was driven by rent, investment or family, was done and it showed a very interesting relationship between income and home purchase aspirations. For those who earned on £20k and below their highest influence was rent, this was equally true for those who earned £31-40k and those above £31k.

Fig 5.3 Factors influencing purchase



Factors influencing purchase

Table 5.17 Chi-Square Tests on influence of income on home purchase aspirations

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.048[a]	10	.021
Likelihood Ratio	14.659	10	.145
Linear-by-Linear Association	.012	1	.911
N of Valid Cases	164		

13 cells (72.2%) have expected count less than 5. The minimum expected count is .06.

The Pearson chi square is 0.021 which is less than 0.05. This shows a very strong association between income and wanting to purchase a home.

5.5.4 Cost is higher than the conventional

Table 5.18 If cost is higher than the conventional cost

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly	134	69.4	75.3	75.3
	agree	38	19.7	21.3	96.6
	uncertain	6	3.1	3.4	100.0
	Total	178	92.2	100.0	
Missing	99.00	12	6.2		
	System	3	1.6		
	Total	15	7.8		
Total		193	100.0		

When asked whether respondents would be willing to buy homes using Islamic methods if the costs are higher than the conventional, 75.3% answered strongly agree; 21.3% answered agree and 3.4% were uncertain.

5.5.5 Cross tabulations of income if cost is higher than the conventional (fig5.4)

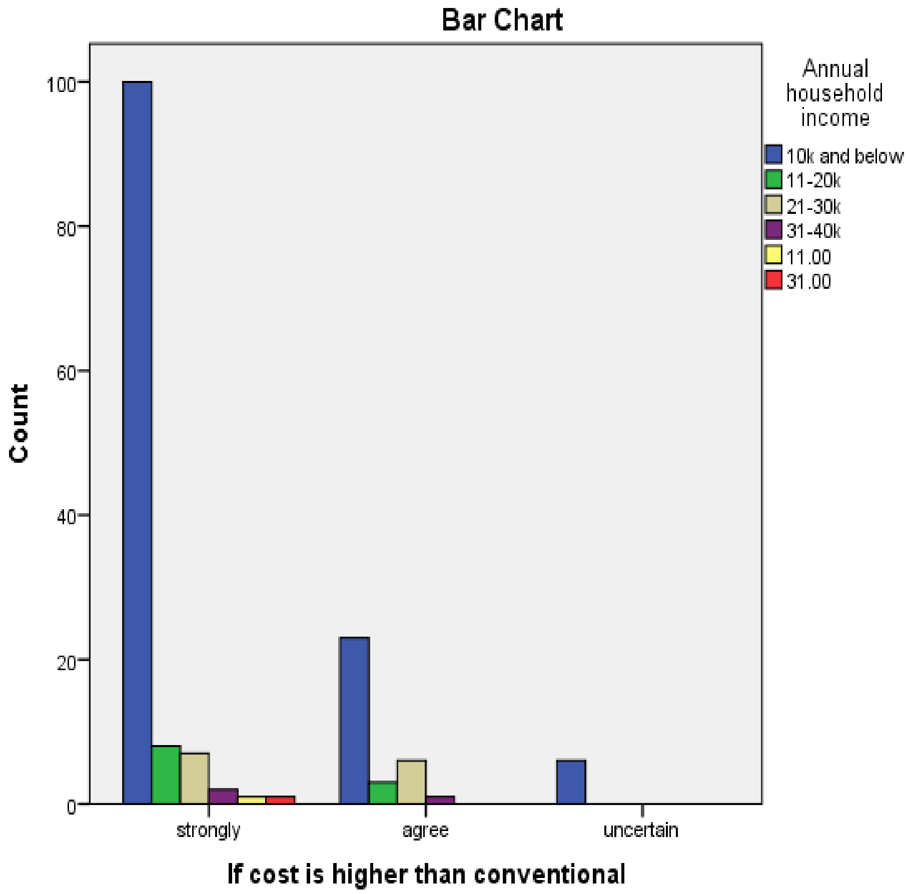


Table 5.19

If cost is higher than conventional * Annual household income Cross tabulation

Count

		Annual household income						Total
		10k and below	11-20k	21-30k	31-40k	11.00	31.00	
If cost is higher than conventional	strongly agree	100	8	7	2	1	1	119
	agree	23	3	6	1	0	0	33
	uncertain	6	0	0	0	0	0	6
Total		129	11	13	3	1	1	158

Table 5.20

	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	**7.835[a]**	**10**	**.645**
Likelihood Ratio	**8.359**	**10**	**.594**
Linear-by-Linear Association	**.144**	**1**	**.705**
N of Valid Cases	**158**		

a. 14 cells (77.8%) have expected count less than 5. The minimum expected count is .04.

In Tables 5.19, 5.20 and Fig 5.4 crosstabs of higher home prices and income were performed to establish if there is a relationship between higher incomes and preference to buy homes, even if they were more expensive than the conventional. The results show that there is no relationship, as the converse was true that people with lower incomes were more likely to make faith based decisions compared to those that were better off financially.

5.5.6 The preferred Islamic home finance product

Islamic home financing products are classified into fixed-return products known as Murabah and variable return such as Ijarah and Diminishing Musharaka types. This section discusses Muslim respondent’s choices regarding Islamic home finance products.

Table 5.21 Which product do you prefer?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Ijara	42	21.8	61.8	61.8
	Don't know	21	10.9	30.9	92.6
	33.00	4	2.1	5.9	98.5
	44.00	1	.5	1.5	100.0
	Total	68	35.2	100.0	
Missing	99.00	122	63.2		
	System	3	1.6		
	Total	125	64.8		
Total		193	100.0		

When asked what kind of product they would prefer 21.8% opted for the Ijarah home finance product, whilst 10.9% reported that they do not know. The majority however abstained from giving an answer. This can be attributed to the general ignorance with regards to these products.

5.6 Perception

In this section questions concerning what is the strongest attraction to Islamic home finance in terms of religion and respondent perceptions and who they are targeted at, are presented and analysed.

5.6.1 Strongest attraction is religion

Table 5.22

Strongest attraction is the religious reason

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly	140	72.5	74.9	74.9
	agree	40	20.7	21.4	96.3
	uncertain	7	3.6	3.7	100.0
	Total	187	96.9	100.0	
Missing	99.00	3	1.6		
	System	3	1.6		
	Total	6	3.1		
Total		193	100.0		

Based on the table above, 72.5% strongly agree that their attraction to Islamic home finance is for religious reasons; 20.7% agree along the same lines; and 3.6% are uncertain.

5.6. Which group are they targeted at?

Table 5.23 Which group are they targeted at?

		Frequency	Percent	Valid Percent	Cumulative Percent
	poor	144	74.6	77.0	77.0
	middle	5	2.6	2.7	79.7
Valid	rich	37	19.2	19.8	99.5
	11.00	1	.5	.5	100.0
	Total	187	96.9	100.0	
	99.00	2	1.0		
Missing	System	4	2.1		
	Total	6	3.1		
Total		193	100.0		

Table 5.23 above shows that most of the respondents (74.6%) believe that Islamic home finance products are targeted at the poor; those that believe it is targeted at the rich accounted for 19.2%; while those who think that it is aimed at the middle class accounted for just 2.6%

In summary, Muslims from the survey are quick to identify with the Islamic identity. This has been tested in earlier analysis on the relationships between income and home price. As observed, there is sensitivity when it comes to spending. This sensitivity is not linear in terms of direction. In a similar vein, respondents here also exceedingly (74.6%) agree that the Islamic home finance products are targeted at the poor, whilst 19% believe it is meant for the rich. This perception of it being targeted at the poor stems from beliefs about money in Islam. As noted in chapter three, there is a belief that money is used to help the vagrant and needy according to the Holy Quran[2]. Islam intrinsically does not have a price for money, as money is not a commodity. This argument was proposed further by two Imams at the Somali Mosque and Cultural Centre in London, where they argued that

"If you are advancing money for someone to buy a house, why are you charging him" (Imams 1 and 2, London).

They did not agree that in lending to purchase a house that there should be a premium to be paid to the provider of the finance. As the next chapter and the subsequent chapter show this has had a profound influence on the development of the Islamic home finance market in the UK.

5.7 Conclusion

Islam and Muslims has been a feature of the UK scene since the 1800s. According to the 2011 Census, there are approximately 2.7 million Muslims in the UK representing about 5% of the total population. In terms of distribution they are distributed in all the cities in the country, with London having the highest population of Muslim inhabitants. Moreover, since the first introduction of the faith question in the 2001 Census, there has been better understanding of indices relating to Muslims in the UK, especially with regards to the most recent census in 2011. One of the notable statistics to emerge from the 2011 census is the growing Muslim population and the attendant implications it will have on wider society in the UK.

Invariably for London which hosts the largest Muslim communities, this is quite significant as it struggles to meet the needs and aspirations of its diverse communities, including the Muslims.

In London, the borough of Tower Hamlets hosts the largest concentration of Muslims in the capital, and their significance has not gone unnoticed. This has resulted in studies into the Muslim community, such as the GLA report of 2006, and their challenges. One of the shortcomings of most research into Muslim communities has been their lack of attention into studying other minority Muslims, for instance, the Black/African communities as opposed to the extensive study that has been undertaken into Asian Pakistani, Bangladeshi and Indian

[2]The Quranic verse relating to spending usually quoted by scholars of Islam "The likeness of those who spend for Allah's sake is as the likeness of a grain of corn, it grows seven ears every single ear has a hundred grains, and Allah multiplies (increases the reward of) for whom He wills, and Allah is sufficient for His creatures' needs, All-Knower)." (Qur'an, 2:261)

communities. Equally, there is a lack of quantitative studies into economic activities especially economic activities such as remittances, which are a feature of this community.

A key aspiration of the protagonists of Islamic finance and in particular home finance has been the integration of Muslims into the circuits of capital. In this instance mainstream finance provides Muslims with an alternative that satisfies their religious beliefs in the conviction that they have excluded.

This study has provided evidence to support Muslim attitudes to this financial inclusion drive by attending to questions about the demography of the Muslim population in the east end of London, specifically in the Tower Hamlets area. The study provided information on age and gender difference and also explored indices like financial inclusion, where it was observed that contrary to the widespread belief that Muslims were not engaging with mainstream finance due to religious reasons, in fact they actually are. This was in spite of the presence of Islamic finance institutions within the community provided by the protagonists of the financial inclusion policy.

The study also noted the significant lack of awareness about the existence of Islamic home finance products despite the availability of Islamic finance institutions in the locality offering them. This lack of awareness was further analysed on a question of whether they understood the difference between Islamic home finance and the conventional mortgage. As this study shows, the contested nature of terms is a constant defining feature of this industry. There is a difference of opinion between the practitioners of Islamic finance and the Muslim community about what the market means to both parties. In particular, for the majority of respondents their first source of information concerning these products were the mosques, and based on interviews with the gatekeepers at the mosques - the Imams, the view was unfavourable and hence, this has had a negative consequence on the perception of the Islamic home finance business for the those that heard from them about the products.

In terms of preference for a particular product, the majority offer the Ijarah product, as opposed to a previous study which showed respondents preferred the Murabah. This has been attributed to the similarity between Murabah products and the conventional mortgage products.

Despite the resistance or lack of awareness to Islamic home finance products, this study still argues that there are very real and extensive problems in the Muslim communities. These range from inequalities in opportunities for employment and schools to problems with housing and other attendant difficulties. As a result, there is definitely a need to solve these problems principally the one relating to housing as it can equally help solve other issues. Doing this it is argued would lead to a better standard of living and improved welfare.

Chapter 6

Selling peace of mind- creating an Islamic home finance market

This chapter is the second of the empirical chapters that examines how the Islamic home finance market is constructed. The main aim of this chapter is to explore the dynamics involved in the creation of this market. As noted in chapters 2, 4, and 5 two distinct ecologies of actors have been identified in this study namely the ecology of protagonists and secondly that of the target market (Leyshon et al., 2004).This thesis uncovers the Islamic home finance market by drawing on empirical data collected from actors involved in the creation of the market while also incorporating other theoretical and secondary data that serve to complement these empirical findings. This approach enables the thesis to compare the different narratives being articulated by the different participants and to provide a more nuanced understanding of how the Islamic home finance market is developed.

In this chapter the diverse motivations that have inspired the key protagonists to participate in this market are evaluated. Furthermore, the actual practice of how the home finance providers, in tandem with other actors, create this market is analysed. In addition, this chapter uncovers other distinctive practices that are necessary for the creation of this market, in the form of credibility that is required, in order to guarantee its acceptance by the target market. This chapter also unveils a hidden resource in the form of Imams that companies, which are interested in tapping into this market, can take advantage of in order to assist them to contact the Islamic market. Finally, the chapter demonstrates one key tension that respondents feel has an adverse effect on the development trajectory of the market. This relates to the belief by some in the UK Muslim communities about the level of Islamic compliance with these products.

In doing the above, this chapter provides an understanding of how the Islamic home finance market is constructed in the United Kingdom by unpacking the processes involved and furthermore, by highlighting the stumbling blocks to the development of this market. Through this, I reveal the often contradictory and dynamic relationship that exists among the various performers in the formation and operation of this contested market.

6.1 A false dawn

Of the several new changes that have taken place in the United Kingdom's financial landscape since the 2000s, a visible addition has been the licensing of Islamic finance institutions and their products. These additions involved the introduction of legislative measures to enable the development of the industry, licensing of institutions, including stand-alone Islamic banks to provide various Islamic products and the continued involvement of the government in advocating the development of Islamic finance.

This was done by encouraging collaboration with experts in achieving the previous New Labour government's policy of boosting Islamic finance. The involvement of the government was due to the recognition of the potential of Islamic finance in enhancing the United Kingdom's global competitiveness in the area of financial services by establishing the United Kingdom as a gateway for international Islamic finance. Moreover, it ensures financial inclusion by making sure that every person, irrespective of religious inclination has ready access to competitively priced financial products, (McCarthy, 2006).

Evidence of the United Kingdom's drive for participation in international Islamic finance is in its having;

- The largest value of all Sharia compliant assets in any non- Muslim country, (UK Treasury, 2008).
- The development of regional Islamic financial hubs in Birmingham and Edinburgh (Onakoya & Onakoya, 2012).
- Hosting the exchange upon which half of the world's total global Sukuk (Islamic equivalent of bonds) are listed (UKIFS, 2012).
- Having a diverse and active skills base which includes law, accounting, banking and education (UKTI, 2013).
- The presence of international financial institutions that have the capacity and expertise to invest the excess liquidity coming in from the Middle East to the United Kingdom's favoured destination status, (Ainley, 2007).

In the formation of this part of the Islamic finance market described above, different groups are involved. Their roles also differ, just as their impact on the market varies. I argue as in chapter three, that the whole Islamic finance project has as a defining feature a constant conflicting process with respect to its meanings (contestations) that has a profound consequence on its development.

The acknowledgment of the variety of actors and interests within the United Kingdom's Islamic finance market and the ever visible contestations about its practice is significant to my analysis. The actions guiding the organisation and speed of market formation involved in the development of the Islamic finance market is a contested process, which involves adopting a cautious and sometimes complex negotiation process amongst its different exponents (Fligstein, 2001).

These different advocates include the United Kingdom government represented by its different agencies, international and local financial institutions, foreign state institutions, international private agreements e.g. Basle financial agreements and other international practices that are accepted as conventions across different geographical locations.

The emergent form of the Islamic home finance market in this instance is an outcome of the negotiated process and is itself a continuous work in progress as it is continually subject to the dynamics of this conflict engineered by the change in agendas and the politico-social context in which it evolves. This discourse on the construction of markets has a significant effect in aiding policy making and the practice of Islamic home finance. As a result, the United Kingdom's government has a particular interest and vision in the development of the UK Islamic finance market. In this vein, the local and international firms have their own understanding of what the market should be and thus, are framing it accordingly. What action are they undertaking to promote their interests?

The present form of the Islamic home finance market is an outcome of both economic and historic contexts guided by state policies. It has also advanced in response to wider socio-economic pressures of the UK and international economy, foreign investors' agendas, local reactions and changes in the local financial market.

In the next section I will focus on the diverse motivations that have incentivised the various key supporters in actualising the development of the market.

6.2 Protagonists and Incentives (I). The United Kingdom Government

For the UK government, its involvement in the Islamic Finance market can be analysed on economic and social levels. This originates from its desire to offer Muslims in the country a sense of belonging by presenting them with opportunities to engage with financial services in a manner consistent with their religious beliefs and, due to the need to remain a dominant centre of finance worldwide, by placing the city of London as the key destination for Islamic finance in the West (UK Treasury, 2006).

6.2.1. Sense of belonging-Financial inclusion for Muslims

Leyshon *et al.,* (2008: p447) have defined financial exclusion as *"those processes by which individuals and households face difficulties in accessing financial services".* They argue that there are two closely related reasons why this happens. The first reason they note is the several rounds of regulatory reform occasioned by neo-liberalization that allows financial firms to develop new products that target in particular 'profitable individuals as a result of the abdication of the government's role in providing socio-economic security to individuals and households (Hall, 2011).

This particular point as explained by Langley (2008) meant that individuals and households were now expected to be educated financial subjects capable of managing their financial futures, including the attendant risks that such an exercise entails. The second reason noted by Leyshon et al., (2008) is the change occasioned by the use of technologies in financial services delivery(Leyshon and Pollard, 2000) and the use of credit scoring technologies which did not entail the physical presence of a customer to be assessed for a loan(French and Leyshon, 2004). To these two reasons advanced for financial exclusion, a third in the form of religion was identified by the UK government.

In August 2003, in a speech in London, (Bank of England, 2003), the former Governor of the Bank of England, Sir Edward George gave an account of his encounter with a Muslim couple whom he had met, who narrated to him how they had to buy their home using a conventional mortgage, which was against their beliefs. He states that on further investigation, he found out that most of the financial products already had characteristics that were consistent with the teachings of the Quran and that with a little imagination products that would be consistent with the teachings of the Quran could be developed and put on par with the traditional goods and services. These he believed, could be achieved without any distortion or any adverse effects to the existing legal framework in the economic or social objectives of UK society. He equally noted that a wider range of financial products will be of benefit to more than just the Muslim community. This fortuitous meeting culminated in the Governor convening a working group to consider the obstacles to the wider use of Islamic mortgages in the UK.

As explained in chapter three, most of the obstacles that were identified as stumbling blocks to the development of the UK Islamic home mortgages have since been remedied. Therefore, since 2003, not only have Islamic mortgages become a reality in the UK but also one of the desires of the Governor, the possibility of introducing other financial products in the Islamic mould and in addition, the establishment of a fully-fledged Islamic bank, have all come to fruition. As such, it could be safely concluded that in terms of accommodation of the UK Muslim community in financial space, the government has achieved a considerable amount in facilitating the set-up of institutions and products that meet their needs. Reinforcing this view of financial inclusion as a motive, one of the respondents, who was a member of the Task force on Islamic finance set up by the HMRC, notes that in response to my question on who the intended market was primarily for, states that:

"It was the understood that in addressing the problems we were tasked with, the market being developed was primarily for Muslims" (Female Lawyer and Islamic finance consultant Germany).

In adducing reasons for why Muslims were being targeted for financial inclusion, another respondent states that

"The intended market I suppose was generally British speaking Muslims, who it was believed were not participating in the conventional market perhaps for religious reasons. The thinking was that if they were provided with a Sharia compliant alternative they would participate in the market" (Female Lawyer, London).

This is further supported by a respondent who noted that that within their community there are some people that still don't participate in conventional banking transactions citing religious reasons. In particular he notes that he knows of people that keep their monies at home. In particular he notes that the older generation to which his parents belong are the ones mainly involved in this practice. (Interview#3 ex banker and marketing agent, Manchester)

I want to note that closely aligned to its policy of financial inclusion for Muslim minorities who had not been participating in the financial market, the UK government has also been mindful of the potential of Islamic finance as a financial model which it needed to promote not only to maintain its position as a world financial centre but also tap into the Islamic finance market as a source of funds for the UK. In particular as I show in the next subsection section, there was a clear intent by the UK government to reinforce the role of the City of

London as a world financial city especially, with regards to financial innovation an opportunity which Islamic finance products provided.

6.2.2 Role of the City of London

Following closely on the financial inclusion drive of the UK government is the economic interest the UK government has in the development of Islamic Finance market. The diversity and innovation involved in the promotion of Islamic financial products has been another attraction for the UK government through the Bank of England and the FSA. As noted by Sir Howard Davies the head of the FSA in a speech he gave in Bahrain (FSA, 2003) the UK has a clear economic interest in ensuring that conditions exist for the development of a flourishing Islamic financial market place in London. In looking closely at this speech, one cannot help but notice that there is an emphasis on the City of London. As such, one of the motives that can easily be discerned is the interest in solidifying the position of the City of London as a prime centre for innovation in finance and also in reinforcing its pedigree as a world financial city.

I want to argue that the continued innovation of financial products and the branding of the City of London as a world financial centre are closely related. London continuously faces competition from rival financial centres (Sassen, 1991), as such the city and its accommodation for Islamic finance is an example of welcome innovation. The continued promotion of the city is explained by this respondent in terms of its ability to be creative in providing solutions to complex financial problems,

"The city is creative, it is aggressive. It looks for opportunities. It is things like that people in the city are always looking for ... how to make money. Islamic Investors like that and are responding to that and I see the City will carry on being an enthusiastic supporter of Islamic finance irrespective of what the government does" (Female Lawyer, London).

In the race for the crown to be the world centre for Islamic finance, three cities are notable contenders, London, Dubai and Kuala Lumpur. For Dubai, its strength lies in its geographical location in the Middle East where it has established itself as the centre for conventional finance, in the same vein it has big state run firms that will give it support in terms of accessing the Islamic finance markets locally. For Kuala Lumpur, its early lead in developing efficient regulation of Islamic finance and a huge local majority Muslim population has seen it grow Islamic finance. Equally significant for Kuala Lumpur is its geographical location in south East Asia and its proximity to other Muslim majority countries like Brunei and Indonesia.

At stake in this race are the potential for thousands of jobs to be created and direct investment into companies, infrastructure and real estate and other forms of investments into the locations that are vying for the title of world centre of Islamic finance.

