

Establishing Consumers' Level of Awareness and Attitude towards Islamic Banking in Singapore

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ABSTRACT

This study establishes that, in Singapore, which has a minority of Muslims in its population, both Muslims and non-Muslims are generally unaware of the culture of Islamic banking and the meaning of its fundamental and financial terms. Furthermore, the two separate groups have different attitudes towards the Islamic banking movement, with the degree of difference depending on the nature of the respective matter put to them. For example, when asked what might motivate them to deposit their money in an Islamic bank, 56.3% of Muslims would do so for religious and profitability reasons, while 42.2% of non-Muslims said that the provision of better products and services might motivate them. In relation to bank selection criteria, there was a general accord as between Muslims and non-Muslims on the rating of the various criteria. However, four significant differences relating to “mass media advertising”, “bank’s interior and external appearance”, “financial counselling provided”, and “lower service charges on cheques” were noted in the study.

1. INTRODUCTION

For three decades, Islamic banking and finance has continued to grow from strength to strength across the globe. This growth is significant especially in Muslim countries, like the Middle East and North Africa, where Muslims are the majority. However, the same story cannot be told of countries where Muslims are minorities and the awareness, culture and attitude towards Islamic banking and its financial instruments are in their infancy.

Compared to the other regions, Islamic banking is new in ASEAN. Malaysia and Indonesia are at the forefront of the Islamic banking scene in the region. However, Islamic banking is setting off in ASEAN's Muslim-minority countries. For instance, both the Philippines and Thailand has established Islamic banks in their respective countries. One country, which has a minority of Muslims in its population, is Singapore.

The Islamic financing market is now worth nearly £160 billion, and it is growing fast. Assets held by Muslims – led by Gulf Arabs – at both conventional as well as Islamic banks are worth some £800 billion and estimated to be growing at 15% a year. Being a major provider of financial services in the Asian region, Singapore is eager to get a bigger piece of the pie. Hence, efforts have been made to develop Singapore as an Islamic financial hub in South East Asia as this will allow her to compete for both Muslims and non-Muslims, international and local sourced deposits on an equal basis (Venardos, 2005).

Whilst only 15.4% of Singapore's population are Muslims, experience in other retail markets, such as Malaysia, shows that in excess of 70% of those customer bases are non-Muslims. Possibly, all of Singapore's 484,000 Muslims would support any Islamic banking operation, however, that number of potential customers may be considered as being too small for a viable operation, especially if several banks decide to enter the market. Therefore, local banks have to establish whether non-Muslims have a positive view towards the Islamic banking system, and if they will support its establishment in Singapore.

1.1. Aims and Objectives

The present research is a study of Islamic banking and finance in Singapore, a country which has a minority of Muslims in its population. More particularly, the study seeks to establish the level of awareness that Singaporeans have in relation to the culture of Islamic banking and finance, the attitude of Singaporeans towards Islamic banking and finance and a ranking of the bank selection criteria of Singaporeans – and for each part of the study, to see if Muslim responses are different from non-Muslim responses. In the context of what is mentioned above, the following three hypotheses are formulated:

- 1 Muslims, in contrast to non-Muslims, will be more aware of the culture of Islamic banking and, as a consequence, be more aware of the meaning of fundamental terms used in Islam and Islamic banking and finance.

- 2 Muslims, in contrast to non-Muslims, presently have a different attitude towards Islamic banking.
- 3 There will be no significant differences between Muslims and non-Muslims in the ranking of the various bank selection criteria (Gerrard and Cunningham, 1997:206).

1.2. Rationale of and Motivation

On his frequent visits to the Middle-Eastern countries, the Senior Minister of Singapore, Mr Goh Chok Tong said "I have identified the Middle-East as the next region for Singapore to explore. Wealth is accruing to the Middle-East. They're using their oil wealth to deepen their economies". In addition, Government data shows Middle-Eastern investment in Singapore rose to more than SGD\$700 million in 2003, from SGD\$150 million in 1999. Singapore invested SGD\$850 million in the Middle East in 2003, up from SGD\$250 million in 1999 (The New Zealand Herald, 14th September 2005). Therefore, the establishment of Islamic banks in Singapore is essential in order to attract potential investors.

Although Singapore is renowned to be the financial hub of Asia, with its developed regulatory board and sound economic and political state, Islamic banking is at infancy, due largely to a lack of awareness and a small domestic market that has not attracted the major bankers (Venardos, 2005:215).

Thus, this study is important so as to establish the level of awareness, attitude towards Islamic financial instrument and bank selection criteria of Singaporeans. The results will help local and foreign banks and financial institutions in deciding whether Singaporeans will use the services, products and instrument of Islamic banking and finance if it was to be introduced in Singapore.

It will also help local and foreign banks and financial institutions to formulate an implementation strategy, marketing strategy and to give some insight on the considerations that have to be made in setting up an Islamic banking operation, as well as the applications of its principle to the Singapore context.

