Developing Shariah-Compliant Financial Services for the Muslim Customers in India

Intekhab (Ian) Alam

Abstract

India is an attractive and growing market for shariah-compliant financial services. Therefore, the purpose of this article is to propose a systematic process for developing new shariah-compliant financial services for the growing number of Muslim customers in the big emerging market of India. This article is based on a longitudinal case study of service innovation employed by a multinational bank providing a diverse range of financial services to the Indian Muslim customers. The findings suggest that a structured new service development process must be used for developing new shariah-compliant financial services. Customer interaction during the service innovation is also important. This research is the first attempt to explore the development process of new shariah-compliant services in India. The findings of this research can be very useful to the managers of multinational financial institutions interested in marketing Islamic banking products and services in the burgeoning Indian market.

Keywords: New Service Development, Islamic Banking, Shariah compliant services, Customer Interaction, India

Introduction

High level of immigration in different parts of the world has resulted in intermingling of interests and consumption patterns of consumers from many diverse backgrounds (Grier and Deshpande 2001; Oullet 2007; Penaloza and Gilly 1999). Despite this cultural intermingling, many minority groups do maintain their own unique consumption patterns due to the intangible elements of societal values and religious beliefs (e.g. Jamal et al. 2012; Goldman and Hino 2005; Jamal 2003; Burton 2000; Ackerman and Tellis

1 Dr. Intekhab (Ian) Alam (alam@geneseo.edu) is a Professor of Marketing in the School of Business, State University of New York (SUNY) at Geneseo, New York
In particular, Muslim minority represents an important market segment in many developed and developing countries in North America, Europe and Asia (El-Bassiouny 2014). The Islamic banking service also known as shariah-compliant service is a growing niche within the financial service sector of countries having a sizeable Muslim population (Haque et al. 2009; Long 2013). This phenomenon makes the issue of shariah-compliant services and the needs of the Muslim minority an important area of inquiry (Emslie et al. 2007; Jamal and Shukor 2014; Pires et al. 2011).

The financial service sector has been the focus of intense scrutiny and research in the extant literature because of the high level of innovation in the industry resulting from deregulation and technological advancements globally (Alam 2013; Lyons et al. 2007). Over the past few years, a considerable amount of research has focused on New Service Development (NSD) (see review by de Jong and Vermeulen 2003). Most studies in this area discuss the structured process of NSD and suggest that a firm must use such a process for developing new services (for example, Alam and Perry 2002; Scheuing and Johnson 1989). However, to ensure success, several religious issues must be incorporated in the new services targeted at the ethnic and Muslim customers because consumption of services is largely based on a customer's cultural and religious orientation (Pires and Stanton 2000; Rossitter and Chan 1998). Despite this theoretical underpinning, relatively little efforts have been expended on studying how the financial service firms develop new services and how they address the needs of the Muslim minority customers in different parts of the world (Chaudhry and Crick 2004). Clearly this lack of scholarly focus and mainstream articles dealing with the growing needs of the Muslim minority customers for new services has resulted in a scholarly gap in the NSD and banking and finance literature.

Currently, the issue of shariah-compliant banking is attracting major attention in a big emerging market and Muslim minority country, India (Ahmed 2013; Yatoo and Muthu 2013). The reason is that India’s central bank, the Reserve Bank of India (RBI) has agreed to allow the commercial banks to explore the possibility of offering new interest free banking services to its Muslim customers (Bose and Yedukumar 2013). With the enormous Muslim population and the significant requirement of the capital in the country, there is a scope for massive growth in Islamic banking and finance in India. As a result, there is a scurry among many firms, both from India and abroad, to develop new services to address the need of the Muslim customers and cash on the increasing
Developing Shariah-Compliant Financial Services for the Muslim Customers in India

openness of the Indian capital market (Shah and Hussain 2014). Yet, to the best of our knowledge no study has explored the process of developing new services for the Muslim customers in India.

Against this backdrop, the objective of this research is to develop an understanding of the process of developing new financial services for the Muslim customers in an emerging market and offer practical guidelines to the service managers. The research question for the study is: How to develop shariah-complaint financial services for the Muslim customers in India? We answer this research question by conducting a case study of a multinational financial service firm. The rest of the article is organized as follow. First, we analyse the strength of the Muslim customers and discuss their need for new financial services in a country in which they are in minority. Second, we review the extant literature related to service innovation and shariah-compliant financial services. Third, research methodology is described and data analysis is presented. This is followed by a discussion of implications for the managers and policy makers. Finally, a discussion of research limitations and future research agenda are presented.

Muslim Customers in India

India is a country of multireligious, multilingual and multiethnic people. Because of the large variety of the ethnic origin of her people, the country is often called an ethnic museum (Fazlie 1995). Muslims are the second largest religious group after the majority Hindu community and thus the largest minority in India. The Muslims minority, over 160 million, constitute about 13.4 percent of the total population according to the 2011 census. In essence, India has the largest concentration of the Muslims outside the member countries of the Organization of the Islamic Cooperation (OIC) and the third largest (after Indonesia and Pakistan) in the world. However, despite their number and a strong political clout, the socio-economic condition of this largest minority is somewhat pitiable (Bagsiraj 2003). An extensive study of the economic, social and educational conditions of the Muslims in India by the high level prime ministerial committee headed by Justice Rajinder Sachar has reported an extremely low level of penetration of banking and financial services among this largest minority group (Sachar Committee Report 2006). The RBI’s efforts to extend banking and credit facilities have mainly benefited other minorities completely marginalizing a large section of the Muslim population (Sachar Committee Report 2006). According to a recent report of RBI, the public sector
banks in fact are failing to cater to the need of the Muslim community partly because the 
bank employees are not sensitized to address the exclusive needs of this minority 
community. This case of banking discrimination is consistent with the cases in several 
developed countries including USA where minority customers face tougher standards in 
borrowing and lending due to biases and prejudices (e.g., Black et al. 2003; Horne 1997; 
Munnell et al. 1996). In a broader sense, the issue of marginalization of the minorities 
has been a pressing problem worldwide and India is no exception. There seem to be 
abundant literature demonstrating marginalization of ethnic customers in marketing 
practices. The literature suggests that the Muslim minority in particular is marginalized 
due to general prejudice and a lack of assimilation efforts initiated by the Muslims 
themselves in many western countries (El-Bassiouny 2014; Knight et al. 2009; Lee et al. 
2011). The reflection of this marginalization of minority in India is exemplified, for 
example, by the unavailability of interest free banking services for its 160 million 
Muslim customers.