Due to a pent up demand for Sharia compliant short term papers to manage liquidity (see section 6.2.5) the key instrument of competition is in relation to Sukuk or Islamic equivalent of bonds. As the second largest growing sector after banking of Islamic finance globally (UKIFS, 2012), involvement in Sukuk issues gives several advantages to centres that establish themselves in the area.

Whilst the previous Labour government was keen on advancing the Islamic finance project, respondents have pointed out that with the coming of the present coalition government, the momentum has cooled. They argued that there have been some benefits that had come with the belief that the UK would be issuing its own sovereign Sukuk which would have been a key indicator of the commitment the UK to Islamic finance as a lawyer involved in the negotiations for the sovereign Sukuk noted

"Because of regulatory changes for Islamic banks and other banks they need to hold triple A rated securities for capital purposes so if the UK government were to issue a Sukuk it would send out a very positive signal that Islamic finance will get in jurisdiction like this and until the point the government decided not to do the Sukuk issue, the signals coming out of the UK were extremely ***positive.*** The *Shard building there it is or Chelsea barracks or other transactions, Islamic money is coming to London and is being invested here and it is creating jobs and it is something to be welcomed in this downturn that we are living in at the moment"* (Female Lawyer, London).

One of the reasons respondents noted for the non-advancement of the Sukuk issue was the fear of the press and secondly lack of value for money.

A major theme that has emerged from my interviews is the belief by respondents that the negative portrayal of Islam by the UK tabloid media is one of the reasons Islamic finance has failed to grow within the country. Respondents have argued that with the 9/11 incident there has been an increase in the negative view of Islam and Muslims that is being projected by the tabloid media. This action they note has had the effect of forcing the current UK government in to taking a backseat in promoting Islamic finance as opposed to the previous labour government which gave a lot of support for its establishment.

Emphasizing the belief of media bias and negative coverage on Muslims one respondent observed,

" In the UK if you an ordinary person reading the Telegraph, you're not going to hear much about the benefits of Islamic finance or why it's a better model for the economy, rather you would hear that it is supporting terrorism, it's a backdoor for Sharia to be brought into Britain. It's that sort of negative coverage it gets in the mainstream press, but if we hear that it's based on principles of sharing and mutuality and people helping each other , those are the sort of positives that most people will respond to , but I don't believe that's being heard by the population" (Female Lawyer, London).

Another respondent confirms this perception especially in the aftermath of 9/11 where previously Barclays Bank had been in the process of getting into the Islamic finance scene;

"It was the time 9/11 just happened, all of a sudden being a Muslim wasn't fashionable any more, banks and so on think twice about their reputation before getting involved because Muslims were terrorists or whatever. It was cooling off at Barclays; there wasn't much response people were thinking…" (Male former banker and marketing agent, Manchester).

A significant consequence of this for Islamic finance has been the postponement of the Islamic bond issue by the UK government that would have signalled that the UK is ready for business in Islamic finance. Though a token in terms of the amount that would have been raised, respondents insist that the action would have had a demonstrable effect in propelling the market in Islamic bonds here in the UK from being just a domicile for such funds raised elsewhere, but creating an opportunity to attract cheap funds especially from the Middle East for use here in the UK.

Giving reasons on why the present government was avoiding the bond issue, another respondent asserts that:

"*Compared to the amount they need, Islamic finance will raise a comparatively small amount, but will cause certain political consequences, the tabloid media is quite frenzied enough when it comes to talking about Islamic finance. This will cause headlines the government will have to spend a lot of time and energy dealing with, and so it's a question of* *whether the trouble associated with that sort of publicity is worth the amount of funds that you actually raise*" (Male, financial adviser on Islamic home finance, London).

Another excuse for the non-participation of the present government was;

*"The current government is officially following the same line as the last government which is we'd like to do a Sukuk but at the current time we don't see a value for money, it is the same value for money argument which the last government used" (*Female Lawyer and partner city law firm).

Interestingly, during the last parliament, there was a hearing that was undertaken to determine the desirability or otherwise of a Sukuk issuance, where the opposition (now the party in power) opposed the Sukuk issue on the basis of ten questions which were then to them not adequately defended by the Labour government. The thing to ponder now, is have these questions been adequately addressed now that roles have been reversed?

Nonetheless, from a position of indifference, the present UK government has of recent been actively involved in a campaign of resurgence for Islamic finance in the UK. As noted by the Prime Minister during the annual world Islamic economic forum (the first it is held in a non-Muslim majority country) the UK is keen on emerging as the key destination for Islamic finance globally. In addition to a host of proposals which he promised in aid of the industry, he mentioned three specific initiatives. Specifically, the issuance of a sovereign Sukuk by the UK for the first time; the creation of an Islamic index by the London stock exchange and lastly investment in the Middle East to help in skills acquisition and financing for small businesses.

On why it was important for London to be the world leader in Islamic finance the prime minister made clear the reasons as he succinctly put it,

"Over the coming years, I hope we will see billions of pounds of new investments in a range of sectors where the UK excels - from property and housing to aerospace and life sciences. New investments in London that is right for you. New investments in London that is right for us. And above all new investments that are possible because of the unique openness of the City of London and because of our commitment to help London lead the way in Islamic finance across the world, just as it has led the way in global finance across the ages" (2013).

6.2.3 UK government funding needs

Another advantage the UK would benefit from in participating in the Islamic Finance market was in the availability of investible funds that would come in from the Middle-East oil economies. As these funds are highly mobile, they end up in places where as a result of competition within and between other investor destinations, they are socially constructed and profits are made (Pryke and Lee, 1995). One such important destination was London.

The avenue for the UK government to tap into this market was to be via the Islamic finance equivalent of Bonds known as Sukuk as noted in section 6.2.2.

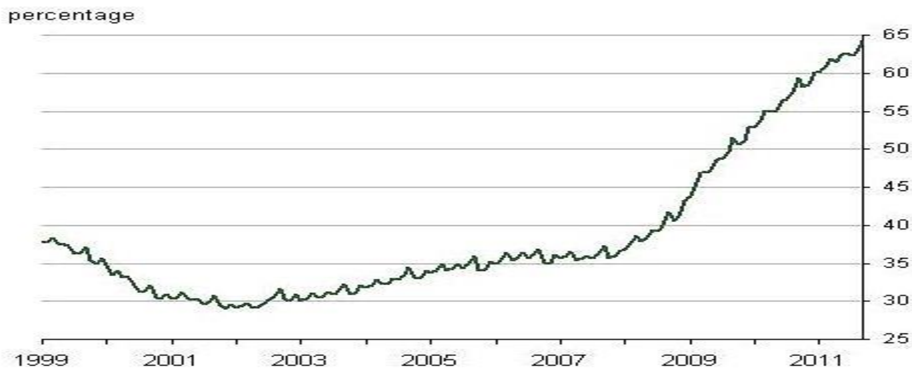
Though a token (in terms of the amount the UK government would have raised), respondents insist that the action would have had a demonstrable effect as a catalyst for the Islamic bonds market in the UK from being just a domicile for such funds raised elsewhere to creating an opportunity to attract cheap funds, especially from the Middle East for use here in the United Kingdom. This could also have an effect in making more liquidity available to the banks for on-lending especially for mortgages. Equally, as noted by another respondent, the UK government itself has funding gaps that Islamic finance would have been able to fill at less cost due to its unique structure;

"*The UK government has a big funding need and it needs to be raising money all the time".* (Interviews#1 and #2 corporate adviser and partner in city law firm)

This was further confirmed by the Treasury in its Sukuk consultation paper in 2007, (HM-Treasury, 2007), where it noted the government`s deficit and its desire to solidify the position of the City of London as a key centre for Sukuk issuance within its broader aims of remaining a key centre for Islamic finance.

According to Oxlade (2012) the government needed to borrow more than £127bn in 2012, lower than the £142.7bn the previous year. The figure below shows the rate of growth of UK government borrowing from 1999-2011. It confirms the assertion by the respondent on deficit funding by the UK government.

Fig 6.1 Growth of UK government deficit funding



Source: Oxlade (2012)

That total debt figure, as the chart shows, equated to 64.2 per cent of GDP in 2011, up from 59.4 per cent a year earlier.

6.2.4 London Metal Exchange

The Financial innovation bill of 2007 announced by the then chancellor Gordon Brown, which was a culmination of a series of changes initiated in 2003, was a signal for the introduction for various Islamic finance products in the UK. This led to the largest listing of Islamic bonds in the western world, as stated in chapter five. Moreover, as noted by one other respondent, Islamic banks worldwide have a problem with the management of liquidity in line with Islamic principles. Unlike conventional banks, which have various ways of managing their liquidity, Islamic banks do not have that advantage. In conventional finance for example, according to a respondent, who is a chartered accountant and key resource person on taxation issues in Islamic finance *"There are three principal ways a conventional bank manages its liquidity risk:*

1. By holding assets that can be quickly converted into cash. These assets will include interest earning deposits with the central bank, but more importantly will comprise high quality (to avoid credit risk) short dated (to avoid market illiquidity and interest rate risk) securities such as short term obligations issued by the government (Treasury bills).

2. By structuring its long term lending in a manner that allows them to be sold on the secondary market. It is normal for conventional UK bank long term loans to contain provisions that enable the lending bank to sell the loan. Making its long term lending resalable is not a substitute for holding liquidity; nevertheless it significantly helps the bank to manage its liquidity position over longer periods. Gradual reductions in the funding available can be managed by selling down some of its long term lending, thus shrinking the total size of the business.

3. Ultimately the central bank acts as a lender at the last resort to conventional banks that are fundamentally sound but face a sudden and unexpected liquidity outflow" .(Chartered Accountant, and Taxation expert Islamic finance)

However, for the Islamic banks these may not be lawful under Sharia. An exception may be if they held Sukuk instruments which are long term debt obligations that can be sold (under 2 above). Again it is still covered by the central bank in this case the Bank of England under 3 above but this is an extreme situation going beyond its normal business activity. One of the accepted ways they can manage their liquidity is by investing in the London Metal exchange, where they can enter into trades that are considered lawful under the Shariah law.

An example noted by Wilson, (2007) is the investment account offered by the Islamic Bank of Britain, (IBB). Clients of the bank that have £100,000 and above are offered a treasury account on Murabaha basis where their funds are used to buy and sell commodities at the LME with the client being paid a mark-up which reflects a trading profit. The profit rate is pre-determined, eliminating the risk borne by the client and the bank covers its own position by agreeing the sale price at the time of the purchase. Transactions like these are permissible under Sharia, as the hedging done by the bank does not involve the use of options or futures. Instead it involves the use of physical commodities (Wilson, 2007).

As noted previously, it is mandatory for all banks to maintain liquid assets to meet depositor withdrawals, Islamic financial institutions are faced with the problem of finding what kind of instruments to invest in for the short term. Invariably they cannot invest in treasury bills as such involve interest, as a result they have to find other means. One such source has been the London Metal Exchange which according to Wilson, (2007) has been one of the key outlets right from the onset for Islamic finance institutions. In particular he notes that in the beginning banks from the Middle East used banks in London to manage their liquidity position by engaging specialised brokers especially the firm Dawney Day to make their investments in the LME.

The attraction for the banks was that London offered them expertise and low risk investments provided by the LME which was comparable to the returns on treasury bills which they were prohibited in investing by sharia. This state of affairs he further notes is still the situation as not much progress has been made in developing instruments that are sharia compliant. Those that have been developed by the Malaysian market is not acceptable to the Islamic schools of jurisprudence in the Gulf and South Asia who follow the Hanafi and Maliki schools which are strict in their interpretation of the sharia. The developed instruments, they argue are financial debt instruments which are against the ruling of the sharia, on the other hand it is acceptable in Malaysia which follows the less strict interpretation of the Shafii school (Wilson, 2007). As such the UK government`s view changed to more engagement between Islamic finance and the LME, having noted the potential synergy both markets offered to the UK. As a lawyer who was involved in the earliest structuring of Islamic finance investment at the London Metal Exchange asserts;

"It was equally attractive for the all the protagonists involved to ensure continuity and maintain the edge in competition by broadening the base of products on offer. Although the trade in products at the LME was one of the earliest Islamic finance experiences, it was not officially on the government's table until they started looking at Islamic finance in a broad manner". (Male Corporate advisor and lawyer)

6.3 Protagonists and Incentives (II)

The private sector

For the various advocates in the private sector, which include lawyers, bankers and financial advisors, their involvement in Islamic finance and in particular the Islamic Home finance market was propelled by different impulses.

6.3.1 Law firms

For Islamic finance to exist, it needed accommodation due to its being away from its primary roots. Primarily, the accommodation as noted in chapter two included legal accommodation which in turn meant religious accommodation within the legal space. As argued in chapter three, the UK government has been very accommodating towards Islamic finance. As a practice that is away from it roots (Muslim countries), the legal accommodation offered here in the UK was a very positive development for a variety of reasons.

For the lawyers the perception that the UK legal system offers a fair and unbiased avenue for the resolution of disputes meant that most of the legal agreements that originated in the Middle East required the governing laws to be English common law. The attraction with the English common law is explained by a respondent in this way:

"English common law has become the law of choice for international financial transactions; the key competitive advantage here is the highly developed state of the law and its ability to cope with complex financial transactions" (Male Lawyer and partner city law firm).

Secondly he notes that the

***"**English courts are a particularly attractive forum for the settlement of disputes, and have a key advantage over US courts in that a successful litigant can be awarded costs. Even where the awarded costs do not cover the full costs incurred by the successful litigant, the position is far better than under the US legal system where each party bears its own costs".*

Lastly, the main attraction he presents lies within the context of Islamic finance itself which is relevant to this section noting that it provides contractual certainty by citing a reference decision reached by the Court of Appeal Beximco Pharmaceuticals Ltd v Shamil Bank of Bahrain E.C2004 EWCA Civ19.

The governing law clause of the contract concerned reads

"subject to the principles of the Glorious Sharia', this Agreement shall be governed by and construed in accordance with the laws of England". (Male Lawyer and partner city law firm)

As noted by another respondent, with the coming of Islamic finance there was an urgent requirement for lawyers that could traverse both worlds, the West and the Middle East. With decades of experience in acting for clients in the Middle East, legal firms in London were adequately positioned for capturing this new and emerging market. As one respondent noted, *"It all came about accidentally, the firm was trying to put together this deal and they needed someone with experience of Sukuk, which I had previously, and since then I have had the Islamic finance aspect as my brief and naturally as a Muslim I was very happy to be doing it"* (Female lawyer and partner City law firm).

The legal firms have not only set up dedicated departments for Islamic finance, but they have also set up offices in the Middle East specifically to cater for clients there. Examples include Clifford Chance LLP and Norton Rose. They are also locally involved in the setting up of the first indigenous Islamic bank in the UK and on advising other UK based financial institutions, especially UK government related institutions on the development of the market.

6.3.2 Banks

For Bankers the formation of the Islamic home finance market was primarily about the extra market that they could capture. An increase in a viable market share, especially for mortgages, meant an increase in profits for the banks. In a particular bank, when they were at the product development stage a respondent who is presently an Islamic home financial adviser but was previously in the bank insists that the bank did not have any social motive in developing Islamic finance products

"The products were never developed for anyone to say I am helping my community. It was never developed for that reason. We need more customers and we need products for these customers that are not coming into the banks, so they developed products which they (customers) would like". (Ex banker, male)

The same argument can be made for other professional services like accountants, mortgage lawyers etc. a new and extra market which they could tap into. This new market also spawned specialisation in the service industry and as such expanded the opportunities for other forms of practice like insurance and cooperatives and education. One notable feature of Islamic finance in the UK has been the level of investment it has facilitated in the building industry where several respondents have confirmed the investment into real estate using the Islamic finance model to source funds. Examples include, the Chelsea barracks project and the building of the Shard all highlighted by the Prime Minister in his speech at the world Islamic economic forum in London.

6.2.7 Investors

For investors, the profit motive is the main attraction. There is a need for a new market especially with the losses occasioned by the subprime crisis. An interesting dimension has also been added to the reasons why investors invest in London and through Islamic finance. This as explained by a respondent had to do with the Arab Spring. He advances the argument that the ruling elite in the Gulf are all afraid that they may lose their hold on power especially,

"*After seeing what has happened in Tunisia, Libya and Egypt, they are all relocating their families to London; they are all moving their monies there too".* (Staff Officer, Council of Ministers, Saudi Arabia)

Asked as to why London, he explained that after 911 the American authorities held on to a lot of their investments in the United States. They feel the authorities in the UK are more accessible and understanding. This statement has been confirmed in section 3 by a banker who noted that their only activity in Islamic finance relates to buying properties in the UK for rich families from the Middle East.

In summary, there are several interests in the development of the Islamic finance market. In the formation of the market, it is constantly being subjected to the dynamics of conflict dictated at several turns by the politico-social context in which it evolves. All the proponents have different but not necessarily conflicting agendas for engaging with this market. These range from the government`s aspirations to offer a sense of belonging to its minority communities by enabling financial inclusion, protecting the position of the City of London as a world financial centre as well as ensuring the environment necessary for the flow of funds into UK for development.

In recent times the UK government has been more engaged with the Islamic finance project. This has assumed an urgency that was lacking since the coming of the present government. Its aspirations at this juncture are overtly skewed in favour of developing London as a key destination of Islamic finance. In doing this it has gone beyond merely making policies within the UK to advance its ambitions.

Significantly, it has as announced by the Prime minister decided in partnership with a private organisation, to undertake investment in the Middle East to help small scale business. Although it can be discerned that this move is ultimately all about drawing investors into the UK and in particular London, questions remain as to the what is the fate of the much touted financial inclusion of minorities in the UK of this particular action when viewed against the backdrop of similar problems being faced by local entrepreneurs in the UK especially the financially excluded minorities.

I want to argue that similar initiatives could also be utilised for the minorities here in the UK, which could also be ultimately profitable at best and spiritually rewarding at worst for investors. The only action for inclusion announced by the Prime Minister is the creation of Shariah compliant student loans which is more or less the continuation of financialisation of the market place. I further argue that the agenda for the financial subjectification has now been put on the back burner as newer realities and pressures take root.

In a similar manner, financial and other allied institutions are engaging the same market for a larger market share, diversification and ultimately more profits. For some Muslim individuals within these organisations, there is the added advantage of undertaking an activity that offers spiritual reward and satisfaction. More significantly however is the different contestations on the motives for the establishment of Islamic finance. The different protagonists all have different perceptions on what it should be.

6.3 How to sell peace of mind

In this section, I propose to highlight how the Islamic home finance market in the UK is created, by exploring the various strategies the protagonists in the industry employ for its creation.

6.3.1 Marketing strategies

As noted in chapter three, one of the stated objectives of the United Kingdom's government in Islamic Finance was to provide financial inclusion to Muslims who had previously not participated in financial markets out of their religious convictions. As such Muslims in the United Kingdom were, at least in the eyes of the government, the primary beneficiaries of the creation of this market. This set the stage for the various financial institutions and the intermediaries to get involved and target the Muslim community along demographic lines as noted in chapter five. This also made the institutions and intermediaries adopt different tactics to attract consumers, as this was done on various levels and varying budgets, although with different levels of success. This included the use of online platforms, partnering with local communities and other intermediaries.

Partnering with commercial banks was one of the techniques being promoted by one particular bank. They advertise that they sell the home purchase plans of a wholesale bank. I subsequently made an enquiry at one of their major branches about Islamic home finance products that they were advertising online and was told at their local office that they had never heard about these particular products. On insistence I had seen the advert and after showing proof of it, they called their mortgage providers, (another company), who insisted they were not offering it. As such the online adverts though a key strategy may not in reality be true for some institutions.

A major online platform that is independent of the banks but which some of them use in advertising these products is islamicmortgages.co.uk where information about the products offered by the banks is available and an application process can be initiated. This resource also includes information about other Islamic finance products and related resources. It has detailed information about the participating banks and their products; it is useful in that an instant comparison of the different bank products can be made. It even links customers up with an adviser for free.

A representative of one of the banks involved in offering the Islamic home purchase plans highlighted another strategy used by the organisation, which was the use of television stations. These stations cater in some cases primarily to the Muslim community and in some instances to the broader Asian community in the United Kingdom. On investigating the channels were Muslim television stations. This was an effective strategy as the banks and other intermediaries only had a few physical locations and as such the television stations gave them a wider coverage

6.3.2 New face of Banks

With the advent of technologies and the recent financial crisis, new methods of reaching the target audience for Islamic home finance products are evolving. In particular, the use of agent banking as represented below is the key to how the industry is being performed in areas where the banks offering the products have no physical presence. In these instances, they relied on financial advisers embedded in the communities. The term embedded in the communities is also here used loosely as an agent living in London could still be active in a community as far away as Newcastle-upon-Tyne as his community is this instance is a cultural and ethnic affiliation which gives him/her a wider area of coverage beyond his/her immediate locality. In particular this technique is very relevant to the financial ecologies approach (Leyshon et al., 2004) as the agents here are actors that inhabit the same ecology as the target market.

For financial advisers, they had to first develop themselves in the field and build on contacts before they approached the providers for business or vice versa. Primarily, they first had to pass their financial advisory qualification examinations and then they had to be officially accredited by the FSA to perform the business. Being local and few, very soon they formed networks with the various groups and communities within their areas and in some instances even outside their areas.

The financial advisers had two advantages, One was their physical presence in some communities (the two I spoke with were based in East London and Manchester) and second was their belonging to a wider ethnic community through which they could easily reach clients (even beyond their immediate communities) on the basis of belonging to particular schools of Islamic thought and attending particular mosques, which was a luxury the banks could not afford. Taking into consideration the cost involved in being physically present by locating brick and mortar branches, and the difficulty of navigating the variegated Islamic community, the banks instead paid the financial advisers a commission. As one adviser notes;

"As new banks came along we would make contacts with them. I remember HSBC came along, and Al-Buraq came along. We would make contact with them and as soon as they realised we were already in the field straightaway they would be happy to meet with us and do business" (Financial Adviser, Manchester)

When I asked him how he made his contacts, he replied;

"I belong to this community, I was born here and as such I know most people. I get a lot of referrals and most times my customers outside here call me up on the phone and say so and so asked me to call you when I mentioned I wanted to find out how to go about buying a house"(Financial Adviser, Manchester)

This particular approach has been highlighted in chapter two where Leyshon et al., (2003) made a case for the existence of "knowledge, trust, and space in the production and consumption of retail financial services as part of a wider enquiry into processes of financial exclusion" (Leyshon et al., 2013). Here the role of being embedded in the market as a participant is the key to analysing the market. In this particular instance the respondent is a community member (living and participating in religious activities in the community) as such he has distinct advantages in credibility and knowing whom to approach when undertaking his marketing activities in terms of selling home finance products.