This introduction is followed by a brief literature review of the study. Henceforth, the research's methodology and data analysis methods are explained. The findings and analysis on the data collected are later discussed before the conclusion.

2. LITERATURE REVIEW

Although the literature in this area is rich, with the works of Anderson *et al.* (1976), Laroche *et al.* (1986), Kaynak *et al.* (1986, 1991, and 1995) and Chan (1989). The researcher will emphasize on the studies done by (1) Gerrard and Cunningham (1997); as it was the only study done in Singapore, and also (2) Erol and El-Bdour (1989) and Erol *et al.* (1991) as the authors compared the bank selection process in relation to "conventional" and Islamic banks, and (3) Sudin *et al.* (1994) as he compared responses about the bank selection criteria of both Muslims and non-Muslims.

2.1. Attitudes towards Islamic Banking

Gerrard and Cunningham's (1997) study in Singapore shows that 22.6% of Muslims and 35.4% of non-Muslims were of the opinion that solely religious reasons motivate people to deposit money with Islamic banks. In contrast, Erol and El-Bdour's (1989) study shows that religious motivation did not appear to play a primary role in bank selection.

Also, 79.3% of Muslims and 37.2% of non-Muslims "agreed" that by having further branches, people will be encouraged to use the services of Islamic bank; showing that having an extensive network of Islamic bank branches is seen by Muslims as an encouragement to use Islamic bank services – whereas non-Muslims see a less strong link between the number of branches a bank has and the utilization of the bank's financial services. The latter's attitude is similar to the findings of Erol and El-Bdour (1989).

Otherwise, both studies showed that there was a belief that Islamic banks were not offering sufficient interest-free loans which could contribute to solving community problems in a just and efficient manner and that if respondents came into unexpected sum of money, they would either start a small enterprise or project or place the monies in a profit earning investment.

2.2. Bank Selection Criteria

Based on Gerrard and Cuningham (1997), Muslims and non-Muslims rate "the provision of a fast and efficient service" and "confidentiality of the bank" highly. To contradict, the influence of family and the physical conditions inside and outside the banks were lowly rated.

In addition, Erol and El-Bdour (1989) also did a study on Muslims bank selection criteria in Jordan. Their respondents' criteria were that they had to patronize either Islamic banks or conventional banks. The results show that, for those who patronized Islamic banks alone, the most important bank selection criteria were: "the provision of a fast and efficient service", "the bank's reputation and image" and "confidentiality of the bank". The same three factors were of greatest importance to those who patronized conventional banks alone, but in different sequences, the sequence being: "confidentiality of the bank", "the bank's reputation and image" and "the provision of a fast and efficient service".

In Malaysia, Sudin's (1994) respondents' criteria differ from Erol and El-Bdour's (1990) in the sense that using the sample of Muslims and non-Muslims, none had to be patronizing an Islamic bank at the time of study. The three most important criteria in the banking selection process for Malaysian Muslims were: first, "the provision of a fast and efficient service", second, "the speed of transaction", and third, "friendliness of bank personnel". Whereas, non-Muslims rank "friendliness of bank personnel" first, followed by "the provision of a fast and efficient service" and third "the reputation and image of the bank".

3. METHODOLOGY OF THE STUDY

3.1. Research Design

The nature of the study calls for the evaluation of attitudes of a big group of people. Thus conducting a survey is the best alternative. Questionnaires were used because it allows a large volume of data to be collected quickly and economically. Also, face-to-face interviews were conducted with managers of various institutions that offer Islamic financial products.

Survey forms are developed and people were approached and asked if they would be prepared to complete the questionnaire. Four constituencies were chosen, namely Jurong in the west, Tampines in the east, Woodlands in the north and Orchard Road in the central. These constituencies are chosen because they had a station on the Mass Rapid Transit (MRT) railway line and populations of Muslims which are known to be not less than the national percentage. Furthermore, the four constituencies were expected to produce homogeneous groups.

A total of 311 forms were distributed in equal numbers by professionals, undergraduates and students. Distribution took place in a two-week period in early part of July 2006. People were approached, then explained the nature of the study and asked if they would be prepared to fill-in the questionnaire on the spot. Those offering to return the form at a later date were given a one-week dateline.

There are two sub-groups in the sample: 'Muslims' and 'non-Muslims'. As Muslims are the smaller group, it was decided to seek a minimum number of 30 responses from them. It is then necessary to scale up the number of targeted non-Muslims so that they are inline with the ratio of non-Muslims to Muslims. By scaling the 15.4% figure, the number of non-Muslims required to get a proportionate ratio was 210 non-Muslims to 30 Muslims, based on Singapore's population as on June 2005.

All the 311 forms distributed were received from the respondents, and 310 forms were available to be analysed. With 64 Muslims respondents and 246 non-Muslims respondents, this is more than the national percentage of 15.4%.