During my fieldwork I also came across a sponsored event during the Muslim holy month of Ramadan. In this instance it was HSBC Amanah, which has been involved with the East London mosque in many capacities, including sponsoring students and at the same time being a banker to the mosque. This undoubtedly was a good strategy in boosting its credentials in a society where there is a lot of scepticism about Islamic finance. They placed their banner at the mosque, which was very visible. Furthermore, I came across another event in Manchester where a wholesale Islamic investment bank from London was making a pitch using independent advisors to market their products.

Figure 6.2 Home purchase plans diagram of how they work

How do home purchase plans work?

Home purchase plans work in the following way:

Stage 1: You find the property you want to buy and agree the purchase price with the seller.

Stage 2: You pay the home purchase plan firm a contribution towards the purchase price.

Stage 3: The firm buys the property in its name.

Stage 4: You enter an agreement to buy the property from the firm at the end of a fixed period (known as 'the term') at the same price as the purchase price paid by the firm.

Stage 5: At the same time you enter the agreement with the firm to buy the property, you also take out a lease with the firm allowing you to live in the property during that fixed period.

Stage 6: You make monthly payments to the firm. Each payment is made up of a rental payment and a payment towards the purchase price of the property.

Stage 7: Once you have made all the payments to the firm, the property is transferred into your name and becomes legally yours.

Two types of home purchase plan are currently available – the ijara and the diminishing musharaka.

1. The ijara

Under the ijara, the monthly payments you make towards buying the property are held by the firm and used to buy your home at the end of the agreement.

2. The diminishing musharaka

Under the diminishing musharaka, each payment you make towards buying the property buys a slice of the firm's share. So the firm's share in the property gets smaller while your share increases. As your share in the property increases, so the rent you pay for the use of the firm's share will get smaller.

Ask the firm for full details of their home purchase plans to make sure you understand how they work. You can then choose which is best for you.

Figure 6.2 Home purchase plans Diagram of how they work

Source- FSA Consumer website: www.moneymadeclear.fsa.gov.uk

In adopting the various marketing strategies, inevitably there were problems and depending on the organisations, their penetration into the communities differed with their knowledge. Highlighting this problem, a key issue, had to do with identity and branding especially when targeting the various Muslim communities. Organizations had to adopt images that were consistent with what the Muslim community expected of them. Their selling point was that they were selling products to particular communities. In responding to my inquiries about how they were able to get the communities to patronise them a respondent answered,

"Within the sphere of Islamic finance, I think it's very important to gain trust extremely quickly because the Muslim market in this particular sector is a sceptical one. One of the first things they look at is whether the organization is part of a conventional financial institution and hence, there is the idea that people are profiteering off the back of this notion of Islamic finance". (Financial Adviser, Manchester)

The suspicion of customers was the background of the continuous change of name of the Islamic home finance products from inception. As one respondent who challenged the notion of the product argued

"When you give a loan why charge an amount on it". (Imam, mosque East London)

This belief stems from what is termed Qard Hasan or a benevolent loan as noted in chapter three, where it was explained that loans in Islam are benevolent and not meant to serve as a means of exercising financial gain. In essence, what it means is that are loans are interest or charge free. This has forced the financial institutions to change the names of Islamic home finance products from Islamic mortgages to Islamic home purchase plans and the latest trend is calling them "assistance" according to a mortgage adviser I interviewed. (Imam, mosque East London)

The strategy of networking within target communities was also a recurring theme during my research. This is in line with target marketing practices identified by Rossi et al (1996), where the importance of targeting different consumers for a differentiated promotional activity was recognised. The approach was to take care of the distinct consumers by the use of demographic data. Whilst some of the organisations adopted an arm's length approach in selling their products, confident in the fact that they had certain respected Shariah scholars on their advisory boards, some felt they needed to do more by networking in those communities and as one respondent indicated:

"It's a combination of networking with community leaders as well as professionals or professional organizations, so around the country you will find dental associations for Muslims, Doctors associations for Muslims, Muslim lawyer associations, and at the same time you will find community leaders that have significant outreach to the rest of us in the community". (Financial adviser, East London)

Despite the use of the different strategies there is a note of caution as some of the techniques being used to market the firms and their products contain some perhaps unexpected misinformation. This in one instance involved a particular bank advertising online that they had Islamic mortgage available, but upon inquiry they said they had discontinued it for about two years earlier. On another occasion, one of the big four banks online advertised they offered Islamic mortgages, however when I visited a branch of the bank they referred me to their mortgage providers who insisted they did not offer those products. This misinformation taking place in the industry is thought to be as a consequence of a financial crisis that has forced most institutions to discontinue their product lines or even scale down operations in terms of Islamic finance. One respondent, who sits on the board of one of the banks offering these products, gave an interesting insight into why and how they go about their marketing;

"We have stopped the Islamic mortgage business for the last two years. We are a wholesale bank and we do not have license to do retail as such we use retail banks to sell our mortgage products. Unfortunately, our partner in the field, the Bank of Ireland has stopped that line of business and we are looking for retail partners to sell our products". (Deputy managing Director Islamic Bank, London)

And when I probed further on why their products were still being advertised on the internet the response was,

"*We basically buy and sell property for rich investors from the Middle East, and whilst that is going on we are still shopping around for a commercial bank to partner on these mortgage products, so we need to remain visible".* (Deputy managing Director Islamic Bank, London)

6.3.3 Cost and Small industry size

Another major issue has to deal with the perception that Islamic home finance alternatives are expensive. From the point of development of the products to the point where they are marketed the home purchase plans incur different incremental costs compared to alternatives being offered by the conventional institutions. These costs include the amount paid to the Shariah scholar's board, which is another added burden inevitably reflected in the costs. For marketers facing customers they have to put all their cards on the table as Islamic finance is meant to be transparent, laying out all the costs involved in the purchase plan, which includes the evaluation costs and legal costs. One respondent relates,

"Unlike in the conventional mortgages where a customer is given the cost of the mortgage either a tracker or fixed and the interest rate, in the Islamic home purchase loans all the costs have to be on the table. For instance you have to tell him the legal cost, the admin cost etc. The customer sees more costs than he/she would in the conventional mortgage. This automatically causes anxiety for them, unlike in the conventional mortgages where the language is about fees". (Financial adviser Manchester)

Although in this instance the respondent was insisting that the costs were competitive, another respondent, who is involved in the sale of these products, admitted that

"It may be actually more expensive in some cases". (Bank manager Manchester)

Another respondent supporting the notion that it is expensive on the basis of inadequate demand argues that the manner Islamic finance is being advocated does not make its wholesale adoption feasible noting that that there is not a large enough Muslim population available to drive the market. More significantly, the respondent notes that it still has not made a compelling economic case for its wholesale adoption and it…

"needs to stop looking at itself as something that's marketed at Muslims and needs to start seeing itself as a form of ethical finance that is marketed at the population more broadly, because if it doesn't establish itself as form of ethical financing, now that people are disillusioned with conventional finance, it never will". (Female Lawyer and partner Law firm, London)

Currently the size of the industry is also quite small, only three banks currently offer mortgage products specifically HSBC Amanah, (HSBCs Islamic banking arm), Ahli United Bank and the Islamic Bank of Britain. As another respondent explained on the dynamics of the market,

"*Only two are active, the third one is just spoiling the market for the others".* (Financial adviser, Manchester)

In summary, marketing Islamic home finance products has its own sets of challenges. These challenges range from the notion that the UK Muslim community is a very sceptical audience, to the observation that the community is not homogenous, especially in terms of beliefs as it is heavily influenced by different schools of thought and ethnicity. It becomes imperative to adopt different tactics in selling the products by the actors involved in creating the market. As a result, a mixture of some or all of the above has been adopted by the proponents involved in marketing the home purchase plans.

In summary, the various actors have to adopt various strategies in developing the market. These range from the use of mass media platforms to actually engaging with target communities. This has resulted in various levels of success which has led to changes in tactics. One such change in tactics has been the gradual change in name of Islamic finance products to one which is acceptable to the communities. In the beginning these products were known as Islamic mortgages, subsequently they were later called finance plans and currently some providers refer to them as assistance verbally when talking to them. Whilst this has been done to accommodate community perception, in practice Islamic home finance plans are not benevolent loans; they are purely commercial in nature with all the attendant consequences in the event of default. Just like other conventional loans (as will be explored in more detail in chapter 7), Islamic home finance loans also have as a feature a penalty on default.

Finally, the present size of the industry is acknowledged to be tiny. This will ultimately also affect its rate of development. In a scenario where the supposed industry leader (HSBC)[3] had withdrawn from participating in the market says a lot about the desirability of the business to venture into or remain in the market.

6.4 Building legitimacy

A key finding of this research has been in revealing the perceptions of some key protagonists on the continued relevance of Shariah Scholars. Within the context of unveiling new financial actors in the financial system, a new group of actors in the form Shariah Scholars have been acknowledged by Pollard and Samers (2011). Identified as the gatekeepers to the industry (Pollard and Samers, 2011) and accorded rock star status for their authority within the Muslim communities (see 3.7) their role and relevance is being challenged in this study.

In this section the role played by Shariah scholars in legitimising the business is highlighted, in the second subsection, the question of whether Shariah scholars have outlived their usefulness is addressed and lastly a hidden resource in the form of Imams is analysed in the last subsection.

6.4.1 We deem it legal - The cloak of credibility

In the formation of the Islamic home finance market, one of the key observations relating to its structural formation has been the need to give it credibility in terms of being in accordance with its Islamic roots. This is unlike other forms of markets that may derive their legitimacy by simply being endorsed by the state. This credibility has been shown to be a precondition for its acceptance by the target market and is provided by Shariah scholars, who sit on the boards of Islamic financial institutions.

The development of Islamic financial institutions has had a consequence in the form of an additional layer for corporate governance called the Shariah Supervisory Board (hereafter SSB), as another layer on the corporate level. This board is ideally made up of Shariah

[3] During the course this study, HSBC announced in 2012 that it was going to withdraw from participating in Islamic finance market segment in the UK, but maintained its participation in these segments in the Middle – East and Malaysia.

scholars as attested to by Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI, 2007-1), “an independent body of specialised jurists in Fiqh al Muamalat, (Islamic commercial jurisprudence), but who should be expert in the field of Islamic financial institutions, and with knowledge of Fiqh al Muamalat”.

The Shariah Supervisory Board is entrusted with the duty of directing, reviewing and supervising the activities of the Islamic financial institutions, in order to ensure that they are in compliance with Islamic Shariah rules and principles. The fatwas and rulings of the SSB shall be binding on the Islamic financial institutions. The composition of this board is a reflection of the various Shariah scholars, who are expected to be competent in the field of Islamic finance. They also enjoy a degree of freedom in going about their duties of meaning making in the Islamic finance industry. In this they are given virtual immunity by Islamic jurisprudence, which also insists on their ability to revisit cases based on changing circumstances as highlighted by Delorenzo, (2004). For financial institutions, having Sharia scholars on their boards is a way of affirming the legality of the products they are offering. Notably, it is a key selling point. As noted by one respondent:

“We are quite confident of our product’s acceptability as they have been certified by some of the world’s most respectable Shariah scholars. Their names are stated on our website and you can see their profile”. (Bank Manager, London)

This confidence on the part of financial institutions with regard to the acceptability of their products based on the endorsement of particular scholars stems from the nature of respect accorded to the scholars by a section of the Islamic community here in the UK. According to a respondent who is a researcher in a Business school he highlights the fact that within the Asian community, especially the Pakistani Sunni, and Bengali communities (Taqi Usmani)[4] holds a “commanding influence” and whilst other communities have less strong binding ties to the scholars for example the Somali community (Interview #16 Islamic Bookstore owner East London). As explained in chapter three for relevant communities like the Asian community, this makes it imperative for financial institutions to have them endorse their products and in some instances have them on their Shariah supervisory boards.

[4] Taqi Usmani - Retired Pakistani Judge and global authority on the issue of Islamic finance. He has served on the boards, and as chairman, of over a dozen Islamic banks and financial institutions, and currently leads the International Shari‘ah Council for the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in Bahrain. He is also a permanent member of the International Islamic Fiqh Academy of the Organization of the Islamic Conference, one of the highest legal bodies in the Muslim world.(Muslim 500.cm)

Whilst the nature and composition of the boards remain small worldwide with only a few participants, there has been no shortage of controversy regarding their functions. Pollard and Samers, (2012) have acknowledged the scarcity of the scholars worldwide and in particular in the United Kingdom and the United States. This shortage has led to, amongst other things, the participation of one or more scholars on more than one board, giving rise to questions such as conflict of interest. Niehaus (2007) has elaborated on the conflicts taking place within Shariah supervisory boards. Moving beyond structural issues Niehaus (2007) considers other issues such as internal issues that have an impact on the action of Shariah scholars on boards of Islamic financial institutions. For instance if a member of a SSB is keen on having his appointment renewed, he would not take any action that may jeopardise his reappointment. By doing such actions, the SSBs have been observed to be in alignment with management to give discretionary power to them at the expense of the depositors or the shareholders. Finally he points out that despite the unique position the SSBs occupy in the management of Islamic banks, as a body it does not act effectively to ensure that the returns earned by the depositors is commensurate to the risks they bear (highlighting the agency problem). In addition, he notes that they don't solve earlier governance problems faced by the conventional system; rather they seem to exacerbate them by adding new ones both at the macro and the political level.

A very important point brought to the fore by Niehaus has to do with the identity crisis being faced by Islamic banking, which is equally extendable to all forms of Islamic finance. This identity crisis is principally about its level of perception by Muslims on its conformance to the letter and spirit of Shariah as noted in chapter three. He suggests that it is essentially because of the activities of SSBs that the economic and ideological distinctiveness of Islamic banking becomes blurred. As such, there is a perception by some that Islamic finance is simply mirroring the conventional system. As noted by one respondent:

"One of the biggest problems that we have had to face was the fatwa by Sheikh X banning Islamic mortgages in the UK. He (Sheikh X) said all the Islamic mortgages provided by the financial institutions, especially HSBC Amanah, were not halal. This has seriously affected the public perception as they believe him" (Financial adviser Manchester). An alternative home finance plan as advocated by a scholar and an Imam is shown in 7.3.

I should emphasise that this is a particular judgement given to a particular section of the Islamic community and may not necessarily be binding even within that community. This kind of action demonstrates the kind of power wielded by Shariah scholars. In this particular instance this pronouncement by the scholar created credibility problems from the very beginning for the Islamic home finance industry in the UK and has continued to have a profound impact even up until now. This is in spite of having it certified by other scholars on the Shariah board of the bank (HSBC). The particular criticisms advanced by the scholars are as follows

"In summary, we believe that any Islamic home financing scheme in which the financing organization stipulates conditions to protect itself from a negative return on capital is equivalent to an interest-bearing loan. Contracts in which the financier buys a property for a client while requiring the client to buy it back at a higher deferred price are the most common (but not only) means of implementing such loans. In these cases, the property is used firstly as a tool to transact the loan, and secondly as a means of securing it". (Haddad and Diwany, 2006)

This action also signifies the contested nature of even the certification issued by Shariah scholars to financial institutions to serve as a form of legitimising the products in the eyes of the target markets. This contestation is one of the visible manifestations of the Islamic finance project here in the UK. For me this clearly is an example of how actors, in this instance a Shariah scholar, is subverting the neoliberal process of financialisation, in the next chapter a close look at the alternative propounded by this scholar is examined.

6.4.2 Shariah Scholars - overstaying their welcome?

Although Shariah scholars have been credited with giving legitimacy to Islamic finance, there is an observed resistance by some of the financial intermediaries to their actual role beyond the initial certification of the products. The respondents argue that one of the complaints about the development of the industry is about the standardization of products but they feel that most of the models are the same and therefore the scholars are not required at every point. As one respondent notes;

"I think there is a lot of standardisation in the market, I think what they are complaining about is the need to go out and get a fatwa for each deal, but of course you don't need to do that if you have a framework in place, you can just have a fatwa that applies to any deal that is issued under that framework". (Female Lawyer and partner Law firm, London)

Along the same lines, a proposal has been made that it may not be necessary for scholars to repeatedly endorse products if initial pronouncements made by them can be viewed as legal pronouncements. As argued by a lawyer involved in structuring Islamic finance deals;

"there is a resistance to the idea that you need to get each particular transaction blessed and I think there are ways around it and it doesn't have to be like that if one sees a fatwa as the same as a legal opinion it's simply a part of the legal process it doesn't have to be a barrier". (Male Lawyer and partner, Law firm, London)

The UK government has identified the regulatory risk posed by Islamic finance especially with regards to the definition of terms used in underlying contracts. In response, the UK Treasury has advocated standardisation of products and contracts and in that regard the FSA has set out specific terms and contract forms for Islamic home purchase plans.

"Because sometimes you don't need a stamp on a product to say it is halal. Suppose you go into Tesco to buy a packet of crisps it won't say halal on it, you pick it up and see the contents to see it's not got some animal content and you could easily decide if it is okay. Similarly there were a lot of products out there which met the Sharia criteria that you don't need to have the scholars stamping". (Marketer, Manchester)

Despite the observed resistance to the role of Shariah scholars and the contestations about their actions in the development of Islamic home finance by these respondents, there is a school of thought that accepts their place and the necessity of their actions in the development of the Industry. As noted previously in chapter three, they (the scholars) are in the realm of war (Dar Al Harb) with conventional forms of finance and as such, they have to take actions that may be in conflict with the stated objectives of Islamic finance in the short term, but always with the goal of perfecting it in the long run. As one respondent puts it:

"or you can have an evolutionary perspective which is usually the form where the Sharia scholars are trying to move conventional finance towards the more ethical and equitable situation and so that means engaging with conventional finance, but in a way that will be acceptable in Islamic finance, which is controversial in many ways, not just in home purchase market, but in things like Sukuk and structured notes, they tend to mimic conventional finance and some of the leverage is provided by conventional banks on Islamic terms but the associated risks are similar to conventional finance". (Marketer, Manchester**)**

In summary, this study has uncovered a second view on the continued relevance of Shariah Scholars in the Islamic finance scene. A major argument has been on standardisation of products which would lead to their diminished role. Although this study has elicited these responses from the professionals especially Lawyers and others, it would be interesting to note the response of the scholars themselves more especially as this may turn out to be another contestation, this time about influence between other professionals especially Lawyers and the Scholars**.**

6.4.3 Hidden ecological subjects – Imams as market makers

In this section Imams and their roles within the Muslim communities are explored. As a group, they have largely remained unacknowledged in the geographies of religion literature, as this section shows; their absence in not only literature, but also commercial considerations such as the development of the Islamic home finance market has had a consequence.

I have argued in chapter 5 that in the UK Muslim community is made up of different nationalities and different sects even within some of the nationalities. The Muslim communities include the Pakistani, Bangladeshi, Indian, Iranian, Turkish, Somali and Nigerian communities each with their own distinct style and perceptions. Although the major divide is between the Sunni and Shia strands of Islam, there tends to be an ethnic and culturally inspired segregation that is quite noticeable.

Most communities tend to have their own mosques where they engage in prayers and other cultural or religious activities and as such there is no clear homogenous community that cuts across all groups. This tendency to have a clustering of communities along the lines mentioned above has been mentioned by a respondent as being one of the obstacles to marketing products.

The consequence of this arrangement is that in each of these mosques, there is a gatekeeper in the form of the Imam that provides access to the communities. As the head of the local mosques, apart from leading the five daily prayers, they play a significant role in the communities in the form of religious meaning especially during sermons and other religious classes. Moreover, they also play the role of advisors on other matters such as marriage, jobs and community living amongst so many other issues. This pivotal position gives them very strong influences on the perceptions and actions of their congregations and by extension their families. In most cases their positions are not usually questioned or challenged as they are delivered by probably the most learned about the religion within those communities.

The power enjoyed by the Imams is illustrated below in an advert for the position of Imam of the Grand Mosque in Istanbul at the time of Sultan Suleyman, who ruled the Ottoman Empire from 1520 – 1566.

1. To have mastered the languages of Arabic, Latin, Turkish and Persian.
2. To have mastered the Qur'an, the bible and the Torah.
3. To be a scholar in Shariah and Fiqh.
4. To have mastered physics and mathematics up to teaching standard.
5. To be a master of chivalry, archery, duelling and the arts of Jihad.
6. To be of a handsome countenance.
7. To have a strong melodious voice.

Whilst this has been practiced in the past, at present the requirements for being an Imam are still stringent. In terms of duties, as noted by an Imam,

"he is expected to lead the five daily prayers five times each day starting at dawn, serve as a counsellor to the community in all aspects of their lives, prepare and deliver sermons, teaching the religion in classes and supporting families financially from mosque funds in times of need". (Interview#3 Imam Mosque, Newcastle-upon-Tyne)

In conducting all these activities, questions have been raised as to the adequacy of the pay to Imams, and their qualifications to undertake these duties, (MCB, 2006). It has been argued that Imams are paid too little which leads to people avoiding it as a career (The Economist, 2013). Inevitably communities in the West are then forced to import Imams from abroad, which in itself leads to other problems like clash in cultures/civilisations within the host communities. The new Imams while versed in religious studies are not equipped to handle other challenges they are confronted with, especially on how to live life in the West.

As evidenced by 67% (127) of my respondents in the survey (chapter 5), their first exposure to Islamic finance was through the mosque, based on sermons delivered by Imams. In particular a specific survey respondent summarised one of the sermons in one of the biggest mosques in London where he states; ***"**Imam X has told us that all what the banks are doing in the name of Islam is haram"* (forbidden), (Interview#18 Recharge cards agent, East-London)

When I questioned him further on what makes it forbidden he insisted that since Imam X has said so that is enough for him, upon which he referred me to a book where Imam X had written on the subject. This piqued my interest during the surveys to question Imams as to their own views.

Having interviewed two Imams in London they revealed that despite being on the same street with at least two providers of Islamic home finance products, they insisted they had never been consulted or approached by marketers, (Interview#1 Imams 1 and 2, East London Somali Mosque) and IM2). Secondly, when I subsequently spoke with a representative of one of the banks on their marketing strategies he affirmed that they do go into mosques, but they cannot cover all mosques, which is understandable. Nevertheless, looking at the particular mosque I went to, it was surprising that they had not been approached, especially when viewed against the background that they represented a large community.

Although it has not previously been identified as a key problem in the development of the UK Islamic finance market, the question of Imams not keying into the market is to a large extent driven by what a respondent called "the need for the banks to cherry pick their customers" due to scarcity of loanable funds. This cherry picking inevitably means they look for customers that can afford their loans. In doing this, they consequently screen out a substantial number of the Muslim population which as has been shown in chapter 5 and, noted by a respondent as being disproportionately poor (Chartered Accountant London).

Summary

Islamic communities are largely reliant upon their scholars and Imams to interpret the religion to them. As a result the learned occupy a high position within Islamic communities. The religious elite in the communities are the scholars. Whilst it has been true that in the past this group enjoyed a lot of respect, in modern times their influence has waned as there was little request for their expertise. As noted in chapter three, the coming of Islamic finance has made them relevant once more. They now play the key role in the advancement of the industry by engaging in religious meaning making for the Islamic finance industry by determining whether financial products are Shariah compliant. This now puts them in very important and powerful positions that determine the direction of the Islamic finance market.

Finally, a key resource in the form of Imams was identified. As a group, there has been little research on the role of Imams in commerce. The influences they command in the communities they serve make them too important to be ignored in developing the market. As reported in the next chapter, I have discussed a particularly negative perception that is being entertained by respondents, especially those that have these banks within their locality. This negative view of Islamic home finance products is largely nurtured by their exposure to this market through many sources including mosques, where they would go to affirm its legitimacy or otherwise from their nearest legitimate source - their Imams. As such, it is very important to have the Imams participate in the development of the retail markets.

6.5 Conclusion

In the formation of the new Islamic finance market in the UK, the major supporters have been the government. They have achieved highs of being at the forefront of actively encouraging the development of the market by various top level officials in early to late 2000s, especially under the previous Labour government, to present lows where little or nothing at all is mentioned.

The UK government has largely been very supportive of Islamic finance since the beginning of the 2000s.This it did by actively engaging with various advocates in making legislations and rules to make it easier for the business to be operational in the UK. In being supportive it had two very clear objectives one of which was social and the other economic.

Its stated objectives included the financial inclusion of one of its several minorities(Muslims), making London a regional hub for Islamic finance thereby maintaining its lead as a world financial city with the consequence of attracting a funds from the Middle East for the UK capital market. Whilst the attainment of these stated objectives has been mixed, especially following the aftermath of the financial crisis which started in 2008, there are other factors that can be identified as being responsible for the lacklustre performance especially in the Islamic home finance arena.

Crucially, it is evident that there is a misalignment in the visions of the various exponents as to what Islamic finance is and what it should be. This is exemplified by the different and not necessarily complementary roles that the different advocates have been performing. This misalignment can be traced primarily to the definition of the terms employed, and secondarily to the motives behind their actions.

As such, I argue that the most prominent challenge in the industry is contestation about its nature and practice. Starting with the UK government itself, it notes that in granting rights for Islamic financial business to operate, it is faced with challenges, not the least of which is the definition of terms associated with Islamic finance contracts. Whilst it has been able to successfully create a template for the home purchase segment, which is being used in the market, (itself being contested by some), it still advocates standardisation of products and associated terms to make regulatory function of easier.

Despite the UK government's stated two clear objectives for Islamic finance, I would argue further, that as in all other issues regarding Islamic finance in the UK, the visions of the proponents of Islamic finance in the private sector and that of the UK government are not synchronised. Understandably, the UK government objective is maintaining the UK's position as a global centre of finance, and Islamic finance funds offer a very attractive proposition. The UK government has also been very conscious of the local environment and that is where the issue of financial inclusion for the Muslim minority comes in and is simultaneously addressed. I further argue that it is at this critical juncture a divergence in the objectives of the UK government and the proponents of Islamic finance occurs.

Conspicuously, the proponents of Islamic finance and the practitioners are faced with considerable contestation about the nature and practice of Islamic finance. Crucially, the recent financial crisis has not helped. Nevertheless, I would suggest that the expectations of receiving support from the UK government on issues such as Sukuk issuance that did not materialise as of then ought to have alerted the proponents to re-appraise their business models.

This reluctance inevitably has triggered the rush for replication and its attendant consequences, including the rejection of Islamic finance by some segments of the society as not being Islamic enough. Moreover, there was an initial enthusiasm which ought to have been a call for caution when sensational figures were being bandied about in relation to the size of the Islamic finance industry in the UK (see Datamonitor, 2002, 2005).

As suggested, there is no significant number of consumers that will take faith based decisions and drive the market. This has led to the products being even more expensive than the conventional mortgages in some cases and competitive at best, with a gradual reduction in traction in the developmental trajectory of the industry. Their failures also to demonstrate practically its commitment to its intrinsic values of social welfare have also led to credibility problems.

Although in recent times there has been something of a revival of the Islamic finance project in the UK in particular during the World Islamic Economic Forum held in London. The main thrust of the government's new found interest can be located in the need to maintain the status of the City of London and attract funds to the UK.

Whilst these are quite laudable economic initiatives, it is clear that the social aspect i.e. the financial inclusion for the Muslim minorities in the UK is missing from the agenda.

A key finding of this research is on the alternate view propounded suggested by respondents, and it is the belief that there is no need for the continued presence of Shariah scholars especially as some of the templates for transactions have more or less been developed, and even between financial institutions the differences if any are negligible. Equally suggestions have been made as to how Shariah compliance can be obtained without necessarily needing to have pronouncements by scholars. Although, I will argue that this cannot be easily achieved, as the industry is evolving, new questions will keep coming up, and the answers to these questions will come from those that have the expertise, the Shariah scholars. For now, it is simply a contest with lawyers and the new actors who have supplanted them.

Another key finding is of the existence of another sector of actors, the Imams of mosques who are equally influential at their local mosques due to their proximity to the target market. Their potential to subvert the Islamic home finance market has also been shown in the chapter and suggestions on their incorporation into the marketing of these products made.

In the next chapter, I will analyse the perceptions of the target market, the Muslim consumers and evaluating their responses. In particular, I will look at their motivations for participating in the market and the reason why others in the community refuse to participate.

Chapter 7

Buying Peace of Mind

This chapter highlights the second main ecology that is important to this study. This ecology is made up of the target market of Islamic home finance products. This chapter will articulate the motivations of Muslims to achieve home ownership and why it matters to them. It also presents views of those that have been willing and able to buy into the newly assigned financial subjectivities of Islamic home financed home ownership. In particular it will reveal their attraction towards Islamic home finance products. This chapter also explores those that are either unwilling or unable to embrace this new subjectivity and as a result, chart the alternative strategies and experiences of accessing housing. It does so by drawing on empirical data collected during the research while incorporating other theoretical and secondary data that serve to complement these empirical findings. This approach enables this thesis to contrast the different narratives being articulated by the different actors and to provide a more nuanced understanding of what investment in housing is about and how it has materialised.

The findings suggest that these housing investments are not inclusive as initially advocated by the government, but instead have succeeded in raising the exclusion and at the same time exacerbating the differences between Muslims, in terms of economic opportunities.

7.1 Muslim community and home purchase motivations

In this section, I will be examining the motivations behind the purchasing of homes undertaken by Muslims in the UK, as it plays an integral part in determining the understanding of the trajectory of home purchase alternatives.

Several reasons can be adduced as to the desire by Muslims to own homes in the United Kingdom, and these reasons range from common everyday reasons to very personal ones. This study has identified some common elements in the groups that have been interviewed. Housing investments by Muslims are mainly predicated on issues of identity, proof of upward social mobility, religious and cultural imperatives, and financial fulfilment. Based on real and perceived inequalities in socioeconomic opportunities, one of the main motivations for these

Muslims is to improve their family‘s overall welfare and provide them with the socioeconomic advantages, which owning homes particularly in key neighbourhoods bring.

7.1.1 Identity and belonging –caught between two worlds

According to Staeheli and Nagel, (2009) British Muslims have little or no part in the construction of their own public identity. They traced this shortcoming to the strength and momentum of negative stereotypes, and in part because of the government's reliance on a small number of voices to represent the entire 'Muslim community`. In instances where British Muslims have been given the opportunity to articulate their views, there follows an apparent difference in terms of social attitudes, religious and cultural practices, as well as frustrations at their portrayal of being outsiders. This inevitably creates a sense of wanting to prove they belong and recent studies particularly regarding the 2011 census provides interesting perspectives on the issue of identity.

Studies by (Jayaweera and Choudhury, 2008; Hickman et al., 2008) on migrants and identity stated that whilst recent migrants tend to identify strongly with their home country, they identify with Britain too. Such dual identity is weaker among first-generation members of long-established communities, who tend to place more emphasis on their identity with Britain. In particular, they stressed that the younger generation represented by those born here in the UK often see themselves as unequivocally British.

A prominent issue for Muslims was their belief that for them to be truly British, they needed to buy into the dream of home ownership, which affirmed their status as British. The need to belong to wider British society was what prompted this respondent, a 45 years old grocery owner (who has lived in the UK for 15 years) to decide to invest in owning a home. He noted,

"I like feeling settled, it's a nice thing to own my own property; it makes me feel a part of the society"

When I put it to him that even migrants who are not home owners have virtually the same rights as non-home owners in terms of access to healthcare, education and most importantly participation in British democracy, and what difference does it make if he does not own his own home? He noted,

"Feel committed, be a part of the system. You can be part of the system even without buying a house but when you have bought you are more invested, it changes a lot of things"

According to Jivraj (2013) in an analysis of the 2011 census, Muslims are more likely, than any other ethnic group except the Sikhs to report themselves as British. This was coming in the footsteps of the insertion of a question on national identity for the first time in the UK census.

Key highlights of the report include the fact that nine in ten people report only a single identity. Minority groups are more likely to report themselves as exclusively British compared to the white population; Muslims are less likely to report themselves as other nationalities and are more likely than Christians to report themselves as British.

A second influential reason noted by respondents on the need to own their own property which follows on from the above is the need to prove their 'Britishness'. Muslims, are often attacked as a group for not being British enough, the respondents note that there is no greater commitment and way to claim their own stake in this society than by *"owning a piece of society, a hard piece represented by owning their own home" stated* Ahmed, a 50 year old banker, from Blackburn.

In particular, they note that their identity and presence here is being unfairly questioned, especially by the UK tabloid media. This belief of selective persecution by the UK tabloid media is a reflection of what was noted in chapter 6 and later on in this chapter, on the press hostility to Islamic finance which as this respondent notes is as a consequence of the dislike of the UK Press for Muslims.

"Muslims have been disproportionately picked on for global political reasons. It is perfectly normal for an immigrant population to take several generations to integrate into the host community and an extraordinary amount of pressure and prejudice has been placed on the Muslim community in the UK by the media primarily and it's actually to the credit of the British population that they have managed to resist"

One respondent noted that the prejudice of the media did not start off originally as a project against Muslims but rather it has its roots in racial exclusion and metamorphosed over time to what it is today.

"When I grew up in Britain in the 70s we were called `Pakis` and that's what the fascist parties were against, they wanted people like me to go home. Now its Muslims it is interchangeable for them they, it's the foreigner the outsider its racism, it is still xenophobia

although it's dressed up in the language of human rights and integration" (Neema, Lawyer, late 50s).

Similarly with the tragic events of 9/11 in the US, respondents have again related the profound consequences it has had for them and their communities. Significantly, it has forced them to become more protective of their identities as Muslims because of the kind of undue focus they feel has been placed on the Muslim communities. As another respondent laments;

"Since 9/11 there has been a lot of focus placed on the Muslim community, most of us have become more Islamic than we would have been, and the normal assimilation trajectory has changed. It has all become history, it's always been unreal, it's always been disproportionate" (Neema, Oil Executive London).

This action perhaps, explains why some of the communities are perceived as not wanting to integrate with the wider community, principally the non-Muslim communities. As noted by another respondent;

"I grew up in oxford, not Burnley and Oldham where there have been problems and segregation. If you grow up in those communities it would reinforce your sense of insular identity" (Neema Lawyer, late 50s).

However, a converse trajectory has been noted on the route taken by young adult women from British South Asian communities in a study by Harries et al., (2008), who tended to want to live in ethnically mixed neighbourhoods, not extended families, and placed little importance on culturally sensitive housing design or the availability of appropriate financial products (e.g. for Muslims, Sharia-compliant mortgages).

In addition to the tensions existing between the Muslim communities and wider UK society above, another important tension, this time within the Muslim communities has been identified too. As a respondent noted, due to unfulfilled expectations in the UK, particularly on the economic front, Muslims who are keen to marry, cannot marry other Muslims here in the UK. This stems from the fact that most young women here are educated and expect people on at least the same level of education and probably better or equal income. Unfortunately, Muslim men here are mostly low skilled, and as such they cannot make the offer of marriage. Instead, they return to their original roots, where they can afford the costs as the value of the British currency is stronger. Hence, with little money they can conveniently pay the dowry and other expenses involved, and get married, which then creates its own set of problems. As noted by Fatima a 54 year old teacher,

“There are problems with particularly the Pakistani community, which is where I come from. We still look back at communities where we came from; we still marry people back home and it causes cultural conflict between couples because they have different expectations. I think that’s partially a function of poverty, British poverty, lack of education, lack of confidence. People marry from back home because they are not confident of their lives here so they need to rebuild their lives with their original communities” (Ahmed, 40s, Doctor).

This view was corroborated by Harries et al., (2008) in a study of the Bangladeshi and Pakistani communities where they reported increased independence and prosperity by young Muslim women compared with their parents. They noted that many had skilled or administrative jobs, and access to a car. They note that these women considered themselves as the main decision makers in their families and enjoyed the privileges and opportunities that Britain offered. Phillips 2007 in studies about young British Muslim women’s identity and conceptualisations of the home has equally noted that although a common denominator among this was being Muslim, there were clear contestations about the different narratives the participants of the study provided. One group felt that they needed to assert their independence and thus, one such way was to move and obtain their own homes and as such create their own spaces. Another group created a third space between their own homes and that of their parents, where they left their kids if they needed to go to work. One thing they agreed upon though was on the idea was about marriage, which they did not feel was constraining, and motherhood. For those whom subscribed to the idea of marriage they felt that this was a route that empowered them to positions of greater power in the domestic sphere.

7.1.2 Progress and posterity

For respondents one way of measuring individual and communal progress is by showing home ownership. Buying a house is used as a marker of success and a measure of affluence which both individual Muslims and communities strive for. Using the Jewish community as an example one respondent points out that

"An example is the Jewish community and the way they came to Britain in the 20th century and they were heavily present in the east end of London and they have now moved out as they became more prosperous. You can see the same thing happening with the Muslims, people are buying bigger houses, they are moving over they want their children to go to better schools" (Fatima, a teacher).

As noted in chapter five, one of the issues facing Muslims is overcrowding in their homes, in addition, also because of the community clustering they tend to have schools that do not measure well compared to others in better areas. This inevitably spurs on the desire to move onto bigger and improved homes in neighbourhoods that present them with better opportunities for development especially better schooling for their children. Another correlated issue has to do with the nature of the home make up of some ethnicities. Several of the respondents have advanced the fact that in their families, you can find three generations living under one roof and as such there are various pressures, one of which is home size. There then is a need to move to larger accommodation that is capable of housing all of them.

This tendency to house the extended family under one roof is as one respondent said different from the English way of life.

"For us family values are quite strong, whereas the English way of life everyone's independent, in the Asian community it's praised, I live next door to my parents, my grandma is actually lives with me and that's praiseworthy" (Nizam, 40, Ex-Banker and Marketer).

To undertake this praiseworthy act, another respondent noted that this was the motivating factor.

"*Having one property is okay, buying another one so I can give my parents***"** (Neema, Oil Executive).

These ideas about the role of a house in the reproduction of the family are quite an important ingredient in housing investment decisions on the part of Muslims, especially when they have elderly parents. A house guarantees not only the security but also the comfort and tranquillity for these elderly members of the family. Thus, for a Muslim this ensures more spiritual blessings for those involved.

7.1.3 Privacy (Renting vs. cultural practices)

Another reason that a respondent (male) noted was their desire to own their own homes had to do with the fact that they needed to keep their homes and family private. They stated that when they were renting they had several challenges in fulfilling their roles as Muslim home owners. In particular, they were wary of the landlord or his agent coming to their homes when they were not there. They did not like the idea of their wives meeting strangers in whatever guise. Specifically, they noted that women in Islam were prohibited from meeting male men in seclusion in the absence of their spouses or allowed relatives. As a respondent noted,

"I was not comfortable, as my landlord or his agent could come at any time, and usually it's a time not convenient for me and my wife was not comfortable too" (Ahmed, Male Council Official).

When I asked him why they had to come at all, he said,

"They come to collect rent, inspect the building as the landlord owns the other flats so if there is a repair in the other flats that affects my own flat below I must give them access"

This sense of privacy was not a sentiment shared by other interviewees, as explained by another respondent, this attitude is prevalent in the Shia community where they are very protective of their womenfolk and therefore, it is a *"distinctive"* practice limited to that particular community.

7.1.4 Homes as assets

Another shared issue that emerged as an influential reason to engage in housing investments was the idea that houses are a good mechanism for wealth accumulation because they are a tangible store of value. In some cases, this investment is seen as a solution to prevent the money they have earned being ill-spent in conspicuous consumption. This was a strong reason why Ahmadu who already has a home in London decided to buy another. He inherited his first home from his parents. He is now 56 and states:

"I bought another house because it is an asset have been saved the trouble of paying for rent in London, as such I am investing"

Echoing his sentiment, Neema an Executive at an oil firm stated,

"Renting London property is wasting money on rent. Buy a property as it's an asset and you can rent it out. If you have a salary you can see where the salary is going".

Thus, these housing investments are part and parcel of Muslims perceptions of a home purchase being a vehicle to materialise their dreams. These respondents perceive investing in houses as making a financially rational decision to accumulate wealth through an investment in a safe asset. This should not be surprising given that there are simply no other better alternatives for investing, especially following the collapse of financial markets following the recent financial crisis. In addition, because once they are made, these investments do not need constant support, like a business would; Muslims invest in houses as a positive mechanism for storing the value of their savings.

In summary, the motives behind materialising the dream of home ownership in the United Kingdom for Muslims are as a consequence of several distinct but linked reasons. Muslims interviewed believe that owning a house affords them the opportunity to have a very visible stake in British society. This, they argue stems from the monetary commitment they make, which is substantial and which invariably makes them feel more committed to this society. These investments could also be viewed from another angle, specifically the pressure to belong to wider UK society, as a result of perceived discrimination aimed at Muslims. Other aims include the improvement of their family's immediate welfare and quality of life and guaranteeing the security and comfort of their loved ones, particularly in keeping with Islamic traditions of segregation of individuals with regards to degrees of relationship and gender.

Other roles include making calculated investments that would ensure returns and serving as a tangible store of value. A consequence of these investments as noted in Phillips et al., (2007) as more minority ethnic households (from both established and new migrant groups) move into new city spaces, ethnic divisions are likely to be challenged, remade and re-imagined. In this instance, calculated investments that involve moving into new areas for better opportunities mean that there will be an impact on the kind and value of loans or funds that Muslims may need. This information will also lead to determination of a kind for customer's providers of Islamic home finance targets. As section 7.3 notes, the target market are clearly not the poor. Another consequence of the movement outwards would have has been identified in the evolving cosmopolitanism and cultural dualisms in some neighborhoods, with an accompanied quest for a new identity when young people in particular create new relationships (Nayak 2003; Modood 2005). It would be interesting to observe how this new identities help shape financial and other related decisions for Muslims.

7.2 Investing in Islamic home purchase products

In this section factors influencing those that have bought into this market and invested in it are analysed. Reasons of note for participating in the Islamic home finance market have been observed to include the Islamic label, the cost of the products and the role of the financial adviser in convincing the target market to participate.

7.2.1 Islamic label

As noted in chapter three, for Muslims, belief in Islam entails subjecting all their worldly experiences to the dictates of the religion. As such there is no exception in all matters, including finance as everything is undertaken as a form of worship to Allah.

For those that have invested in Islamic home purchase plans, their investments were all influenced by the Islamic label, even though other issues such as cost were a major issue in the beginning.

For Zahara, 36 and an Oil Executive and an enthusiastic supporter of Islamic finance, it was all about being a Muslim. As she notes,

"I was not doing it for any other reason, cost wise I had cheaper alternatives but I had to be true to myself, cost was not an issue, I have to satisfy my conscience as a Muslim".

For Bakera, a 48 year old Doctor and his wife, needed to satisfy themselves that they were doing the right thing, which meant that they were avoiding interest, which is not permitted in Islam. They asserted that

"We needed to satisfy ourselves that it was Islamic as we have had others that have come before that did not convince us as to their authenticity".

The conviction and satisfaction stated above are also linked to the belief by the respondents that beyond seeing the investment as a tangible thing, there is a spiritual dimension. This spiritual dimension they argue goes like this.

"The money came from God; as such we have to use it responsibly in accordance with his command. If we don't it may lead to undesirable consequences as the home is the nucleus of the society".

This belief was a reason cited by the respondents as a strong basis to buy into the Islamic home purchase plans. Specifically, they inferred that failure to do it the right way i.e. the Islamic way when they had all the opportunities to may subject them to undesirable consequences in the investment like diminution in value, exposure to damage or even outright loss.

This identification with the Islamic label was also identified by a majority of my respondents in the survey data where 75% cited a religious reason as the major rationale behind why they may opt for Islamic home purchase plans as opposed to a conventional one.

7.2.2 Less cost

This study has uncovered the various issues that add up as cost in the Islamic home purchase market. Traditionally, the cost has been represented by how much it costs on face value for a conventional mortgage. In practice however, there are several kinds of cost associated with the home purchase plans. These several issues include the deposit required, the rate of repayments, job status, regulation and unique family financing structure obtainable in Muslim communities in the United Kingdom.