3.2. QUESTIONNAIRE

A structured, self-completion questionnaire consisting of classification, list of multiple choices, scale, ranking and both open and closed-ended were distributed.

The questionnaire had four sections to it. The first section contained standard demographic questions, such as gender, age, marital status, education level, occupation, race, religion and gross monthly-income.

The second section listed six basic terms (*Riba*, *Shari'ah*, *Ijarah*, *Mudarabah*, *Musharakah* and *Murabahah*), which are used in Islam or are used in Islamic banking and finance. The respondents were asked to indicate if they know what the terms mean and, if so, to briefly describe the meaning of each term.

The third section contained a series of statements/questions that were styled on those used previously by Gerrard and Cunningham (1997) for their study in Singapore.

However, the statements/questions were reviewed to make it appropriate for Singapore's present generation.

Whereas, the forth section contained a list of "standard" bank selection criteria. Over and above the studies of Gerrard and Cunningham (1997), Erol and El-Bdour (1989) and Sudin *et al.* (1994), the past studies of Anderson *et al.* (1976), Kaynak (1986), Laroche *et al.* (1986) and Kaynak *et al.* (1991) were reviewed in order to design this section.

3.3. The Sample

As it is important that the sample characteristics are the same as those of the population, the simple random sampling, under probability sampling was chosen; so that each member of the population has a known, non-zero probability of being chosen, allowing statistical generalization from the sample to the population of interest (Maxwell, 1996).

3.4. Data Analysis Method

For data analysis, the Statistical Software Package for Social Sciences (SPSS) was used to analyse the frequencies, counts, percentages and means collected from the questionnaires and interviews conducted. In addition, the Kolmogorov-Smirnov test, the Kruskal-Wallis *H* test, the One-Sample *T* test and crosstabulations under the Bivariate Analysis were utilised. The objective of each test is mentioned in the table below.

Table 1: Various Bivariate Analysis Tests and its Objectives

Bivariate Analysis	
Test	Objective
Kolmogorov-Smirnov	To compare the observed frequencies of the values of an ordinal variable against some specified theoretical distribution. It determines the statistical significance of the largest difference between them.
Kruskal-Wallis <i>H</i>	To compare the number of times the score from one sample is ranked higher than the score from other samples (two groups or more).
One-Sample <i>T</i>	To determine if the mean of a sample is similar to that of the population.
Crosstabulations	To explore the relationship between the dependent variable(s) and the independent variable(s).

Source: Author's own

4. ANALYSIS ON THE SURVEY RESULTS

4.1. The Culture of Islamic Banking

This section of the analysis wishes to address the first hypothesis which is as follows:

Muslims, in contrast to the non-Muslims, will be more aware of the culture of Islamic banking and, as a consequence, be more aware of the meaning of fundamental terms used in Islam and Islamic banking and finance.

Table 2: Knowledge of basic terms in Islam and Islamic banking

Term	Muslim responses <i>n</i> = 64 Correct	Percentage within Muslim responses	Non-Muslim responses <i>n</i> = 246 Correct	Percentage within Non- Muslims responses
<i>Riba</i>	44	68.8%	5	2.0%
<i>Shari'ah</i>	37	57.8%	17	7.0%
<i>Ijarah</i>	7	10.9%	2	0.8%
<i>Mudarabah</i>	7	10.9%	0	0%
<i>Musharakah</i>	4	6.3%	1	0.4%
<i>Murabahah</i>	6	9.4%	0	0%

Source: Author's own

As shown in Table 2, it is not surprising to see that Muslims have more awareness to the meaning of fundamental terms in Islam compared to the non-Muslims. 68.8% of Muslims accurately described the term *Riba* and 57.8% accurately described *Shari'ah*. On the other hand, only 2% of non-Muslims correctly defined *Riba*, while 7% correctly defined *Shari'ah*.

The result above shows that there is a higher percentage in the awareness about Islamic fundamental terms for both Muslims and non-Muslims compared to the findings of Gerrard and Cunningham's (1997) study. Their study showed that only 20.7% Muslims knew the meaning of *Riba* and only 31% knew the meaning of *Shari'ah*. As for non-Muslims, only 0.6% understood the term *Riba* while only 2% understood the term *Shari'ah*. This could be caused by the increasing numbers of interest, concern and exposure in understanding Islam and its fundamental terms.

Likewise, in the context of Islamic financial terms, there is also a rise in the percentage of awareness. Of the 64 Muslims respondents, 10.9% managed to explain *Ijarah*, 10.9% *Mudarabah*, 6.3% *Musharakah* and 9.4% *Murabahah* correctly. For the non-Muslims, 0.8% are able to describe *Ijarah* and 0.4% *Musharakah* accurately. However, there is a total inexistence of awareness towards *Mudarabah* and *Murabahah* amongst the non-Muslims.