To purchase a property using the Islamic home purchase plans, you have to make a matching deposit ranging from 20-65% of the loan value (see Fig 7.2.2 below). Respondents note that the high matching deposit of about 30% on average, which the banks ask for, is a major disincentive as not many people can afford that kind of deposit. As a respondent noted,

"They ask for too high a deposit, even the conventional banks don't make that kind of demand"

During the focus group interview all the members of the group admitted to making deposits of that range 20-30% before obtaining the loans. Arguing against the high deposit, one respondent who is a Doctor states that

"They are picky and they are asking for 30%. How much is the property market going to go down, 10-20%?"

According to a Banker when asked about high matching deposits, he noted that it was all about managing risk as there has been a massive fluctuation of home prices, especially since the recession.

Another perspective on cost has to do with the effect of regulation on the industry. One of the consequences of the regulation of the Islamic home finance market has been in the area of recognition of the unique structure of some of the target communities, principally the Muslim Asian community and their practice of coming together as a unit to buy a property. This meant that members of a family contributed and in most cases they were also going to share in the property. The Asian community is characterised as being tightly knit. As one respondent, a Taxi Driver notes,

"In an Asian family, it's a family thing. If a taxi driver has got five kids he can be able to afford because his father too contributes".

As an Islamic home purchase adviser explained previously, pre-regulation, the FSA recognised the fact that certain communities operated in distinct ways. One of these ways was the pooling of resources to contribute to buying homes. In doing so, the jobs being accepted and the numbers of contributors accepted was not standard but variable with each families individual circumstances with the coming of regulation. He laments,

"It was damaging to Islamic finance. All the family values etc. were lost, that was one knock back regulation introduced".

He also argued that the FSA previously accommodated these types of transactions as long as you could defend them. As he states,

"It was not about what made sense, but the FSA can come in anytime and check and we have to answer them, but the FSA is not so bad. I have spoken to them they understand the concept of affordability if you could defend it".

According to the financial adviser, one of the reasons noted by the banks for the withdrawal of recognition for more than two individuals was that there was a risk in lending to certain types of people in particular jobs. Jobs they felt were not recession proof, jobs that were not professional enough. He further noted,

"Banks are saying jobs are vulnerable e.g. a guy working in a gym. Which job is secure long term?"

Thus, in reaction to regulation, banks were now enthusiastic to lend to a particular kind of clientele, one they felt was worth the risk and as reported in chapter 6, the target market was now the professionals in Muslim society.

Another consequence of regulation was that all the requirements in terms of paper work, which it required from conventional banks, were now being applied to Islamic banks. Paperwork in particular was a major issue. Every single document had to be replicated. Using the example of an application with four applicants, a respondent, and a former banker noted that they were now forced to document each individual separately, unlike in the past, where one form was used to fill in the details for all of them as it was a single application.

"It was about the paperwork for the banks, four times income I can't do it, all the criteria that the FSA required of the conventional banks were now being all of a sudden applied".

Consequently, banks and other institutions now found it cumbersome, which also meant it was going to cost more due to the complex documentation, and hence, they took the easier option… they discontinued the practice of lending to more than one or two people.

Figure 7.1 Comparison costs for fixed price products and Standard home purchase plans from the Islamic Bank of Britain

IBB Home Purchase Plan

The IBB Home Purchase Plan is designed to provide 'a mortgage alternative' to conventional mortgages; approved by the Bank's Shariah Supervisory Committee.

Fixed Product

Key Features	
Available for new purchases, refinancing and releasing additional capital	Up to 80% maximum finance to value (FTV). Rent Rate = 4.19% fixed until December 2013, reverting to Bank of England Base Rate + a margin of 3.99%.
Finance Amount	£70,000 to £750,000 (higher amounts may be considered).
Minimum Property Value	£100,000
Term	7 - 30 years.
Maximum number of applicants	Up to 4 applicants who must be owner occupiers of the property being financed.
Administration Fee	£299
Valuation and legal fees	Paid by the applicant(s). We will pay up to £400 (inclusive of VAT) towards the costs of our own solicitor's fees as a contribution towards supporting your HPP application.
Minimum age of applicants	21 years.
Rent Reviews	Fixed period ends in December 2013. The new Rent Rate effective from 1st January 2014. Rent will be reviewed quarterly thereafter in line with our Standard product.

	No additional acquisition payments are permitted during the fixed period but after this period ends, additional acquisition payments can be made in the month prior to each rent review (minimum £4,000 with a £25 administration fee).
Margin	The maximum increase in the margin will be 2% above the initial margin that applied at the outset. The bank cannot change its margin whilst a fixed rent rate applies. You will be given at least 30 days advance notice of any changes in the pricing structure.
Settlement	Customer has the option to sell the property at anytime without any penalties (subject to an administration fee to cover any costs).

1. The Bank reserves the right to change the margin on its product. The maximum increase in the margin will be 2% above the initial margin that applied at the outset. Customers will be given at least 30 days advance notice of any changes in the pricing structure.

2. Fees: The Bank will pay up to £400 towards the costs of its own legal fees.

3. The four people must be owner occupiers of the property being financed.

Fig 7.2 Standard Product

Key Features	
Available for new purchases, refinancing and releasing additional capital	Up to 80% maximum finance to value. Rent Rate = 4.49% (Bank of England Base Rate + a margin of 3.99%).
Finance Amount	£70,000 to £750,000 (higher amounts may be considered).
Minimum Property Value	£100,000
Term	7 - 30 years.

Maximum number of applicants	Up to 4 applicants who must be owner occupiers of the property being financed.
Administration Fee	£299
Valuation and legal fees	Paid by the applicant(s). We will pay up to £400 (inclusive of VAT) towards the costs of our own solicitor's fees as a contribution towards supporting your HPP application.
Minimum age of applicants	21 years.
Rent Reviews	Rent reviews 4 times a year in March, June, September and December. New rent rate effective from 1st April, 1st July, 1st October and 1st January. Additional Acquisition Payments can be made in the month prior to each rent review (minimum £4,000 with a £25 administration fee).
Margin	The maximum increase in the margin will be 2% above the initial margin that applied at the outset. You will be given at least 30 days advance notice of any changes in the pricing structure.
Settlement	Customer has the option to sell the property at anytime without any penalties (subject to an administration fee to cover any costs).

Source- Islamicmortgages.co.uk

A summary of the above shows that both kinds of contract need at least 20% of the property being acquired as a deposit. Secondly, even the fixed rate option is not really fixed as there will be a change in the rate in the coming year, minimum property cost at last £100,000 and there are penalties for paying early, although here they are represented as admin fees.

In terms of actual comparison with similar loans for conventional mortgages, a respondent provided these figures as a calculation of two alternative scenarios.

<u>Property finance using a diminishing musharaka contract</u>

Under a diminishing musharaka contract, the customer and the Islamic bank purchase the property jointly under a musharaka contract; loosely a partnership contract as understood by Shariah law. The customer will have exclusive occupation, and will pay the Islamic bank rent on that part of the property which is owned by the Islamic bank. The transaction is called diminishing musharaka because the partnership shrinks as the customer buys out the bank and ends once the buyout process is completed.

Replication of repayment mortgage

The terms of the finance offer may be summarised as follows:

Table 7.1

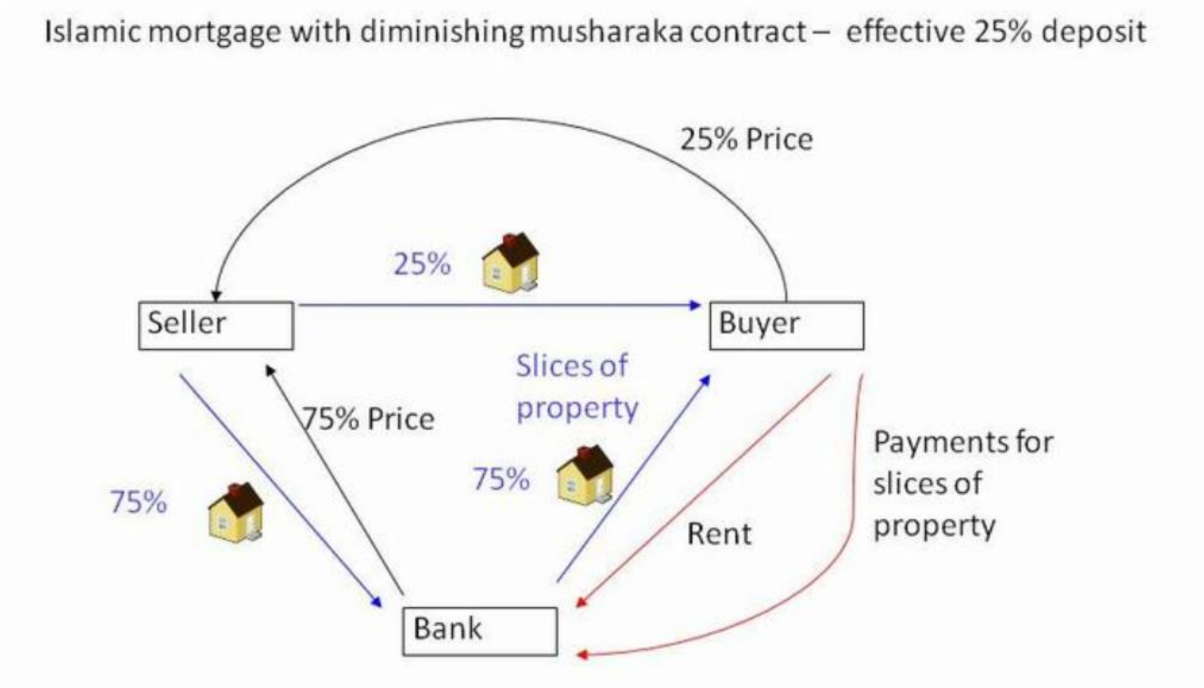
Cost of property from third party	£500,000
Terms of finance	25 years
Customer to initially purchase	25%, costing £125,000 of the customer's own money
Bank to purchase	75%, costing £375,000 of the bank's money
Rent calculation	Rent to be calculated by multiplying the original cost of the part of the property owned by the bank by the XYZ Building Society's standard variable interest rate, currently 5%
Rental rate adjustment dates	The rate can only be adjusted at the end of each year.
Frequency of customer payments	Once a year on the anniversary of the purchase from the third party
Price at which the customer will buy out the bank	Price equal to the original cost to the bank
Customer to make equal annual payments comprising both rent and part payments to	

acquire the bank’s share of the property.	

Note: The payment frequency would normally be monthly. Annual payments are used purely for illustration to reduce the number of rows on the table of figures.

The diagram below shows how the transaction operates.

Fig 7.3



Buyer has sole occupancy and pays to the Bank

To illustrate the numbers, assume that the XYZ Building Society’s standard variable rate remains 5% for the first 3 years, and then becomes 4% until the end of year 7. Subsequently, it rises to 6% until the end of year 15, and then decreases to 5% until the end of year 22; later it finally becomes 4% until the redemption date at year 25.

Table 7.2 below shows the numbers; the customer’s annual repayments increase and decrease as the interest rate changes, but in every case are calculated to ensure that the customer has fully purchased the bank's share of the property by the end of year 25; on the assumption that there are no further changes in the interest rate.

Table 7.2 - Diminishing Musharaka Contract

In the table below which has six columns,

- **A**- represents the year
- **B**-Original cost of property owned by the purchasing Bank at the start of the contract
- **C**- Annual rent charged
- **D**- Cash flows from customer to pay rent and acquire more of property
- **E**- Balance of Banks share of property at the end of the year
- **F**- interest rate used to calculate annual rent

A	**B**	**C**	**D**	**E**	**F**
1	375,000	18,750	26,607	367,143	5%
2	367,143	18,357	26,607	358,892	5%
3	358,892	17,945	26,607	350,230	5%
4	350,230	14,009	24,236	340,004	4%
5	340,004	13,600	24,236	329,368	4%
6	329,368	13,175	24,236	318,308	4%

7	318,308	12,732	24,236	306,804	4%
8	306,804	18,408	28,335	296,877	6%
9	296,877	17,813	28,335	286,354	6%
10	286,354	17,181	28,335	275,200	6%
11	275,200	16,512	28,335	263,376	6%
12	263,376	15,803	28,335	250,844	6%
13	250,844	15,051	28,335	237,559	6%
14	237,559	14,254	28,335	223,478	6%
15	223,478	13,409	28,335	208,552	6%
16	208,552	10,428	27,009	191,971	5%
17	191,971	9,599	27,009	174,561	5%
18	174,561	8,728	27,009	156,281	5%
19	156,281	7,814	27,009	137,086	5%
20	137,086	6,854	27,009	116,932	5%
21	116,932	5,847	27,009	95,770	5%
22	95,770	4,789	27,009	73,551	5%
23	73,551	2,942	26,504	49,989	4%
24	49,989	2,000	26,504	25,485	4%
25	25,485	1,019	26,504	-	4%
		297,019	672,019		

People encountering Islamic finance for the first time are often surprised that an interest rate can be referenced in the calculation of the rent that is to be paid. Shariah scholars permit this because the interest rate is merely being used to compute an amount; what is paid is rent for occupation by the customer of the bank's share of the property, and not interest.

The financial implications are set out on Table D. The cash flows are identical to that of the variable rate repayment mortgage.

Unlike the Murabah mortgage, the diminishing Musharaka poses no problems if the customer wishes to buy out the bank early. At any stage, the customer only needs to pay the amount shown on the table as the original cost of the part of the property owned by the bank.

Replication of interest only mortgage

This is achieved by giving the customer complete flexibility regarding when he buys out the bank, provided that he does so by the termination date of the contract.

A comparison with a conventional variable rate mortgage:

Variable rate mortgages

UK lenders typically prefer to make variable rate loans, as this allows an easier match between the lender's own funding and the mortgage loan advanced. The variable rate can either be linked to an external rate, e.g. Bank of England rate + 0.5%, or it can be an administered rate which is set by the lender, e.g. the XYZ Building Society's standard variable interest rate.

Variable rate mortgages fall into two main types:

Repayment mortgages

The customer makes regular, level repayments, which are calculated to pay off the loan by the maturity date, based upon the current level of the variable interest rate. If the interest rate changes, the customer's repayments are recomputed.

For example, consider a variable rate repayment mortgage with the following terms:

Table 7.3 variable repayment mortgage

Cost of property from third party	£500,000
Terms of finance	25 years
Customer deposit required	25% which is £125,000
Amount of loan	£375,000
Interest rate	XYZ Building Society's standard variable rate, currently 5%
Interest adjustment dates	The interest rate can only be adjusted at the end of each year.
Frequency of customer payments	Once a year on the anniversary of the making of the loan.
Customer to make equal annual payments	

Note: The payment frequency would normally be monthly. Annual payments are used purely for illustration to reduce the number of rows in the table of figures. Similarly the interest would be adjustable more frequently than annually, typically monthly or even daily.

To illustrate the numbers, assume that the XYZ Building Society's standard variable rate remains 5% for the first 3 years, and then becomes 4% until the end of year 7. It then increases to 6% until the end of year 15, then decreases to 5% until the end of year 22, and finally, becomes 4% until the redemption date at year 25.

Table B below shows the numbers; the customer's annual repayments fluctuate as the interest rate changes, but in every case are calculated to repay the loan by the end of year 25 on the assumption that there are no further changes in the interest rate.

Table 7.3 - floating rate repayment mortgage

Here the table is composed of six columns each showing;

A –Year

B- Amount owed at the start of the year

C- Interest charged

D- repayments

E-Balance owed at the end of the year

F-interest rate used for the year

A	**B**	**C**	**D**	**E**	**F**
1	375,000	18,750	26,607	367,143	5%
2	367,143	18,357	26,607	358,892	5%
3	358,892	17,945	26,607	350,230	5%
4	350,230	14,009	24,236	340,004	4%
5	340,004	13,600	24,236	329,368	4%
6	329,368	13,175	24,236	318,308	4%
7	318,308	12,732	24,236	306,804	4%
8	306,804	18,408	28,335	296,877	6%
9	296,877	17,813	28,335	286,354	6%
10	286,354	17,181	28,335	275,200	6%
11	275,200	16,512	28,335	263,376	6%
12	263,376	15,803	28,335	250,844	6%
13	250,844	15,051	28,335	237,559	6%
14	237,559	14,254	28,335	223,478	6%
15	223,478	13,409	28,335	208,552	6%
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19	156,281	7,814	27,009	137,086	5%
20	137,086	6,854	27,009	116,932	5%
21	116,932	5,847	27,009	95,770	5%
22	95,770	4,789	27,009	73,551	5%
23	73,551	2,942	26,504	49,989	4%
24	49,989	2,000	26,504	25,485	4%
25	25,485	1,019	26,504	-	4%
		297,019	672,019		

The aggregate interest paid in Table B exceeds that in Table A because of the different assumptions made regarding the level of the interest rate at different points in time.

Interest only mortgages

In this case, the customer is only required to make payments of interest. The customer has flexibility to make capital repayments when they wish, and in any event must repay the full loan on the repayment date if it has not been repaid beforehand. For example:

Table 7.5 interest only mortgages

Cost of property from third party	£500,000
Terms of finance	25 years
Customer deposit required	25% which is £125,000
Amount of loan	£375,000

Interest rate	XYZ Building Society's standard variable rate, currently 5%
Interest adjustment dates	The interest rate can only be adjusted at the end of each year.
Frequency of customer interest payments	Once a year on the anniversary of the making of the loan.
Customer has discretion when to make capital repayments	

As the lender is taking the risk that the customer will pay off no capital until year 25, it has a greater risk exposure than with a repayment mortgage, where the amount of debt outstanding reduces over the life of the loan. Accordingly, lenders typically only offer interest only mortgages to their more creditworthy customers.

There is no point producing a table of figures for an interest only loan, as the pattern depends critically on how much the customer chooses to repay before maturity and when he/she chooses to make those pre-maturity payments. If the customer pays off no capital until year 25, on the repayment date he must find £375,000 to repay the loan in full.

As explained above, the pricing for Islamic property finance is based upon the prevailing market interest rates for conventional finance. That is inevitable in an economy where money can flow between the two sectors; having a price for *"Islamic money"* that was different from the price for *"conventional money"* would simply create arbitrage opportunities that would damage the Islamic finance sector.

In practice, Islamic property finance is usually more expensive than conventional property finance, even though both are based upon the same market price for money. There are two basic reasons for this:

1. Islamic banks are typically much smaller than conventional banks. For that reason, they lack the economies of scale that allow the conventional bank to reduce their non-interest costs, such as staff and technology costs to the bare minimum.

2. Islamic finance typically has more transactions than conventional finance to achieve the same goal. This can be seen from the above examples. It also has other costs, for example the costs of the Shariah supervisory board. All of these extra costs have to be passed on to the customers of Islamic banks. (Amin Mohammed, Chartered Accountant and Tax Expert, and Politician)

In summary, all of the presently available home purchase loans are more expensive than the conventional alternatives. They also require a very large deposit, usually never less than 20% of the property value, whereas a conventional lender will be willing to accept lesser deposits. This means that automatically, these factors lead to the exclusion of those that cannot satisfy these conditions, those that are struggling financially. In reality for those that subscribe they are paying a premium on religion. As noted in chapter 6, the protagonists of Islamic finance, notably the government felt that Muslims that currently live in rented accommodation would automatically be owner-occupiers once the magic of Islamic finance alternatives were unleashed. A critical overlooked factor in this assumption is that the target market simply cannot afford to meet the lending criteria and chapter five confirms that the majority fall into this category as they are disproportionately poor.

7.2.3 Role of financial advisers

The financial advisers played a key role in the home buying process for the respondents. They surmised that being very accessible either by phone or in person helped the process by making it appear less official looking. Significantly, the ability to be free with the adviser and ask certain questions was a motivating factor. As expressed by one respondent, who said,

"I could call him any time, and he would be happy to explain. I had a lot of questions and doubt about it at first and I was always calling him, even at night".

The role access plays as noted above was another reason advanced by another respondent, who commented,

"I live outside the city, and I usually work in the daytime so I don't find it easy travelling".

A very influential reason noted by some of the respondents was about trust. They felt that banks would never tell them the truth and as the adviser referred to them was from their own communities they felt much more comfortable. This role played by the financial adviser can be explained in terms of their being embedded in the community's ecology and a near permanent feature, one whom they could relate to and one that would not close shop if conditions change. As he himself explains,

"I am married, my wife designs and sells dresses, my kids attend both schools (the conventional and Islamic schools), I play football we have a team and we have Nasheeds which I play a major part in organising" (Male, Financial Adviser).

On how he acquires his business, he replied;

"From referrals, Alhamdulillah, I don't really have to struggle much".

In summary, Muslims as noted above a have a strong affiliation to their religion and by extension *'brand Islam'.* They in some instances do not mind paying a premium to satisfy their beliefs. This has been demonstrated in the Islamic home finance segment of the market. However, as the next section will show the converse is equally true. This follows from the belief that Islamic home purchase loans are expensive. As this section showed, the current home purchase plans in the first instance have a minimum threshold of about 20% that they require as deposit for accessing the loans; secondly, as this section has demonstrated subscribers actually end up paying more compared to a conventional mortgage. This is in a market that the majority of the adherents of the Muslim faith in the UK are disproportionately poor, as shown in chapter 5. A reason advanced by those who have subscribed to the market has to do with the role the financial adviser plays in encouraging customers to use the home purchase plans. The adviser's accessibility and being part of the community was a key factor in fostering acceptance for some of the respondents.

7.3 Alternative strategies for acquiring homes

This section looks at alternative strategies Muslims have adopted in crystallising their dreams of home ownership. In particular, the role played by the family in supporting home acquisition and the use of conventional mortgages and community based home finance alternatives are explored.

7.3.1 Family

The family has been cited by some respondents as a source of funds for the realisation of their dreams of home ownership. As noted by a respondent, *"When I wanted to put down a deposit for my house, it was my parents who contributed because I did not have enough money"* (Saeed 42).

Muslim families contributing towards home purchase has been noted by respondents to be a very common thing, chiefly in the Pakistani and Bangladeshi communities. This is fostered by the fact that families usually extending three generations tend to live under one roof. For example, one man stated,

"When I was going to get married, my parents and I contributed to moving to a bigger house as my wife was coming to stay with us" (Adam 35).