The term *Murabahah* is the most publicised Islamic financial term in Singapore after *Takaful*. The Singapore Government has repeatedly announced through the mass media that banks are now allowed to do transactions based on the *Murabahah* concept. Almost half of Singapore's population (49%) watch the news on television, while 38% uses the radio to listen to the news and 14% uses it to listen to financial matters. As for newspapers, 56% of the population read "The Straits Times" and 8.9% read "Berita Harian". However, the low level of awareness of Muslims and the total inexistence of awareness of the non-Muslims towards *Murabahah*, is very surprising.

For Muslims, the low rate of awareness could be attributed to either that; (i) they have no sufficient money to invest in any Islamic financing mode (*Ekoniaga et al.* 2004),

therefore the denial to understand financial terms, or (ii) falling in the lower income bracket, they have concerns more important than *Murabahah* to think about (Angullia, 2006). As for the non-Muslims, this phenomenon is backed by the fact that they are more interested in news regarding the establishment of two casinos in Singapore instead of news related to Islamic finance.

Overall, Muslims are more aware of the meaning of both the fundamental terms in Islam and also the Islamic financial terms compared to non-Muslims, even though the level of awareness should have been more positive. The first hypothesis hence is accepted in the context of both the fundamental terms in Islam and also in the context of Islamic banking and finance terms.

4.2. Attitude towards Islamic Banking

This section of the analysis wishes to address the second hypothesis which is as follows:

Muslims, in contrast to non-Muslims, presently have a different attitude towards Islamic banking.

Table 3: Attitudes of Muslims and non-Muslims towards Islamic banking
Dealings with Islamic banks

Question	Muslims <i>n</i> = 64		Non-Muslims <i>n</i> = 246	
	No.	(%)	No.	(%)
C1 Are you dealing with Islamic banks?				
Yes	6	9.4%	8	3.3%
No	58	90.6%	237	96.7%

Source: Author's own

It is not surprising to find that out of the 246 respondents, only 8 (3.3%) non-Muslims respondents are dealing with Islamic banks, whilst the remaining 237 (96.7%) have no dealings whatsoever. At the same time, it is very alarming to discover that only 9.4% (6) Muslims are dealing with Islamic banks, whereas, 90.6% (58) of them are not. This is because, ten years ago, Muslims were in a comfort zone as the property market in Singapore was good. They tend to sell their properties when they needed money (Angullia, 2006). However, as the property market began to decline, Muslims began to express interest in dealing with Islamic banks. Another factor influencing this attitude is the bad experience of the Mendaki Fund. Commenced in 1991, the fund's performance did not meet the Muslim community's expectations; hence Muslims have a negative perception of Islamic finance. Nevertheless, the low rate of Muslims' involvement in Islamic banks would be of concern to both local and foreign banks which provide Islamic financial instruments and products as the viability and efficiency of the instruments and products provided depend on the demands of its consumers, especially Muslims.

Table 4: Attitudes of Muslims and non-Muslims towards Islamic banking
Capacity for dealing with Islamic banks

Question	Muslims <i>n</i> = 64		Non-Muslims <i>n</i> = 246	
	No.	(%)	No.	(%)
C1A If 'Yes', are you:				
A depositor	4	6.3%	4	1.6%
An investor	2	3.1%	1	0.4%
A financier	0	0%	3	1.2%

Source: Author's own

Of the six Muslims respondents dealing with Islamic banks, 4 (6.3%) of the Muslims respondents are involved as “a depositor”, while 2 (3.1%) act as “an investor”. Meanwhile, among the 8 non-Muslims who are involved in Islamic banks, 4 (1.6%) are involved as depositors, one is an investor, while the remaining 3 (1.2%) are financiers to Islamic banks.

Table 5: Attitudes of Muslims and non-Muslims towards Islamic banking
Reasons for not dealing with Islamic banks

Question	Muslims <i>n</i> = 64		Non-Muslims <i>N</i> = 246	
	No.	(%)	No.	(%)
C1B If 'No', why?				
Lack of knowledge on Islamic financial products and Services	42	65.6%	201	82.0%
Lack of accessibility to Islamic banks	18	28.1%	58	23.7%
Lack of confidence in Islamic banks	7	7.0%	25	10.2%

Source: Author's own

When respondents were asked why they were not dealing with Islamic banks, 7% of the Muslims stated that “lack of confidence in Islamic banks” was the reason and 10.2% of the non-Muslims were of the same view. The second highest reason given by both Muslims (28.1%) and non-Muslims (23.7%) for not dealing with Islamic banks was “lack of accessibility to Islamic banks”. On the other hand, “lack of knowledge on Islamic financial products and services” was the main reason why 65.6% of the Muslims respondents and 82% of the non-Muslims respondents were not dealing with Islamic banks.

Thus, in order to raise the number of potential customers' involvement in Islamic banking and finance, the level of awareness and knowledge must first be improved. This can be done by coming up with a massive advertisement campaign through the mass media by using the “catch all” marketing campaign in promoting Islamic financial products and services. Although various Muslim bodies and institutions such as the Islamic Religious Council of Singapore (MUIS), Singapore Islamic Scholars and Religious Teachers Association (PERGAS) and Association of Muslim Professionals (AMP) will play a vital role in improving the awareness towards Islamic fundamental terms and promoting Islamic financial products and services, however, it must be reminded that banks should not solely rely on these institutions and bodies. Instead banks should also take the initiative to advertise Islamic financial products and services; as advertisement campaigns are expensive and hard work is required to attain the objective of spreading the awareness and knowledge of Islamic financial products and services amongst Singapore Citizens.

Table 6: Attitudes of Muslims and non-Muslims towards Islamic banking
Motivation for depositing at an Islamic bank

Question	Muslims <i>n</i> = 64		Non-Muslims <i>n</i> = 246	
	No.	(%)	No.	(%)
C2 What reasons motivate you to deposit money at an Islamic bank				
Religious reasons solely	21	32.8%	6	2.4%
Profitability reasons solely	1	1.6%	101	41.2%
Religious and profitability reasons combined	36	56.3%	11	4.5%
Better products and services	11	17.2%	103	42.2%
Other reasons	2	3.1%	34	13.9%

Source: Author's own

As seen in Table 6, it is indicated that 32.8% of Muslims are of the opinion that solely religious reasons motivate people to deposit money with Islamic banks while only 2.4% of non-Muslims are of the same opinion. While, 56.3% of the Muslim respondents said that deposits would be made for a combination of religious and profitability reasons, only 4.5% of non-Muslims gave that reason. In contrast, only 1.6% of Muslims thought that profitability reasons inspire people to deposit money in Islamic banks, while 41.2% of non-Muslims are inspired by profitability. Furthermore, "better products and services" got higher percentage amongst the non-Muslims (42.2%) as compared to Muslims (17.2%).

We can see that the Muslims in Singapore are largely religious as they believe that sound religious reasoning motivates them to deposit their money in Islamic banks. In contrast, non-Muslims are highly motivated by profitability and better products and services provided. This attitude is not surprising as it is widely believed that most people deposit/invest in banks to earn profits and higher returns.

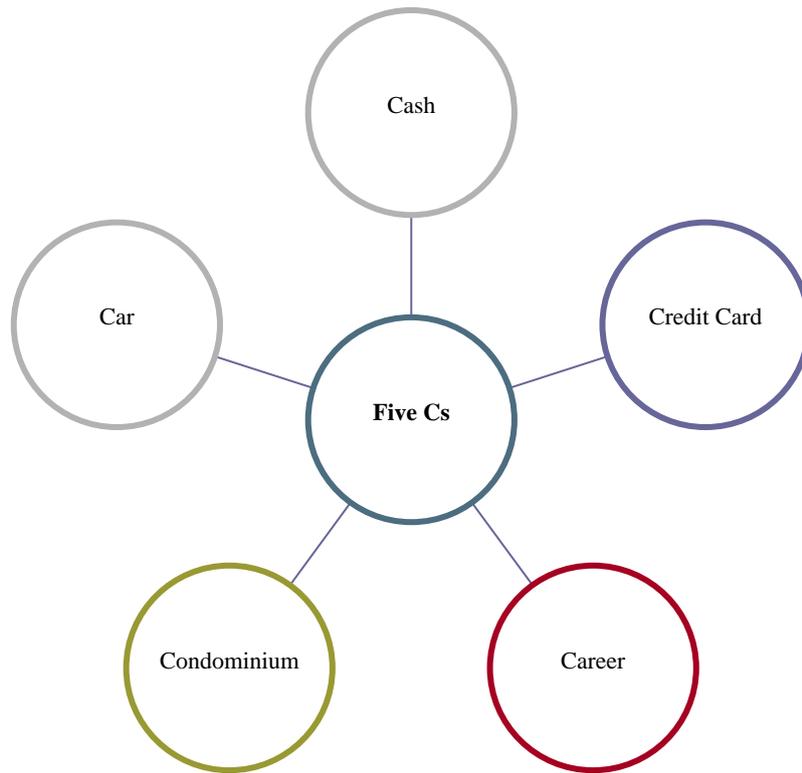
Table 7: Attitudes of Muslims and non-Muslims towards Islamic banking
Accessibility to an Islamic bank

Question	Muslims <i>n</i> = 64		Non-Muslims <i>n</i> = 246	
	No.	(%)	No.	(%)
C3 The availability of Islamic financial products will be motivated by				
Opening new branches	21	32.8%	47	19.2%
Higher profit returns (fixed and/or variable)	25	39.1%	139	56.7%
Provision of wider range of products	23	35.9%	68	27.8%
Provision of better services (financial planners and advisors)	30	46.9%	79	32.2%
Other reasons	2	3.1%	21	8.6%

Source: Author's own

For question C3, it is seen that only 32.8% of Muslims and 19.2% of non-Muslims said that opening new branches will encourage people to utilise Islamic financial products. This possibly shows that both Muslims and non-Muslims see a weaker link between the number of branches a bank has and the utilisation of the bank's financial services.