This raises several questions as to what constitutes a home and also what kind of level of financing is required, which needs to be considered by the financial institutions. As the next interviewee expresses

"I went to the bank and because I was a cab driver they did not give me a loan, luckily I came to an arrangement with my uncle where I was to pay him back over time for the loan he gave me" (Zayyan, 29).

When I asked him does his uncle own his own house, he answered, *"Yes of course, he is quite wealthy, he has his house in Gujarat, India".*

This also was quite interesting as he explained that many people here are being sponsored by either their relatives or even communities back home to come here and make a life. As he noted *"Guajarati's do not play with their money".*

This exposes the fact that transnational investments do not occur only in unidirectional flows.

7.3.2 Conventional mortgages are Halal

In Islam, in many instances where you are forced by necessity or need, one is allowed to make a decision as to what one needs to use or do and act accordingly (although certain schools say you must seek the permission of a scholar). This is only permissible in the absence of what is legally permissible. This principle as discussed in chapter three is known under the Shariah as Darura. Interestingly, this principle has been invoked by some in the West for the use of conventional mortgages arguing that it is a necessity to own a house as such it is permissible to engage with conventional mortgages.

Two respondents, both Nigerian male doctors whom had both taken out mortgages using the conventional route alerted me to a Fatwa issued by the European Council for Fatwa and Research (ECFR).

"We bought our homes using conventional mortgages. We have done our investigations and are convinced they are allowed" (Ahmed 42 and Salman 40).

When I challenged them on the existence of banks providing Islamic alternatives they acknowledged knowing about them and one of them had even visited a branch in Manchester to open an account, which he still maintains is *"for the sake of Islam"*. However, he continued that upon inquiries, the conditions were too steep, especially the minimum deposit required. He also argued that

"Islam always looks to serve you in the easiest manner, what they are doing cannot be justified, in any case I am doing it because I cannot afford their conditions" (Ahmed 42).

According to Caiero (2004) the research on the group charged with presenting the position of the ECFR drew on the initial findings of an on-going research project, funded by the European Union, entitled *"Muslim Voices in the European Union-The Stranger Within", coordinated at the nature of social exclusion, marginalisation, economic deprivation & cultural disadvantage",* which is for European Muslims, be they citizens, residents or immigrants in eight European countries including Belgium, France, Germany, Holland, Switzerland and the United Kingdom. Primarily to investigate the different ways and processes by which Muslims have been socially excluded and marginalised in Europe. On the use of housing as a key criterion, the study noted that the nature and standard of occupation is a sufficient indicator at gauging the degree of settlement and integration of Muslims in the host country.

According to Caeiro (2004, p359) the majority of scholars agreed on the use of the mortgages and the text of the Fatwa read *"The Council supports what has been decided by Fiqh Councils throughout the Muslim World that bank interests are usury".* Subsequently, the ECFR invites Muslims to seek Islamic alternatives and, in their absence, to establish their own construction companies. In the case of lack of availability of any of the previously mentioned solutions, the members *"see no harm in buying mortgaged houses"* if the buyer who purchases the house does not already own a property and does not dispose of it.

The two year study which began in 1997 was aimed at studying *"the capital required to avoid a mortgage".* Caeiro 2004 explains further that the ruling is based upon two juristic principles: Firstly, the necessity (darura) that *"turn unlawful matters lawful",* or need (Haja) *"which can be treated in a similar manner to darura".* Basing itself on five Qur'anic verses that express the permissibility of making exceptions out of necessity, and the facility that the Creator wants for His servants, the ECFR argues that rented accommodation does not fulfil the normal needs of Muslims. In terms of making the Fatwa public, Caeiro (2004) notes that in Britain it was spread mainly through the FIOE and Islamic Mission networks; noting that two key members of the ECFR both from the Indo-Pakistani region did not support the ruling thereby considerably reducing its efficacy. A very important point indicated by Caeiro (2004) was that Indo-Pakistani-Bangladeshi Muslims tend to request fatwas from Indo-Pakistani-Bangladeshi muftis, either in the West or in the subcontinent, rather than Arab scholars, which in itself indicates contestations' concerning Islam as this thesis has shown.

Although I have looked for the text of the fatwa repeatedly online without success, a similar ruling has been provided in America by Monzerkahf, where he also issues permission along the same lines as those provided by the ECFR. Despite these affirmations however, as noted above there have been opposition to the Fatwa as indicated above and this may account for the removal of it from the online space.

7.3.3 Community Based Alternatives

One of the alternatives proffered by a major group led by an Imam opposed to the way Islamic home finance products have evolved is the use of community based home financing products. In this instance they set up Ansar Home finance, a company based in Manchester to fund home purchase aspirations of its members. Modelled on a similar project in Canada (which was Islamic based), it worked on the mechanism of contribution by members and loans were given on first come first served basis. This model was deficient for various reasons. One, it needed a lot of contribution from the very few members available, secondly it relied on repayments which were in themselves a risk and lastly and I feel most significantly they did not make efforts at appealing to a broad base of Muslims even within their own immediate community. As a result, the company has since stopped home financing, but concentrates on giving interest free loans.

7.4 Contested Narratives

In this section, I am going to highlight some of the key challenges faced by the both the government and the private sector in the operationalization of the Islamic finance market as advanced by respondents. This section will show that for the major protagonists, there is a lot of contestation about terms, practices, expectations and results, which have been a constant defining feature of this study. It starts by noting the regulatory challenge being faced by the UK government to issues such as the economic environment, Muslims attitudes and the belief that it has not kept faith with its roots.

7.4.1 Regulatory challenge

The UK government has identified the regulatory risk posed by Islamic finance as highlighted below

"There are a number of issues which have posed challenges for regulators around the world, including issues related to capital, deposits, legal risk, corporate governance and reputational risks. Financial legislation has been created to deal with conventional products. As such, Islamic products, which are structured to replicate the function of conventional products, may be categorised differently, or not captured at all, under the existing framework, due to differences in their underlying legal, economic or risk structures. ***This issue is exacerbated by the fact that within the Islamic finance industry, conceptual definitions can give rise to products with differing risks, legal and economic characteristics.*** *Terms such as musharaka, mudaraba and murabaha are generic categories.*

*These terms define the types of transaction which underpin specific products – but they are not the products themselves. As a result, different products utilising the same underlying contracts (or indeed a combination of contracts) may vary significantly in terms of their risk profiles and economic substance" UK treasury (2008)…..***emphasis mine**

As can be noted from the above, the issue of contested terms that are going to be used has been documented as a key problem. In response to that the UK treasury has advocated for standardisation of products and contracts and in that regard the FSA has set out specific terms and contract forms for Islamic home purchase plans. This call for standardisation is similar to that being raised by respondents in chapter six that have called for lesser roles in the industry by the Shariah scholars arguing that standardisation shows that they (the Sharia scholars) are no longer needed.

7.4.2 Economic environment

The economic and social environment has also been a key factor in the development of Islamic finance in the United Kingdom. In particular, the recent financial crisis had an impact on the development trajectory of Islamic finance. In some cases it slowed it down, in others it stopped them from even taking off at all after a lot of hope and effort had been invested. As was alluded to by this respondent,

"*The economic environment isn't the best at the moment, if you add to the fact that we are dealing with a sceptical audience and people in general are far more wary about parting with their funds or investing their money. There is a greater choice as well and it's definitely a buyers' market. The fact is that we are not looking to expand our business very quickly. We are looking for organic growth and is there enough business in the market for us to be able to achieve that. We definitely think that is the case and so despite all of this that may be obstacles in us securing business, they can be overcome and our track records are showing that people are still willing to invest. So to define and target them, and supply the services they require we need to know who they are" (Banker, Birmingham, August, 2012).*

When I asked him are there any specific kinds of Islamic investments they are interested in he answered.

"The overall scheme of things is what we have a global economy and to a large extent there is a global regulatory frame work which is loosely coupled with arrangement of the international regulatory framework, within that we have conventional funds. We also have Islamic funds as well for example Islamic fund equity issued on the Dow Jones Islamic index. Outside the regulatory framework, we have private equity and we also have what we term family debts. We have families across the Middle East who have great amount of wealth and have appointed professional advisers or have created an organization within which to invest these funds. Consequently, there is a difference in how these funds are structured, which substantially makes a difference to the risks associated with them. Ironically, it was conventional funds that initiated the idea that a regulated fund is safer than an unregulated fund, but that can possibly be challenged because of the recent economic quagmire. It's still a principle which is true but the proof is in the pudding"

Prodded further on any specific investments he explains that the answer to the question lies in the substance of each arrangement. Looking at Islamic finance in general and the principle in which investment is carried out, whereby leverages are reduced, it is either structured using commodity murabah, which has an association with the capital market as well. However, he notes that in the commodity market you will find that there is less exposure to the capital market, and the Islamic finance institution as a whole has been as adversely affected as the market outside Islamic finance. A few factors have probably contributed towards this another respondent explains

After 9/11; many Middle East investors in Western countries became quite concerned and removed their funds. Then we had the credit crunch crisis, which further shook the confidence of these investors, hence, they are willing to develop these funds within their own borders in markets which they understood, e.g. Saudi, the U.A.E apart from Dubai, which had a fast growing GDP in line with India and China. Consequently, if you consider that a considerable amount of the money was not involved in these institutions, therefore, the investments that took place in the Islamic finance industry were generally better protected than those which were exposed to banks whom where lending 30-40 times what was actually in their vaults" (Financial adviser, London, July, 2012).

Still on the lingering effects of the financial crises a financial adviser laments the effects

"I got my approval right bang in the middle of the credit crunch. I honestly thought it would only be for a year and it's almost four years of the same old thing" (Financial Adviser, Manchester, June, 2011).

In summary, this section has shown the reach of global finance capital and the fluidity with which it moves between territories, Significantly, it exposes how Islamic finance which the UK government is promoting, also exhibits this fluidity and ability to move between territories. It clearly shows that investors are sensitive and London has major competition for Islamic finance assets.

7.4.3 A Sceptical audience

Despite several strategies adapted for the sale of home finance products, there are obstacles that constitute a stumbling block to the smooth operation of this business. Primarily, it starts with a definition of the terms used in the business. They are, like other issues hotly contested and this has had consequences in the way and manner of offering these products. Issues of geographical location, religious indoctrination and the seemingly unquestioning mind that adherents of the Islamic faith adapt towards their leaders are alluded to by this respondent, who stated that

"*Most Muslims in this country come from the Indo/Pakistani region; unfortunately the educational standards aren't very great. Islam is taught as these are the dos and don'ts and don't take interest. You are never really taught to understand something in detail. So a person goes away thinking a mortgage is haram. Stay away from mortgage. So if someone comes with a new concept, how can a mortgage be halal? No it can't be. However, an Islamic home purchase plan is not a loan. You are buying a house in partnership. These guys aren't trained to think. They will not ask you further questions and they believe there is a catch. I've believed all my life that mortgage is haram. These guys come; they've got an alternative for me and I'm not convinced…*

Secondly it's not the fault of the banks. Initially it was not regulated, so anyone could offer it (Islamic home purchase plans). In fact there was a butchers shop in Burnley selling Islamic mortgages. They introduced the term Islamic mortgages or Halal mortgages. It was never a mortgage. On the other hand you'd have scholars that would stand up and say that a mortgage cannot be halal; they have changed the name of interest into rent. And if you are a bank with limited resources it won't make sense to start opening up branches or mass markets in areas where the people aren't convinced they are Islamic. In some areas you may *have 10-20% of the people who would say that this is permissible and it still won't make sense since you still have 80% whom you would still be arguing with about whether this is halal or… so it does not make sense. Conversely, this is a kind of feeling about whether its halal or haram but on top of that, there is this feeling that this is just a way of getting money out of Muslims. They think that Islamic banks are expensive. They think that these guys are profiting out of us. The banks have to expend extra energy to convince people already feeling ripped off and what people don't realise is that in Islamic finance all costs are transparent. Before you enter into any contract, you have to put all the costs on the table, this includes the evaluation cost, legal cost etc. what, there is about five costs here. But if you go to a conventional bank they don't talk about costs they talk about the fees, the rates of 2% for two years. They don't tell you after 2 years what the rates will be. But if you got to Islamic banks they tell you it's 4% and you are ticked off this is double the 2% … Because of the honesty you, as a customer, will think you are being ripped off. You can't use the sales pitch and cover half the costs because that would be unIslamic, you be upfront and give all the costs and you can't compete with the conventional banks; so that's the problem" (Anwar 29, Marketer).*

A key issue of its not being competitive compared to the conventional which has been raised earlier and analysed is still a cause for concern as a respondent who compared the Malaysian model to UKs model suggests.

"Islamic mortgages need to become financially attractive. If you look at the model in Malaysia it's not a great example because there the government actively supports IF by giving it tax breaks that conventional finance doesn't get. However, in Malaysia, if you have an Islamic mortgage or Islamic insurance it is often cheaper than the conventional so the population as a whole decides to purchase it, thus, in that way it is developing quickly and it is deep. Besides that if you look at the UK, Islamic mortgages are more expensive than a conventional and that is a deterrent for many people, and unless we can find a way of making it cheaper it cannot really take off. There aren't enough people who would make a purely faith based decision" (Lawyer, London June, 2012).

Still on the inadequacy of the faith driver...

"We are still looking at a very small population 2 million out of 60m and not enough of that population is going to make a decision to go for Islamic finance unless its competitive and am

not sure at what point it's going to become economically viable sensible, but the fact that it's there that people have an option is very helpful. I think for a lot of people Islamic Finance needs stop looking at itself as something that's marketed at Muslims as needs to start seeing itself as a form of ethical finance that is marketed at the population more broadly because if it doesn't establish itself as form of ethical financing now that people are disillusioned with conventional finance it never will, this is a perfect opportunity, but it has to explain going to the other point why it is different what's its able to contribute to a community that conventional finance can't, it needs to make those arguments" (Chartered Accountant, London, October, 2012).

7.4.4 Disconnected from its roots

A criticism levelled against Islamic finance as it is currently acquired in the UK, has been that it has failed to keep up with its roots in terms of serving the community first. There seems to be an expectation that in the least it should make products much cheaper and more accessible. To some its failure in this particular area signals the fact that it is no different to conventional banking. This is coming from the professionals who are involved in the business. Some of the respondents share this sentiment and explain what they feel is really the cause of the replication occurring in the industry

"*Islamic finance is very much in a developmental mode at the moment and there is a huge amount of hope placed on it. But at the moment there is a lot of focus on replicating conventional models and so it's frustrating for people, for some people who work in the market at the moment. I don't see it showing an alternative way of financing communities. It seems very much like the traditional method of finance and therefore, it is not as attractive as it could be. If it was a totally different way and if it was demonstrably different you could see the benefit of sharing profit and risk then people might gravitate to it"* (Lawyer London, June, 2012).

Explaining some of the constraints holding back the growth of Islamic finance in the UK a participant notes…

"*It is all about innovation. If you are an Islamic bank you are broadly subject to the same capital requirements and regulatory constraints as conventional banking and I think most of us want secure and safe Islamic banks as well as conventional banks. Generally speaking as I understand it most Islamic banks have a lot of deposits and they are well capitalised. I'm not convinced that that is what is holding them back. It is about having a vision and putting it* *into effect. I think most of us and our clients are used to working in a particular way and that is the conventional way. That's what we trying to replicate and that it is a very bold experiment to try and do things completely differently*" (Lawyer, Munich July, 2012).

Defending the slow growth of the industry another respondent gives the followings reasons…

"*It's a new industry and there are not enough people that are familiar with the principles of Islamic finance and we need to build up the infrastructure, especially the people, the research and the thinking and commentary". It's still a small group and it needs to grow"* (Lawyer London, June, 2012).

Another criticism which has been labelled against Islamic finance has to do with the fact that some conventional banks offer Islamic finance products through windows they have opened to serve that distinct market segment. This argument stems from the belief by proponents that conventional banks have no business promoting Islamic finance. As one stated quoting a Quranic verse *"you cannot build something legal on the foundation of what is illegal"* (Cleric, London, June, 2012).

In defence of the participation of the conventional banks, a respondent notes that

"*I think it's actually a very positive sign that these big institutions are involved in Islamic finance because they see it as an area of growth and they see it as an area in which they can make money. This says many positive things about Islamic finance and its future because if it was just an area that was run just by the small Islamic banks, all of whom are tiny compared to the conventional banks, it wouldn't be a market that could fund big transactions, it would be a tiny niche, but because the big international banks are involved it has the capacity to be a really global player and it has the capacity to grow as a percentage of the conventional market. So I think that quite often a conventional bank would partner with an Islamic bank because the Islamic banks have access to certain types of investors and clients the conventional banks don't and the conventional banks then offer that product to their very deep investor base and so the conventional banks are working very well with the Islamic banks and the Islamic banks are learning from the conventional. As such I don't see it as a negative thing and I think it's quite actually a positive"* (Lawyer London, June, 2012*).*

In summary

In the development of the Islamic home finance, several challenges have been noted. These include the governments concern about a lack of standardization of terms due to varying meanings of the different terms which are also contingent on specific contexts being used. Another challenge has been the effects of the recent financial crisis which has had an impact on the development of the market and which has led to the slowing down in the development trajectory of the market. Education and beliefs of the target market, the Muslims has also been identified as a stumbling block in the acceptance of the market by Muslims in the UK. Specifically, as noted in 7.3.2 the majority of the Muslim community in the UK is from the indo Pakistan-India region and they have from the onset of the introduction Islamic home finance, been advised against partaking in it. For me the most compelling argument has been that it has failed to keep faith with its Islamic roots, where it should have been very visibly different in terms of cost and access by being cheaper. This would have been a positive signal and would have made it move from a product targeted at a marginal community to one that is all inclusive.

7.5 Conclusion

Muslims in the UK are under pressure to show they belong and one sure way of showing this is by owning a home. For them, this is not just about identity it is a road towards reproducing their families in a way and manner that is consistent with their religious beliefs but also one that guarantees a better way of life for their families. Acquiring homes, especially in areas with better prospects for them assures them and their families of improved social mobility within the UK. Equally apart from serving as a space for family reproduction, they are being used as an investment outlet with calculated returns, thus, they are essential for Muslims.

In trying to make it easier for them to live in accordance with their religious beliefs and also integrate into the broader financial circuits of capital using the financialisation process, the UK government has facilitated the setting up of Islamic finance institutions that provide Muslims with alternatives to the conventional mortgages when acquiring homes. For those Muslims that are willing and able to embrace this newly assigned financial subjectivity, the attraction lies; in the brand which is Islamic**;** the cost, which they could afford to pay a premium for; and the tenacity of the new agents of the banks, in this instance the financial advisers.

Not all have been privileged to be in the same class as those that have been able to embrace this newly assigned subjectivity, for the rest, alternative strategies are the norm. As for the majority; this is clearly a market way beyond their economic reach. In seeking options two key underlying issues inform the direction, specifically, cost and perception. There is a clear contestation about Islamic home finance on all levels starting from its definition of terms, to its practical application. It has failed to significantly demonstrate its difference where it matters and as such, the goal set for it of financial inclusion for the Muslim minorities has not been met yet as they are still forced to seek alternatives and hence, circumvent the new financial markets provided by the government.

CHAPTER 8

Conclusion

This thesis has explored the multiple political, financial and social linkages that are a consequence of the development of the Islamic home finance market in the UK while contextualising the connections between the aspirations of the protagonists, and state policy, economic development, global financial flows, family livelihood strategies and aspirations of potential and actual consumers. This analysis has been grounded in an examination of the ways in which Muslims in UK are being constructed as financial subjects and how the construction of these subjectivities fits within broader discourses of new forms of financial markets and neoliberalism. The study is based on multi-sited empirical data collected at London, Manchester, Birmingham, Blackburn, Bradford, Newcastle-upon-Tyne and Munich. It has employed a multi-method approach to data collection that includes surveys, semi-structured interviews, focus groups and participant observation as well as secondary qualitative and quantitative data. It has also employed a set of methodological techniques such as volunteering at the Muslim organisations especially the Muslim Council of Britain and establishing links with groups, which facilitated the research process and provided a wide range of contextual and practical insights not available in the formal literatures.

This final chapter begins by reviewing the research questions and outlining the main findings of this research. This is followed by an exploration of this thesis theoretical, empirical and methodological contribution to current debates on Islamic home finance. Finally, it outlines some of the policy implications that derive from this study and highlights the avenues for future research

8.1 Thesis Summary

The research was grounded in the following questions.

1. How is the Islamic home finance market being constructed in the United Kingdom by the various actors? And what role does regulatory accommodation play in the development of Islamic finance in the United Kingdom?

2. How are potential consumers of Islamic home finance products actualizing their dreams of homeownership? And what implications do their understanding of the Islamic home finance markets have on our knowledge on how these type of market is created.

In order to answer these questions, Chapter 2 analysed triggers for disenchantment with the current dominant economic form neoliberalism an era of growing financialisation of the process of capital accumulation. It also sought to make links between geographies of law and religion and the roles they may play in broadening the discourse on new forms of alternative financial markets. Chapter 3 discussed the context within which Islamic home finance finds expression. It traced the origins, laws, and theories. Equally the chapter noted the key current debates about Islamic home finance and that underpinned its development while keeping in frame its geographically determined context. The chapter also traced the roots of conventional mortgages.

Chapter 5 charts the UK Muslim population and their attributes and lists the various progressive steps in which the UK government has accommodated Islamic home finance. It also unpacks using empirical survey data collected during the studies in the east end of London, Muslims perception on the Islamic home finance. Chapter 6 presented the motivations for the various protagonist of the Islamic home finance market. It does this by examining the quest by the UK government to provide financial inclusion for Muslims and at the same time maintain its position as a global financial city. In the same vein the chapter also discerned the motivation of other protagonists in the development of the market. The chapter in addition to uncovering new financial actor/ elites also showed how the market is created. Finally, chapter 7 examines the views of those that have been incorporated to the Islamic finance markets whilst at the same time analysing the alternative strategies explored by those that have not embraced the new subjectivity being advanced for Muslims in the home finance sphere.