Figure 1: The Five ‘C’s



Source: Author’s own

One of the reasons why consumers deposit money into banks is to earn interest (Ta and Har, 2000:175). That is why 56.7% of non-Muslims and 39.1% Muslims said that “higher profit returns” will encourage them to use Islamic financial products. This shows the profit maximisation characteristic of Singaporeans, both Muslims and non-Muslims. Generally, Singaporeans have a perception that they are living a prosperous life if they were to possess the “five ‘C’s” (cash, credit card, career, condominium and car). These are not attainable unless they have sufficient money, and this in turn is achievable with higher interest or profit returns. Therefore, Islamic banks will need to gain higher profit returns in order to compete with conventional banks and woo potential clients.

Table 8: Attitudes of Muslims and non-Muslims towards Islamic banking
The role of Islamic banks towards social and community welfare

Question	Muslims n = 64		Non-Muslims n = 246	
	No.	(%)	No.	(%)
C4 Do you agree that the granting of interest-free loans by Islamic banks is considered a contribution on the part of the bank to help the Community in a just and efficient manner?				
Strongly agree	26	41.3%	55	23.1%
Agree	25	39.7%	87	36.6%
Neutral	11	17.5%	77	32.4%
Disagree	1	1.6%	15	6.3%
Strongly disagree	0	0%	4	1.7%

Source: Author's own

With regards to question C4, 81% of Muslims “agreed” that interest-free loans would help the community in a just and efficient manner, with 57.9% of non-Muslims of the same opinion. This shows that Singaporeans in general believe in helping their community as it is embedded in them the importance of brotherhood and social cohesion.

Table 9: Attitudes of Muslims and non-Muslims towards Islamic banking
Consumer's (lender's) behaviour upon acquiring a substantial sum of money

Question	Muslims n = 64		Non-Muslims n = 246	
	No.	(%)	No.	(%)
C5 If you acquired a substantial sum of money, say \$10,000, you would				
Deposit the money at interest in a commercial bank (fixed return)	27	42.2%	157	64.1%
Use the sum for a profit and lost-sharing contract (variable return)	2	3.1%	13	5.3%
Start up a small enterprise or project which would earn profits	16	25.0%	19	7.8%
Purchase corporate shares, stocks, equities and/or bonds	9	14.1%	48	19.6%
Invest the money in business and trading	14	21.9%	25	10.2%

Source: Author's own

Concerning the acquiring of a substantial amount of money, 64.1% of non-Muslims indicated that they would deposit their money in a conventional bank, while surprisingly, 42.2% of Muslims were of the same opinion – this may be considered as a disturbing sign for any bank which is considering or has set up an Islamic banking operation in Singapore.

In contrast, Muslims (3.1%) and non-Muslims (5.3%) showed less preference in using the acquired sum for the profit-and-loss sharing contract (PLS) which is made up of *Mudarabah* and *Musharakah*. This is due largely to; (i) lack of awareness towards Islamic financial terms, (ii) lack of knowledge on Islamic financial products and services, and (iii) *kiasuism*. A local Singapore word, *kiasu* means “the fear of losing out” (Times-Chambers Essential English Dictionary, 1997). It is the fear of losing one's capital and the fear of someone else getting a better return on their investments that make most people reluctant to involve themselves with PLS (Gerrard and Cunningham, 2001). These results are indicative of the need for more promotional activities on the part of banks, besides providing them with the benefits of involvement with PLS.

Overall, other than depositing their money in a commercial bank, the results attained above shows a divergence in attitude between Muslims and non-Muslims. While Muslims prefer starting up small enterprises or projects and investing their money in business and trading, non-Muslims rely heavily on the interest-rate provided by commercial banks for their returns. This divergence is largely attributed to (i) the Muslims' belief that interest and/or usury (*Riba*) is prohibited; as it encourages the abstinence from consumption and the removal of funds from circulation hence, it is seen unjust and appropriate (Wilson, 1997:127), and that (ii) in Islam, the best way to feed one's family and himself is through hard work, perseverance and honesty.

Table 10: Attitudes of Muslims and non-Muslims towards Islamic banking
Consumer's (borrower's) behaviour upon his/her needs to finance a project

Question	Muslims <i>n</i> = 64		Non-Muslims <i>n</i> = 246	
	No.	(%)	No.	(%)
C6 If you need financing for a project, you would prefer				
Borrowing at an interest-rate	3	4.7%	45	18.4%
Borrowing at no interest-rate (<i>qard al-hasan</i>)	48	75.0%	122	49.8%
A mark-up contract with a fixed-rate of return	4	6.3%	23	9.4%
A profit and lost-sharing contract with a variable return	4	6.3%	9	3.7%
Raising the fund through family, relatives and/or friends	12	18.8%	69	28.2%