The empirical findings of this research can be grouped along four main lines

First despite the numerous progressive changes introduced since the 2000s by the UK government with the twin aims of positioning the UK as a world centre for Islamic finance and, simultaneously including financially excluded Muslims in the financial sphere, there has been a mixed bag of results. Its aspirations to boost the Islamic home finance sector, the first Islamic finance experiment in the UK finance scene, has experienced diminishing prospects. The housing finance market remains shallow at best. The low levels of awareness, scepticism and low levels of formal employment and economic activity amongst UK Muslims have meant that in practice, Islamic home finance remains out of reach for the majority of UKs Muslim population, who belong to the lower and lower-middle income strata. In pursuing its two main objectives for Islamic finance, the UK, under two different governments, previously Labour and presently the Coalition, have given different levels of support to the Islamic finance project. Under the previous Labour government, there was a notable drive in ensuring that Islamic finance gained a foothold in the UK economy. With the coming of the Coalition government, there was a cooling down in enthusiasm, especially following the recent economic crisis. In recent times however, following pressures from other world cities that are competing to make themselves the main centres of Islamic finance, the UK government has shown interest in developing London as the key center for Islamic finance. The desire by the UK government to incorporate financially excluded Muslims into the wider socioeconomic space as financial subjects through programmes that incorporate them into broader circuits of finance capital has not been achieved. Although Islamic Banking and finance in this thesis was settled upon as an alternative, more socially just economic and financial system given its reliance on an explicitly religious framework as a source of governance and legitimation, unfolding practices seem to point more to financial neoliberalisation with an Islamic face as evidenced in the home Islamic home finance sector of the UK.

Secondly, in the creation of the Islamic home finance market, unlike other businesses it was necessary, to give it religious credibility to attract the target market, in this case the Muslims. The established protagonists charged with that responsibility in this case are Shariah scholars. Their influence over wide places and spaces has been acknowledged in previous studies. Without a doubt they have helped to legitimise it in the eyes of some the Islamic finance market. This study has revealed that there is an observed resistance to their continued presence beyond the initial legitimisation of the industry. The call for standardisation by other actors has been noted to be a reason by other protagonists especially lawyers to justify why they are no longer needed. Equally, this study has noted that their influence is principally determined by their geographical origin. As Muslims especially those of particular regions tend to follow those scholars of their own region. Lastly, as with other processes in the creation of the Islamic finance market, the marks of approval they have given to the financial institutions and their products are also being contested in terms of their adhering to their Islamic roots by the target market.

Third, this study has uncovered another set of actors that have a commanding influence on the target market of Islamic home finance, the Imams. Their influence as gatekeepers of the various Muslim communities gives them a pivotal position in the advancement of this market or otherwise. Being proximate to the communities, they are closest and, occupying the rostrum on Fridays during the weekly prayers attended by the majority of Muslims offers them the best platform for reaching the Muslims in the UK. In this instance, due to their non-inclusion in the scheme of things for advancing the Islamic home finance market they have been key in subverting the process. This study reveals that the Islamic home finance market has been dogged right from the onset with contestations about its legitimacy which have been guaranteed by Shariah scholars at the stage of business incorporation. Conversely, the Imams have contested this certificate of legitimacy offered by the Shariah scholars. As key antagonists, the Imams who have not bought into the market and consequently they have advised their followers to shun the market. This subversive action brings to light the tactical mistake made by the protagonists by not including these set of financial actors in the development of the market.

Lastly, for those consumers that have embraced this new financial subjectivity, it has come at a premium. A premium they were willing and able to pay given that they belonged to a group that live above the poverty line, a distinguishing financial variable of minority of Muslims in the UK. For them buying into the market was all about identity, both Islamic and British; a strategy of family reproduction in better areas to have better socio-economic opportunities; and lastly a calculated move in investments that guaranteed returns. For those that still remain financially excluded, the market is beyond their economic reach. For some of those interviewed in London, they are not here to stay, as they are temporary trans-financial immigrants. The market is not of interest for them and their significant number means that the figure of UK Muslim population includes especially in London, those whose potential for being incorporated into the new financial market is overblown. Again for those who are permanent residents, they have opted for other means of achieving their dream of home ownership. These alternative strategies include the use of family support to raise funds even from abroad and the resort to conventional mortgages deeming them Islamically legal. This subversion of the top down creation of Islamic home finance market has resulted in the financial exclusion once again, as financial institutions especially the previous largest provider of the home purchase plans HSBC and others like Al- Buraq all withdrew from the market.

8.2 Contributions to knowledge

Given the dearth of previous research on the connections between the economic and legal and religious geographies with Islamic finance in the context of housing, this thesis makes a number of theoretical, empirical and methodological contributions to knowledge.

The main theoretical contribution of this research stems from its crossing of not only disciplinary boundaries but also international boundaries in way that goes beyond the calls to bridging economic geography and development geography (Pollard and Samers 2011;Murphy 2008; Pollard et al. 2009; Pollard, McEwan, and Hughes 2011; Vira and James 2011) to foster an avenue into research that that analyses the role religion plays in economic development especially for analysis that emphasises the mutual constitution of the global north and south and de-compartmentalises space (Pollard et al., 2009). In particular, this thesis it has developed a cross-disciplinary conceptual framework that allows the engagement with legalities (Blomley, 2004) and religion across territories which also exposes local-to-global connections of the Islamic finance industry and the diversity of the influence and contestations about them and how they shape and are shaped by the wider socioeconomic and political-economic processes of capitalist development (Chapter 2). This framework has been developed by paying particular attention to the role of the state in shaping and framing these practices in an era of growing financialisation of the process of capital accumulation (Chapters 5 and 6) while privileging embodied accounts of Muslims and their attitudes towards Islamic Finance (Chapters 6 and 7). Thus, this research has answered the call of documenting the “uneven and precarious realities of financial globalisation” (Pollard and Samers, 2011-13).

The main empirically-based but theoretically significant contribution of this research stems from the conceptualisation of Muslims as financial subjects. In this sense, I have made three main arguments. Firstly, the UK government‘s efforts to cast UK Muslims as financial subjects and hence develop an Islamic home finance market is tightly linked to wider attempts at the institutionalisation of the UK especially as a world center of Islamic finance. These attempts are embedded in ideologically-driven neoliberal discourses of citizenship that privilege the financial market as the medium for individuals’ and households ‘socioeconomic reproduction and displace the responsibility for economic development from the state to its citizens (at home and abroad). Secondly, based on the primary role of the UK government in the construction of Muslims as ‘financial subjectivities, the government continues to play a crucial role not only in framing the terms under which Islamic finance operates, but it is also being pre-empted to act and safeguard its interests as the host of a world financial city in an attempt to attract the resources beyond its borders for development within the Nation. Lastly, the singling out of the housing and financial sectors for Muslims 'integration is based in a belief in the neoliberal orthodoxy of development economics and misplaced recognition of the potential that Muslim households may have in investing in the sector.

Additionally, as demonstrated in chapters 5 and 6, the Islamic home finance discourse and its programmes tended to be based on a set of deeply unexamined assertions of Muslims in the UK as a homogeneous community capable of realising their dreams of homeownership financially and willing to pay a premium due to convictions in faith. This ignored their true conditions of being ethnically and religiously diverse, and more importantly being disproportionately poor within their community and in relation to the wider UK population. Furthermore, because the financial inclusion narrative being promoted by the government used quantifiable general measures of development, they failed to capture the multi-faceted and more nuanced make up and needs of the UK Muslim community and what implications these have for any developmental policy intervention.

Whilst the very few studies of Islamic finance and in particular Islamic home finance take a single group's view and tended to be quantitative in approach and analyses, this thesis takes a different approach. A key methodological contribution of this thesis is in contrasting the views of protagonist and antagonists whilst simultaneously seeking out nuanced understandings of consumers attitudes and contrasting this against the prevailing narrative by the use of both quantitative and qualitative approaches.

Although the use of technology in this instance google hangouts, provided a number of advantages especially the reduction in cost at the interviews stage, it also has some drawbacks. Principally, in terms of interviews, the inability to see the interviewees in person and as such read body language and look for cues which may be signals that determine other questions was a significant drawback.

Lastly, there is a notable dearth in literature about Islamic finance and in particular Islamic home finance. This thesis contributes to this lacuna by presenting an account of Islamic home finance in the UK. Despite the belief that the Islamic finance industry is "booming" (Bassens, Derudder and Witlox, 2009) there is remarkably very little in way of literature that examines this important market. The few that have theorized on the issues of territoriality and governance, the location of the key cities and post-colonial approaches to Islamic banking and finance (Pollard and Samers, 2011; Bassens, Derudder and Witlox, 2009; Pollard and Samers, 2007). This thesis has used a range of methodological techniques (Chapter 4) that identified protagonists and the target markets different conceptualisations of the Islamic home finance market in the UK and framed this practices within broader national and global political, economic and social processes.

8.3. Policy implications and avenues for future research

There are two broader ambitions of this research that connect to particular research agendas in the social sciences. Firstly, my research is applicable and contributes to the field of geographies of finance through its focus on geographies of Islamic finance and a focus on Islamic home finance. Secondly, the discussion of diversity and contestations within the UK Muslim population provides a nuanced and contextualised perspective of these social forms. This reading has both academic and policy-related implications. Academically, it provides a linkage through which the research could feed into a wider research agenda within the field of new economic geographies studies leading to a deeper understanding of how particular geographies of finance are experienced. In terms of policy implications, the research develops an understanding of UK Muslim communities that challenge the stereotyped narratives of political and popular discourse, upon which policies for community cohesion and integration are often based. Therefore, the research is an instrument that serves as a platform to re-appraise and formulate new policy for Muslims and their families in the UK.

Secondly, while I have drawn upon wide-ranging inter-disciplinary theories and concepts in this thesis, I have developed an approach that attends to particular sub-disciplinary priorities in human geography. In studying Islamic home finance, I am combining the twin issues of religion and finance with particular themes in human geography that relate to inequality, social justice and everyday social life. Again, this interpretation has both academic and policy implications. Academically, there is scope to develop this approach in different contexts to gain a better understanding of the ways in which social structures and relations facilitate or constrain different imaginaries in or between particular spaces. Such an approach could be drawn upon in subsequent empirical studies to provide a grounded and evidence-based resource for policy audiences. The broader ambition of this research is to raise awareness on the nature of contestations about Islamic finance and its inability to check the growing socio-spatial inequalities that are produced by neoliberalism, a form Islamic finance has morphed into. Crucially for Muslims in the UK, in the context of decreased job opportunities and growing youth population, this major shortcoming has far-reaching implications for the search for an equitable and just system of finance.

Appendix 1

Questionnaire on Islamic home finance

Questionnaire on Islamic home finance in London

The following questions are related to research conducted with regard to Islamic Home finance in the United Kingdom with the fieldwork element being concentrated in the east end of London. It is noted that some of the questions that are being asked in this survey may be very personal and confidential but I am hereby giving the assurance that the information obtained shall only be used in a manner that does not identify you in person. Your responses will be kept confidential.

Please kindly answer the questions below

Q1. Do you have a bank account? □Yes □No

Q2. If yes is it with a □ A conventional Bank □ Islamic Bank □ Building Society □Other

Q3.What kind of banking services do you use?

□Current account □Savings account □Investment account

□Overdraft/loan account □Debit card □Credit card □Mortgage □Islamic mortgage

Q4. Do you? □Own the House/flat you live in? □Are you paying a mortgage?

□Are you an outright owner? □Rent the house/flat you live in?

Q5.If you are a tenant, what is the major reason why you have not purchased a home?

□Cannot afford a mortgage □cannot afford the deposit for a mortgage

□Cannot make repayments □Do not have good credit for a mortgage

□You are avoiding mortgage due to religious prohibitions

□Cannot afford Islamic mortgages

□Not planning to live in the United Kingdom

□Other

Q6. What factors might encourage you to buy a home in the near future?

□More affordable home prices □Increase in income □cheaper mortgages

□Price stability □Availability of Islamic home finance □other, please specify

Q7.What factors may serve to discourage you from buying a house in the future?

□High home prices □not enough deposit □low income □job insecurity

□Non availability of cheap Islamic home finance alternatives

Q8. Are you aware of how much you need to deposit for a mortgage? □Yes
□No

Q9.If you have a mortgage what proportion of your monthly income will you be prepared to allocate to mortgage repayments? □Less 10% □10-19% □20-29% □30-29% □40% or more

Q10. Would you prefer to buy a leasehold property instead of a freehold property?
□Yes □No □not sure

Q11.What factor/factors influence your decision to buy a home?
□Prohibitive rent □having a long term investment □Building a family
□cheap home prices □other, please specify

Q12.Are you aware of the differences between Conventional mortgages and Islamic mortgages
□Yes □No □not sure

Q13.Do you know how a conventional mortgage works?
□YES □NO □Not sure

Q14.Have you ever heard about Islamic mortgages or Islamic home finance in the UK?
□Yes □No □not sure

Q15.If yes, how did you come to know about it? (You can tick more than one)
□Newspaper/ print media □Friends and relations □Local mosque
□Bank publications □Bank campaigns and ads □Internet
□Other, please specify..

Q16. With the availability of Islamic home finance are you willing to take it?
□Yes, if the cost is not more than the conventional
□Yes, even if the cost is more expensive
□Yes, so long as a leading scholar I recognize approves it
□No whatever the differences or cost
□Not sure

Q17. Do you agree that the strongest attraction to Islamic Home finance is a religious reason?
□Strongly agree □Agree □Uncertain □Disagree □strongly disagree

Q18.Which group, do you think Islamic home finance products are targeted at?
□The poor □Middle level earners □ Rich

Q19. Would you take Islamic home mortgages even if the cost were higher than conventional mortgages?
□Strongly agree □Agree □Uncertain □Disagree □strongly disagree

Q20.Would you agree that Islamic mortgages currently in the market are the same as conventional and that they only changed the terms used but in practice they are essentially the same?
□Strongly agree □Agree □Uncertain □Disagree □strongly disagree

Q21.If you are aware of the Islamic Home finance product, which would you prefer?
□Murabaha (where the providers buy the property and sell it on to a customer on a deferred basis at a higher price)
□Diminishing Musharaka (where the providers jointly purchase the property with the customer and customer pays back over an agreed period while also paying rent for use the property in proportion to his/her share of the property at any point in time)
□Ijara (where the providers purchase the property and the customer pays back over an agreed period while also paying rent for use of the property)
□I don’t know

Q22 .What kind of institution would you prefer to obtain an Islamic mortgage from?
□An independent Islamic financial institution
□A window of a conventional bank

□Other, please specify

Q23.Given a set of criteria when applying for an Islamic home purchase plan please kindly tick from a range of 1-4 with 4 being the most important.

	1	2	3	4
The amount of deposit required	□	□	□	□
Choice of mortgages available	□	□	□	□
Value of mortgage available	□	□	□	□
Image and reputation of Bank	□	□	□	□

Q24. Age?

□25 and under □26-35 □36-45 □46-55 □56-65 □66 and above

Q25. Gender? □Male □female

Q26.What is your educational qualification?

□No formal education □GCSE/O levels □A levels □BSc, BA □MA, PhD □Other

Q27. Are you employed? □ Yes □No

Q28. Employment industry?

□Education □Health □Finance □Public sector □Management □IT □Self employed □other, please specify......

Q29.How much is your annual household income?

□£10k and below □£11k-£20k □£21k-£30k □£31-£40k □Over £41k

Q30.How many dependants do you have in your home?

□Less than 2 □2-4 □5-7 □over 7

Q31. Are you? □Married □Single □other with children □other without children

Q31. Does your partner contribute to financing the household? □Yes □No

Q32.Do any of your children/dependants contribute to financing the household? □Yes □No

Q35.If you have any further comments please add them below

....
....
....
....

Thank you for your cooperation. The identity of the respondents will be treated in strict confidence and not revealed in the thesis or any other subsequent publication

Signature ....

Date ....

- Contact for further Information

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Appendix 3
Interview schedule

INTERVIEW SCHEDULE

Introduction of the research

Interview Procedure

Interview proper based on the following themes:

- Marketing/Awareness
- Regulatory Accommodation/Regulatory Challenges in the UK
- State of the industry pre and post-recession
- Competition
- Capital market integration with respect to Islamic mortgage backed bonds
- Industry staffing
- Linkages with Islamic charities
- Standardisation of products

QUESTIONS (Alternative questions are highlighted)

1. What is your professional background?

2. What is your motivation for engaging in Islamic finance?

3. Why the interest in Islamic funds as opposed to other forms e.g. home purchase plans?

4. Who is the intended target audience?

5. How has the recent economic crisis affected the home purchase plans market here in the UK?

6. How helpful has the UK Government been in terms of accommodating Islamic finance and what do you think they should do in helping to develop the market?

7. Do you see a need or opportunity for the development of Islamic mortgaged backed bonds in the capital market?

8. How do you go about marketing home purchase plans especially as they are not clearly as visible as the conventional ones in the print and electronic media?

9. Do you have any sort of interface with other industry players in Islamic finance within the UK that help you in defining industry standards?

10. Are you satisfied with the level of expertise in the industry?

11. What role if any do Islamic charities play in the business?

12. There have been some reports in the media that some of the providers of the home purchase plans have had a liquidity problem which has forced them to scale down on operations. What is your perspective on that?

13.A number of accusations have been thrown at the Islamic home purchase plans industry, one of which is that it is expensive compared to the conventional mortgages and that the products don't fall in line with the spirit of Shariah although they conform technically with Shariah?

14. What will you say is the most attractive form of home purchase plans contract? Musharakah, Ijara or Murabaha?

15. There are a number of people who say that the use of interest as a benchmark is against the Shariah? What is your opinion on that?

16. Do you undertake cross-border transactions on behalf of clients?

17. What regulatory hurdles do you face especially within the European Union?

18. How do banks account for Islamic mortgages penalty charges?

19. Where do you see your business in the next five years?

Appendix 4

Legal and regulatory accommodation in the UK - a chronology of the government's key actions

The United Kingdom government has over the years been actively involved in making several changes to the tax and regulatory systems in order to enable UK companies to offer a range of Islamic financial products including Child Trust Funds, asset finance, mortgages and ISAs;

• Since 2004, the Financial Services Authority (FSA) has authorised a number of Islamic financial firms, which are currently the only standalone Islamic financial institutions in the European Union. This has been achieved by applying exactly the same authorisation criteria to both Islamic and conventional financial institutions, working towards a level regulatory playing field;

• In early 2007, UK Trade & Investment (UKTI), through their Financial Services Advisory Board, agreed to set up a separate sub group to produce a strategy for the promotion of the UK as a centre of excellence and global partner for the provision of Islamic financial services. The sub group consisted of 15 practitioners and representatives from UKTI and HM Treasury. Four private sector working groups were set up to feed into the sub group on Banking & Insurance, Legal, Accountancy and Education, Training and Qualifications (ETQ). The internal strategy was agreed in late 2007 and the group and its sub groups continue to meet on a six monthly basis to gauge both the implementation of the strategy and market changes; and

• in April 2007, HM Treasury hosted an Islamic finance summit at Number 11 Downing Street, on the back of which an Islamic Finance Experts' Group (IFEG) was established. The group consists of a number of UK and internationally based experts from financial, legal and advisory firms as well as Government and Muslim community groups. The IFEG has met a number of times, providing advice to the Government on how to best support the development of Islamic finance in the UK. UK Treasury (2008)

In addition to the above the UK government has also undertaken a number of actions to facilitate the development of Islamic finance. It has done this through the enactment of several legislations helping that have given legal backing to the operations of Islamic financial institutions and codified arrangements like tax on a standardised template for use by the industry. It should be noted that these measures have been developed in conjunction with industry and through the joint HM Treasury and HM Revenue & Customs Tax Technical Working Group, a group established in 2003 to ensure industry can raise specific, detailed concerns on Islamic finance of a technical nature.

• It is important to note that the legislation uses the term alternative finance arrangements rather than specifically referring to Islamic finance, for example alternative finance investment bonds rather than Sukuk. This means that changes are not exclusively for Islamic arrangements. In practice it is likely that arrangements falling within the legislation will generally be Shariah compliant, but it is not the concern of the tax authority whether they are or not.

• The first tax legislation catering specifically for Islamic finance arrangements came in Finance Act 2003, in the area of stamp duty land tax (SDLT). It catered for individuals using alternative property financing arrangements (covering Islamic mortgages), removing the double charge to SDLT that might otherwise arise where a financial institution buys a property and then re-sells it to the individual. The SDLT provisions were extended in 2005 to equity sharing arrangements, and in 2006 to companies.

Borrowing arrangements

• Finance Acts 2005 and 2006 saw the introduction of two types of borrowing concepts. In 2005, Government legislated for murabah, referred to in the legislation as purchase and resale arrangements. In this type of arrangement, where the return equates in substance to the return on an investment of money at interest, it will be taxed as if it were a loan.

• The second type of borrowing catered for in 2006 was diminishing musharaka, or diminishing shared ownership, a form of property or other asset financing under which the borrower progressively acquires the lender's share in the asset, at the same time paying a rent or financing charge for the share of the assets the lender retains. This type of contract can be used in Home Purchase Plans.

Deposit arrangements

• Finance Act 2005 introduced the deposit arrangement that is recognised for regulatory purposes, which is based on mudaraba. This is referred to as a profit share return. For the investor the return is taxed as if it were interest and the legislation switches off the tax rules that might otherwise treat it as a distribution, so the deposit-taker receives a deduction for the payment. In Finance Act 2006, wakala, or profit share agency, was introduced where the investor appoints an agent to manage a sum of money being invested, receiving a return out of the investment proceeds that equates in substance to an interest-like return.

Investment bonds

• The provisions in Finance Act 2007 looked to help facilitate sukuk issuance in the UK. For this type of transaction, known as alternative finance investment bonds, legislation seeks to apply the same tax treatment that would be applicable were the alternative finance investment bonds to be a debt instrument. This was seen by industry as an important first step in facilitating sukuk issuance. However, it was recognised that, while these rules would help, technical issues still remained from the issuer's perspective. These have been addressed in Finance Act 2008 with regards to SDLT and stamp duty reserve tax and with further changes to be addressed through Finance Bill 2009 for SDLT on alternative finance investment bond transactions.