Source: Author's own

In terms of financing for a project, both the mark-up contract and profit and lost-sharing instruments got low rates amongst the Muslims (12.6%) and non-Muslims (11.1%). At the same time 4.7% of Muslims and 18.4% of non-Muslims preferred borrowing at interest-rate. Although it is common knowledge among Muslims on the prohibition of interest and/or usury (*Riba*), it is not surprising to find sections of Muslims who are involved in *Riba* related transactions. Based on *Ekoniaga et al.*'s (2004) study, 60% of the respondents believed that conventional financial products (inclusive of *Riba*) were legitimate. There are two reasons for this. Firstly, Muslims do not care where their money is invested in by the fund managers – in line with getting salaries from the government - for they believe that the element of *Riba* is not of their concern as long as their intentions are good. Secondly, they agree with the view of Sheikh Tantawi which argued that that bank interest is a sharing of the bank's profit and may therefore be permissible. However, this view has been widely rejected and action must be taken to correct the understanding of these Muslims towards the prohibition of *Riba*.

Next, “Raising the fund through family, relatives and/or friends” was rated second in terms of providing finance for a project, with a percentage of 18.8% Muslims and 28.2% of non-Muslims saying so. This is expected as the teachings of Islam and Confucius for example, emphasize on the importance of family, relatives and friends in which they are to help each other in times of need and difficulties. Furthermore, probably both Muslims and non-Muslims feel comfortable and at ease borrowing from someone they trust; knowing that they have the flexibility in determining the time and amount for which they must return back the fund. In contrast, if they were to borrow from banks, they are “chained” to the certainty of time and interest-rate required from them upon returning the borrowed amount.

Moreover, being profit maximisers, it is surprising to find that 25% of Muslim and 50.2% of non-Muslim respondents do not prefer borrowing at no interest rate (*Qard al-Hasan*). This result reflects that Singaporeans in general lack enthusiasm and knowledge on the product and how it works. In addition, they do not see any significant differences between Islamic finance and conventional finance, thus they tend to choose something more familiar, established and safe – conventional lending. Moreover, it is imbued in most Singaporeans that interest is correlated with borrowing, even though there is no interest-rate, it may involve hidden risks or cost. On the other hand, most non-Muslims think that Islamic banking products only cater the Muslim community, while Muslims have negative feelings towards Islamic

finance as they believe *Shari'ah* is being exploited by opportunists to make money. (Norhaiza; Nomura; and Omar, 2006).

Thus, based on the above result, it is important for Islamic banks to promote and expose the mark-up contract, the PLS instrument and borrowing at no interest-rate (*Qard al-Hasan*) to its Muslims and non-Muslim clients if it wants to compete with conventional banks.

Overall, the attitude of Singapore's Muslims and non-Muslims to Islamic banking is different. Hence, the second hypothesis is accepted.

4.3. Criteria Ranking

This section of wishes to address the third hypothesis which is as follows:

There will be no significant differences between Muslims and non-Muslims in the ranking of the various bank selection criteria

Table 11: Bank Selection Criteria

Criteria	Muslims		Non-Muslims		Asymp. Sig.
	Mean	Rank	Mean	Rank	
Bank's confidentiality, reputation, management and image	1.28	1	1.43	1	0.360
Provision of fast, efficient and friendly service	1.33	2	1.56	3	0.288
Easy accessibility (near home or work)	1.51	3	1.76	5	0.119
Lower interest charges on loans	1.52	4	1.66	4	0.727
Lower service charges on cheques	1.64	5	1.89	6	0.076**
Higher profit rate returns on savings	1.72	6	1.47	2	0.187
Availability of credits on favourable items	1.75	7	1.93	7	0.509
Financial counselling provided	1.79	8	2.13	8	0.066**
Overdraft privileges on current account	2.14	9	2.35	9	0.248
Mass media advertising	2.25	10	2.73	12	0.002*
Bank's interior and external appearance	2.30	11	2.71	11	0.016*
Recommendations of friends and relatives	2.47	12	2.49	10	0.644

Source: Author's own

Note: Ratings were based on a five point scale, where 1 = very important; 2 = important; 3 = neutral; 4 = not important; and 5 = of no importance
Significance levels are: * = $p < 0.05$; ** = $p < 0.1$

Table 11 shows that there are some similarities in the ranking of bank selection criteria as between Muslims and non-Muslims. The most important factor to both groups is the bank's confidentiality, reputation, management and image. The next six factors in relation to Muslims are again mirrored by non-Muslims, except that non-Muslims place much more importance on being given higher profit rate returns on savings and place less importance on the need for easy accessibility near the home or work place. On the other hand, Muslims see the importance in the provision of a fast, efficient and friendly service and easy accessibility near the home or work place. This is not surprising as Lunt (1994) remarked that "location is important because the Asian community likes to see money often and have easy access to it" (Ta and Har, 2000:175).