• The Government has also looked to act following discussions with industry in other areas such as Community Investment Tax Relief (CITR), where the principles of Islamic finance were seen to fit well with the CITR scheme, but required amendments to allow for money received or onward-investment through alternative finance to be included within the scheme. Finally, following consultation with organisations such as the Muslim Council of Britain, Child Trust Fund rules have been specifically designed to allow the provision of accounts that are compliant with Shariah law. Mohammed Amin blogspot.com

Appendix 5

Bank of England and Financial conduct Authority- Mortgage Lending 2007- 2014

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

FCA
FINANCIAL CONDUCT AUTHORITY

MLAR Table 2.1

Last updated: 9 December 2014

Sectoral Analysis: New business volumes

Not seasonally adjusted

			Banks & Building Societies	Other lenders	ALL Sectors
	Residential lending to individuals				
Sub table refs			Per Cent	Per Cent	£ millions
A		**Time series measures**			
1		Gross advances			
		2007 Q1	80.57	19.43	86,432
		2007 Q2	80.84	19.16	96,695
		2007 Q3	79.89	20.11	101,980
		2007 Q4	80.16	19.84	86,609
		2008 Q1	84.45	15.55	73,365
		2008 Q2	85.96	14.04	71,630
		2008 Q3	89.28	10.72	60,584
		2008 Q4	91.66	8.34	44,823
		2009 Q1	91.07	8.93	32,588
		2009 Q2	87.46	12.54	33,800
		2009 Q3	83.02	16.98	40,331
		2009 Q4	84.06	15.94	41,246
		2010 Q1	87.15	12.85	32,051
		2010 Q2	84.16	15.84	36,472
		2010 Q3	83.40	16.60	40,828
		2010 Q4	82.67	17.33	36,815
		2011 Q1	79.70	20.30	32,985
		2011 Q2	83.11	16.89	36,554
		2011 Q3	85.50	14.50	43,568
		2011 Q4	83.24	16.76	40,107
		2012 Q1	81.84	18.16	36,443
		2012 Q2	83.47	16.53	36,927
		2012 Q3	84.76	15.24	39,595
		2012 Q4	91.73	8.27	39,397
		2013 Q1	90.99	9.01	33,981
		2013 Q2	91.04	8.96	41,649
		2013 Q3	91.71	8.29	49,539
		2013 Q4	92.35	7.65	51,473
		2014 Q1	91.59	8.37	47,074
		2014 Q2	91.74	8.20	51,493
		2014 Q3	90.98	8.99	55,882

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

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	Residential lending to individuals	Banks & Building Societies	Other lenders	ALL Sectors
Sub table refs		Per Cent	Per Cent	£ millions
2	Net advances			
	2007 Q1	65.52	34.48	33434.00
	2007 Q2	67.45	32.55	37,319
	2007 Q3	62.96	37.04	39,641
	2007 Q4	58.13	41.87	29,671
	2008 Q1	71.96	28.04	24,073
	2008 Q2	73.67	26.33	21,747
	2008 Q3	74.40	25.60	13,814
	2008 Q4	84.46	15.54	8,625
	2009 Q1	42.12	57.88	1,878
	2009 Q2	59.83	40.17	5,546
	2009 Q3	64.97	35.03	6,492
	2009 Q4	73.45	26.55	7,925
	2010 Q1	89.94	10.08	3,729
	2010 Q2	75.10	24.90	5,894
	2010 Q3	72.35	27.65	8,309
	2010 Q4	-86.70	186.70	1,217
	2011 Q1	-68.12	168.12	1,695
	2011 Q2	75.02	24.98	7,889
	2011 Q3	80.71	19.29	6,950
	2011 Q4	56.84	43.16	4,104
	2012 Q1	19.64	80.36	2,662
	2012 Q2	65.65	34.35	4,663
	2012 Q3	83.62	16.38	5,602
	2012 Q4	93.43	6.57	4,208
	2013 Q1	71.97	28.03	1,221
	2013 Q2	92.05	7.95	5,122
	2013 Q3	95.67	4.33	7,235
	2013 Q4	97.14	2.86	8,997
	2014 Q1	97.45	2.66	7,001
	2014 Q2	97.56	2.66	8,908
	2014 Q3	93.72	6.32	11,034

BANK OF ENGLAND PRUDENTIAL REGULATION AUTHORITY

FCA FINANCIAL CONDUCT AUTHORITY

MLAR Table 2.1

Last updated: 9 December 2014

Sectoral Analysis: New business volumes

Not seasonally adjusted

Sub table refs	Residential lending to individuals	Banks & Building Societies	Other lenders	ALL Sectors
		Per Cent	Per Cent	£ millions
3	New commitments			
	2007 Q1	81.29	18.71	92315
	2007 Q2	80	19.99	107705
	2007 Q3	80.08	19.92	101263
	2007 Q4	82.6	17.4	75797.00
	2008 Q1	86.25	13.75	74,749
	2008 Q2	88.92	11.08	66,852
	2008 Q3	90.86	9.14	49,769
	2008 Q4	92.76	7.24	37,474
	2009 Q1	87.64	12.36	28,746
	2009 Q2	86.15	13.85	38,811
	2009 Q3	82.15	17.85	38,127
	2009 Q4	83.68	16.32	35,798
	2010 Q1	84.69	15.31	33,751
	2010 Q2	82.88	17.12	40,601
	2010 Q3	82.26	17.74	38,075
	2010 Q4	78.59	21.41	34,600
	2011 Q1	79.95	20.05	34,884
	2011 Q2	84.78	15.22	39,577
	2011 Q3	84.20	15.80	41,833
	2011 Q4	82.61	17.39	37,045
	2012 Q1	80.58	19.42	37,051
	2012 Q2	84.70	15.30	39,811
	2012 Q3	82.99	17.01	35,934
	2012 Q4	91.20	8.80	36,885
	2013 Q1	90.53	9.47	35,452
	2013 Q2	91.89	8.11	47,508
	2013 Q3	91.78	8.22	50,491
	2013 Q4	92.59	7.41	50,316
	2014 Q1	91.48	8.49	48,883
	2014 Q2	91.06	8.90	53,449
	2014 Q3	90.57	9.39	53,614
4	Balances outstanding (unsecuritised): loans	89.21	10.77	1,161,560
5	: commitments	92.22	7.78	74,235

Appendix 6 Muslims distribution England and Wales

Area code	**Area name**			**Muslim**
				Persons
				Number
K04000001	**ENGLAND AND WALES**			2,706,066
E92000001	**ENGLAND**			2,660,116
E12000001	**NORTH EAST**			46,764
E06000047		**County Durham UA**		1,934
E06000005		**Darlington UA**		971
E06000001		**Hartlepool UA**		689
E06000002		**Middlesbrough UA**		9,757
E06000048		**Northumberland UA**		1,018
E06000003		**Redcar and Cleveland UA**		598
E06000004		**Stockton-on-Tees UA**		4,143
E11000004		**Tyne and Wear (Met County)**		27,654
E08000020			Gateshead	2,096
E08000021			Newcastle upon Tyne	17,561
E08000022			North Tyneside	1,493
E08000023			South Tyneside	2,854
E08000024			Sunderland	3,650
E12000002	**NORTH WEST**			356,458
E06000008		**Blackburn with Darwen UA**		39,817
E06000009		**Blackpool UA**		1,061
E06000049		**Cheshire East UA**		2,438
E06000050		**Cheshire West and Chester UA**		1,686
E06000006		**Halton UA**		267
E06000007		**Warrington UA**		2,097
E10000006		**Cumbria**		1,336
E07000026			Allerdale	192

E07000027			Barrow-in-Furness	172
E07000028			Carlisle	455
E07000029			Copeland	227
E07000030			Eden	115
E07000031			South Lakeland	175
E11000001		**Greater Manchester (Met County)**		232,787
E08000001			Bolton	32,385
E08000002			Bury	11,279
E08000003			Manchester	79,496
E08000004			Oldham	39,879
E08000005			Rochdale	29,426
E08000006			Salford	6,030
E08000007			Stockport	9,431
E08000008			Tameside	9,705
E08000009			Trafford	12,994
E08000010			Wigan	2,162
E10000017		**Lancashire**		55,722
E07000117			Burnley	8,580
E07000118			Chorley	1,130
E07000119			Fylde	350
E07000120			Hyndburn	8,336
E07000121			Lancaster	1,767
E07000122			Pendle	15,579
E07000123			Preston	15,769
E07000124			Ribble Valley	425
E07000125			Rossendale	2,613
E07000126			South Ribble	592
E07000127			West Lancashire	276
E07000128			Wyre	305
E11000002		**Merseyside (Met County)**		19,247
E08000011			Knowsley	435
E08000012			Liverpool	15,209
E08000014			Sefton	1,189
E08000013			St. Helens	605
E08000015			Wirral	1,809
E12000003	**YORKSHIRE AND THE HUMBER**			326,050
E06000011		**East Riding of**		1,309

		Yorkshire UA		
E06000010		**Kingston upon Hull, City of UA**		5,447
E06000012		**North East Lincolnshire UA**		1,332
E06000013		**North Lincolnshire UA**		3,024
E06000014		**York UA**		2,072
E10000023		**North Yorkshire**		2,146
E07000163			Craven	506
E07000164			Hambleton	234
E07000165			Harrogate	573
E07000166			Richmondshire	130
E07000167			Ryedale	57
E07000168			Scarborough	551
E07000169			Selby	95
E11000003		**South Yorkshire (Met County)**		58,350
E08000016			Barnsley	945
E08000017			Doncaster	4,990
E08000018			Rotherham	9,614
E08000019			Sheffield	42,801
E11000006		**West Yorkshire (Met County)**		252,370
E08000032			Bradford	129,041
E08000033			Calderdale	14,802
E08000034			Kirklees	61,280
E08000035			Leeds	40,772
E08000036			Wakefield	6,475
E12000004	**EAST MIDLANDS**			140,649
E06000015		**Derby UA**		19,006
E06000016		**Leicester UA**		61,440
E06000018		**Nottingham UA**		26,919
E06000017		**Rutland UA**		131
E10000007		**Derbyshire**		2,210
E07000032			Amber Valley	188
E07000033			Bolsover	146
E07000034			Chesterfield	699
E07000035			Derbyshire Dales	142

E07000036			Erewash	258
E07000037			High Peak	178
E07000038			North East Derbyshire	268
E07000039			South Derbyshire	331
E10000018		**Leicestershire**		9,096
E07000129			Blaby	728
E07000130			Charnwood	3,925
E07000131			Harborough	423
E07000132			Hinckley and Bosworth	517
E07000133			Melton	41
E07000134			North West Leicestershire	206
E07000135			Oadby and Wigston	3,256
E10000019		**Lincolnshire**		2,780
E07000136			Boston	434
E07000137			East Lindsey	366
E07000138			Lincoln	902
E07000139			North Kesteven	250
E07000140			South Holland	258
E07000141			South Kesteven	358
E07000142			West Lindsey	212
E10000021		**Northamptonshire**		12,104
E07000150			Corby	382
E07000151			Daventry	439
E07000152			East Northamptonshire	232
E07000153			Kettering	723
E07000154			Northampton	8,806
E07000155			South Northamptonshire	290
E07000156			Wellingborough	1,232
E10000024		**Nottinghamshire**		6,963
E07000170			Ashfield	375
E07000171			Bassetlaw	701
E07000172			Broxtowe	1,636
E07000173			Gedling	1,535
E07000174			Mansfield	563
E07000175			Newark and Sherwood	456
E07000176			Rushcliffe	1,697

E12000005	**WEST MIDLANDS**			376,152
E06000019		**Herefordshire, County of UA**		364
E06000051		**Shropshire UA**		989
E06000021		**Stoke-on-Trent UA**		14,993
E06000020		**Telford and Wrekin UA**		3,019
E10000028		**Staffordshire**		10,817
E07000192			Cannock Chase	219
E07000193			East Staffordshire	6,815
E07000194			Lichfield	448
E07000195			Newcastle-under-Lyme	1,393
E07000196			South Staffordshire	364
E07000197			Stafford	1,151
E07000198			Staffordshire Moorlands	192
E07000199			Tamworth	235
E10000031		**Warwickshire**		5,820
E07000218			North Warwickshire	110
E07000219			Nuneaton and Bedworth	2,895
E07000220			Rugby	1,236
E07000221			Stratford-on-Avon	280
E07000222			Warwick	1,299
E11000005		**West Midlands (Met County)**		332,684
E08000025			Birmingham	234,411
E08000026			Coventry	23,665
E08000027			Dudley	12,902
E08000028			Sandwell	25,251
E08000029			Solihull	5,247
E08000030			Walsall	22,146
E08000031			Wolverhampton	9,062
E10000034		**Worcestershire**		7,466
E07000234			Bromsgrove	502
E07000235			Malvern Hills	197
E07000236			Redditch	2,870
E07000237			Worcester	2,847

E07000238			Wychavon	369
E07000239			Wyre Forest	681
E12000006	**EAST**			148,341
E06000055		**Bedford UA**		8,610
E06000056		**Central Bedfordshire UA**		1,931
E06000032		**Luton UA**		49,991
E06000031		**Peterborough UA**		17,251
E06000033		**Southend-on-Sea UA**		3,309
E06000034		**Thurrock UA**		3,164
E10000003		**Cambridgeshire**		8,990
E07000008			Cambridge	4,897
E07000009			East Cambridgeshire	369
E07000010			Fenland	395
E07000011			Huntingdonshire	1,865
E07000012			South Cambridgeshire	1,464
E10000012		**Essex**		13,526
E07000066			Basildon	1,622
E07000067			Braintree	685
E07000068			Brentwood	649
E07000069			Castle Point	378
E07000070			Chelmsford	2,012
E07000071			Colchester	2,762
E07000072			Epping Forest	2,377
E07000073			Harlow	1,745
E07000074			Maldon	171
E07000075			Rochford	296
E07000076			Tendring	400
E07000077			Uttlesford	429
E10000015		**Hertfordshire**		30,730
E07000095			Broxbourne	2,287
E07000096			Dacorum	3,116
E07000097			East Hertfordshire	989
E07000098			Hertsmere	2,402
E07000099			North Hertfordshire	1,453
E07000100			St Albans	5,167
E07000101			Stevenage	1,654
E07000102			Three Rivers	1,947

E07000103			Watford	8,905
E07000104			Welwyn Hatfield	2,810
E10000020		**Norfolk**		5,021
E07000143			Breckland	409
E07000144			Broadland	377
E07000145			Great Yarmouth	518
E07000146			King’s Lynn and West Norfolk	544
E07000147			North Norfolk	158
E07000148			Norwich	2,612
E07000149			South Norfolk	403
E10000029		**Suffolk**		5,818
E07000200			Babergh	196
E07000201			Forest Heath	364
E07000202			Ipswich	3,577
E07000203			Mid Suffolk	152
E07000204			St Edmundsbury	602
E07000205			Suffolk Coastal	539
E07000206			Waveney	388
E12000007	**LONDON**			1,012,823
E13000001		**Inner London**		466,265
E09000007			Camden	26,643
E09000001			City of London	409
E09000012			Hackney	34,727
E09000013			Hammersmith and Fulham	18,242
E09000014			Haringey	36,130
E09000019			Islington	19,521
E09000020			Kensington and Chelsea	15,812
E09000022			Lambeth	21,500
E09000023			Lewisham	17,759
E09000025			Newham	98,456
E09000028			Southwark	24,551
E09000030			Tower Hamlets	87,696
E09000032			Wandsworth	24,746
E09000033			Westminster	40,073
E13000002		**Outer London**		546,558
E09000002			Barking and Dagenham	25,520

E09000003			Barnet	36,744
E09000004			Bexley	5,645
E09000005			Brent	58,036
E09000006			Bromley	7,841
E09000008			Croydon	29,513
E09000009			Ealing	53,198
E09000010			Enfield	52,141
E09000011			Greenwich	17,349
E09000015			Harrow	29,881
E09000016			Havering	4,829
E09000017			Hillingdon	29,065
E09000018			Hounslow	35,666
E09000021			Kingston upon Thames	9,474
E09000024			Merton	16,262
E09000026			Redbridge	64,999
E09000027			Richmond upon Thames	6,128
E09000029			Sutton	7,726
E09000031			Waltham Forest	56,541
E12000008	**SOUTH EAST**			201,651
E06000036		**Bracknell Forest UA**		1,276
E06000043		**Brighton and Hove UA**		6,095
E06000046		**Isle of Wight UA**		524
E06000035		**Medway UA**		5,169
E06000042		**Milton Keynes UA**		11,913
E06000044		**Portsmouth UA**		7,162
E06000038		**Reading UA**		11,007
E06000039		**Slough UA**		32,655
E06000045		**Southampton UA**		9,903
E06000037		**West Berkshire UA**		1,218
E06000040		**Windsor and Maidenhead UA**		5,684
E06000041		**Wokingham UA**		4,352
E10000002		**Buckinghamshire**		25,781
E07000004			Aylesbury Vale	6,783
E07000005			Chiltern	2,311
E07000006			South Bucks	1,665
E07000007			Wycombe	15,022
E10000011		**East Sussex**		4,201

E07000061			Eastbourne	1,458
E07000062			Hastings	1,159
E07000063			Lewes	558
E07000064			Rother	460
E07000065			Wealden	566
E10000014		**Hampshire**		7,999
E07000084			Basingstoke and Deane	1,464
E07000085			East Hampshire	421
E07000086			Eastleigh	975
E07000087			Fareham	538
E07000088			Gosport	452
E07000089			Hart	509
E07000090			Havant	570
E07000091			New Forest	485
E07000092			Rushmoor	1,356
E07000093			Test Valley	671
E07000094			Winchester	558
E10000016		**Kent**		13,932
E07000105			Ashford	1,019
E07000106			Canterbury	1,838
E07000107			Dartford	1,566
E07000108			Dover	521
E07000109			Gravesham	1,894
E07000110			Maidstone	1,685
E07000111			Sevenoaks	600
E07000112			Shepway	796
E07000113			Swale	792
E07000114			Thanet	1,230
E07000115			Tonbridge and Malling	750
E07000116			Tunbridge Wells	1,241
E10000025		**Oxfordshire**		15,734
E07000177			Cherwell	3,196
E07000178			Oxford	10,320
E07000179			South Oxfordshire	710
E07000180			Vale of White Horse	1,073
E07000181			West Oxfordshire	435
E10000030		**Surrey**		24,378
E07000207			Elmbridge	2,406

E07000208			Epsom and Ewell	2,277
E07000209			Guildford	2,713
E07000210			Mole Valley	669
E07000211			Reigate and Banstead	2,637
E07000212			Runnymede	1,556
E07000213			Spelthorne	1,808
E07000214			Surrey Heath	1,607
E07000215			Tandridge	596
E07000216			Waverley	786
E07000217			Woking	7,323
E10000032		**West Sussex**		12,668
E07000223			Adur	611
E07000224			Arun	806
E07000225			Chichester	419
E07000226			Crawley	7,681
E07000227			Horsham	673
E07000228			Mid Sussex	1,130
E07000229			Worthing	1,348
E12000009	**SOUTH WEST**			51,228
E06000022		**Bath and North East Somerset UA**		1,179
E06000028		**Bournemouth UA**		3,264
E06000023		**Bristol, City of UA**		22,016
E06000052		**Cornwall UA**		855
E06000053		**Isles of Scilly UA**		3
E06000024		**North Somerset UA**		869
E06000026		**Plymouth UA**		2,078
E06000029		**Poole UA**		1,035
E06000025		**South Gloucestershire UA**		2,176
E06000030		**Swindon UA**		3,538
E06000027		**Torbay UA**		521
E06000054		**Wiltshire UA**		2,074
E10000008		**Devon**		3,091
E07000040			East Devon	229
E07000041			Exeter	1,855
E07000042			Mid Devon	112
E07000043			North Devon	281
E07000044			South Hams	201
E07000045			Teignbridge	231

E07000046			Torridge	92
E07000047			West Devon	90
E10000009		**Dorset**		1,318
E07000048			Christchurch	146
E07000049			East Dorset	352
E07000050			North Dorset	186
E07000051			Purbeck	69
E07000052			West Dorset	257
E07000053			Weymouth and Portland	308
E10000013		**Gloucestershire**		5,741
E07000078			Cheltenham	1,087
E07000079			Cotswold	164
E07000080			Forest of Dean	94
E07000081			Gloucester	3,885
E07000082			Stroud	238
E07000083			Tewkesbury	273
E10000027		**Somerset**		1,470
E07000187			Mendip	270
E07000188			Sedgemoor	341
E07000189			South Somerset	417
E07000190			Taunton Deane	399
E07000191			West Somerset	43
W92000004	**WALES**			**45,950**
W06000001			Isle of Anglesey	250
W06000002			Gwynedd	1,378
W06000003			Conwy	583
W06000004			Denbighshire	469
W06000005			Flintshire	482
W06000006			Wrexham	860
W06000023			Powys	235
W06000008			Ceredigion	521
W06000009			Pembrokeshire	425
W06000010			Carmarthenshire	625
W06000011			Swansea	5,415
W06000012			Neath Port Talbot	573
W06000013			Bridgend	529
W06000014			The Vale of Glamorgan	785
W06000015			Cardiff	23,656

W06000016			Rhondda Cynon Taf	1,061
W06000024			Merthyr Tydfil	197
W06000018			Caerphilly	391
W06000019			Blaenau Gwent	179
W06000020			Torfaen	238
W06000021			Monmouthshire	239
W06000022			Newport	6,859

Source- Adapted from ONS 2011

Glossary of Technical Terms

Basel- Basle Agreements- These are banking regulations that are agreed upon by the 27 member countries of the Basle committee on banking supervision which provides a forum for regular cooperation on banking supervisory matters. Its stated objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide. "Basel III" is its most recent agreement coming in the aftermath of two previous agreements. It is made up of a basket reform measures with the target of strengthening the regulation, supervision and risk management of the banking sector. It is important to note that the Basle agreements are non-binding.(bis.org)

Halal- Islamically permissible

Hadith- Sayings and practices of the Holy prophet Mohammed (SAW)

Riba-Any increase demanded and accepted above the specific amount of money or goods that have been loaned. It is significant beyond Islamic Banking and finance as the interest rate mechanism is what governs conventional finance.

IBF- Islamic Banking and Finance

LME- London Metal Exchange

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