The lowly rated criteria are generally the same for both groups. For example, "Financial counselling provided", "Overdraft privileges on current account", "Mass media advertising", "Bank's interior and external appearance", and

“Recommendations of friends and relatives” were all given low ratings. Muslims however, ranked “Recommendations of friends and relatives” the lowest, while the non-Muslims ranked the same factor tenth. This shows that friends and relatives have more influence on non-Muslims in selecting a bank as compared to their Muslim counterparts.

In the Singapore context, the need for a bank to provide a fast and efficient service and confidentiality are very highly rated. Both these factors are of importance because being an international financial hub, a metropolitan country, and with one of the busiest ports and airports in the Asian region, Singapore and her citizens have high level of expectation that all kinds of transportations (MRT, buses and taxis), transactions and services have to be fast, efficient and friendly. Hence, in terms of selecting a bank, Singaporeans emphasize on the confidentiality, reputation, management and image of the banks, as well as the provision of fast, efficient and friendly service.

In the context of statistically significant differences at $p \leq 0.05$, two significant differences were observed, while another two were observed at $p \leq 0.1$. The four criteria are “mass media advertising”, “bank’s interior and external appearance”, “financial counselling provided”, and “lower service charges on cheques”. As four significant differences were identified, the third hypothesis is thus rejected.

5. CONCLUSION

This study has established that, while the majority of Muslims have awareness on the culture of Islamic banking, the non-Muslims on the other hand, lack awareness on the subject.

In relation to the attitude towards Islamic banks, there are many differences between Muslims and non-Muslims. For instance, more Muslims are dealing with Islamic banks. Those who are not lack the knowledge on Islamic financial products and services. More than half Muslims are of the opinion that religion and profitability motivate people to deposit their money into an Islamic bank; more Muslims are of the opinion that the provision of better services would lead to a greater use of Islamic financial product; more Muslims strongly agreed that the granting of interest-free loans by Islamic banks would help the community in a just and efficient manner; much more are likely to use an acquired sum to start a small enterprise or project, or invest the money in business and trading; and much more would prefer borrowing at no interest-rate to finance a project.

In the context of bank selection criteria, similarities are found in the ranking of certain criteria between Muslims and non-Muslims. However, there are some differences. For example, Muslims place lower importance on higher profit rate returns on savings. Also, while Muslims are more influenced by mass media advertising, non-Muslims are more influenced by their friends and relatives.

5.1. Implications for Banks

There are a number of major implications for local banks which arise from the results of this study. First, although the awareness towards the culture of Islamic banking has improved, as compared to Gerrard and Cunningham’s (1997) study, informative

advertising campaigns would need to be designed and delivered to improve the level of awareness even more. Banks and Muslim bodies and institutions should work together in contributing towards explaining the culture of Islamic banking and become major sources for relevant information.

Second, the Islamic bank should aim to be as profitable as or more profitable than conventional banks, as the result this study has showed that 41.2% of non-Muslims are motivated to deposit their money in Islamic banks for profitability reasons, while 56.7% would utilise Islamic financial products if they are provided with higher profit returns; and higher profit rate returns on savings is ranked second in their bank selection criteria. No doubt, Islamic banks will face stiff competition from its conventional counterparts for depositors. However, if an Islamic bank can attract five potential groups of depositors; non-Muslims being one of the important, if not the most important group, the operations and commercial viability of Islamic banks will be highly promising. Furthermore, studies have shown that the profitability measures of Islamic banks responded positively to the increase in capital and earning assets. In other words, the larger the capital is, the larger will be the profit of the bank (Hamdan, 2006:4). The following table shows the five potential markets which Islamic banks can capitalise, and its estimated amount of deposits.

Table 12: Potential Groups of Depositors and Estimated Amount of Deposits

Potential Market	Estimated Amount of Deposits	
	SGD(\$) Millions	GBP(£) Millions
Muslims	13	4.3
Non-Muslims	76.7	25.6
CPF Investible Funds	10	3.3
Mosques and Muslim Associations	0.3	0.1
Funds from the Middle-East	300	100
Total	400	133.3

Source: Author's own estimation

In a period leading to the establishment of Islamic banking operations in Singapore, presently bank(s) are marketing Islamic products they intend to offer. To attract customer accounts, an Islamic banking operation in Singapore must ensure that it has the capability to provide a fast, efficient and friendly service.

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Islamic banking can assist in closing the deficit in access to finance, since it is not only Muslims that are allowed to use financial services rendered by Islamic banks. There was doubt about the success of an Islamic financial institution operating in Nigeria but the success of Jaiz Bank has proven otherwise.Â 1. Ascertain the degree of awareness of respondents about Islamic banking products and services in Nigeria; and. 2. Determine attitude and behaviour of potential customers (non-Muslim and Muslim) towards Islamic banking products and services in Nigeria.Â Table 4 shows the respondents perception, attitude and behaviour towards Islamic banking in Nigeria. Respondents were asked to indicate whether they would bank with an Islamic financial institution.