In summary, the flow of bank credit to the Muslim community is inadequate and this 
exclusion of the Muslims has far-reaching implications for their socio-economic 
advancement and the country as a whole. Realizing the negative consequences of the 
marginalization of the minority customers as documented in the literature (e.g. Lee et al. 
2011; Russell and Russell 2010) the RBI has started to take some measures to remove 
the barriers in credit flow to the Muslim customers (Singh and Das 2013; Munuswamy 
et al. 2013). Two key reasons for the low penetration of banking services among the 
Muslim customers are the lack of education among the community and the failure of the 
banks to offer the products and services that suit their needs (Sachar Committee Report 
2006).

**Islamic Financial Service Sector of India**

Currently the largest markets for Islamic banking products are Indonesia and Malaysia 
(Kasri 2010; Rahman and Rosman 2013; Morrison 2014), yet several secular and 
industrialized countries such as Singapore, Hong Kong, France, and the UK have 
already accommodated Islamic finance and banking along with other conventional 
banking practices (Chin et al. 2008; Ihsanoglu 2011; Long 2013; McNaughtry 2013). 
Service firms in these countries are responding to the needs of Muslim customers
because they are looking for growth outside the North America and the European Union (Chittenden 2010; Colvin 2009; El-Bassiouny 2014). Although the population of Muslims in the UK is only three million, London has become a hub for Islamic finance and banking (Volk and Pudelko 2010; Bershidsky 2013; Hafeez and Ahmad 2014).

The number of Muslims in India is about 160 million accounting for about 10% of the world’s total Muslim population. In addition, India is a big emerging market having a GDP growth rate of almost 9%. These phenomena provide a larger platform for the use of shariah-compliant services than any other countries in the world. Given the growth rate in the financial service sector, India has the potential to become the largest market for Islamic finance in the world (Manzoor 2013; Munuswamy et al. 2013). Although Islamic finance has been around in the Indian subcontinent for many years [see for example Khan (2004), Siddiqui (2006), Manzoor (2013) and Yatoo and Muthu (2013) for India; Khan and Bhatti (2008); Shaikh (2013), Lee and Ullah (2011) for Pakistan, Sarker (1999), Abduh and Chowdhury (2012), Ahmed (2013) and Hafij (2014) for Bangladesh], it has not thrived in an unregulated environment specifically in India. With this phenomenon in mind, recently a panel of economists recommended the introduction of interest-free banking in India, and the RBI on principle gave approval for developing new financial services based on the principles of shariah. The Raghuram Rajan Committee appointed by the RBI has also recommended Islamic finance and banking for the Muslim customers. This development has led to a flurry of activities in Indian financial service sector as evident from the formation of National Minorities Development Finance Corporation (NMDFC), Islamic Finance Organization (IFO) and the introduction of shariah-compliant mutual fund products by organizations such as Taqwaa Advisory and Shariah Investment Solutions (TASIS). These developments point towards the initial steps the Indian policy makers have taken in allowing the banks to offer financial services specifically for the Muslim customers (Shah and Hussain 2014).

However, both scholars and practitioners have raised an interesting question, why should global banks enter into the Islamic banking market in a Muslim minority country? The answer to this question can be gleaned from the fact that finding growth and prosperity is a pressing issue in virtually all financial institutions worldwide. If the global financial companies are searching for new ways to grow, reaching the Muslim customers should be a priority for them (Emslie et al. 2007). They should assess the appeal of Indian financial service sector and investigate the possibility of developing new financial
services for the growing Muslim customer base. In the next section, we review the process of developing new services that can be applied for developing shariah-compliant financial services for the Muslim customers.

**New Service Development Process**

Use of a systematic process for developing new financial services is considered a key success factor (e.g., Cooper and Edgett 1996; Edgett 1994). Therefore, several studies have proposed formal development models for developing new services. Two development models describe eight stages in developing new services in the financial and health care industries (Bowers 1987, 1989). Yet, these models for services are similar to the models of tangible product development, although the service characteristics of intangibility, heterogeneity, perishability and inseparability set services apart from tangible goods (Shostack 1977). Therefore, recognising these unique characteristics of services, Scheuing and Johnson (1989) added several new stages for service development and expanded the model to 15 stages. Later, Alam and Perry (2002) proposed a more simplified and improved model for financial services containing 10 development stages, which seems to capture the intricacies of NSD very well. The 10 stages in this model are: strategic planning, idea generation, idea screening, business analysis, formation of cross functional team, product design and process/system design, personnel training, product testing and pilot run, test marketing, and commercialisation. This model also suggests that customers’ input into the new services should be obtained throughout the development process. Hence, the literature of customer interaction is reviewed next.

**Customer Interaction in New Service Development**

There has been a growing recognition among both scholars and practitioners that customer interaction during new product or service development represents a source of competitive advantage (Yoo et al. 2012). Therefore, several empirical studies have investigated the benefits of customer interaction in both new product and service development and reported that customer input leads to high quality innovations (e.g., Alam 2002; 2006; Kuusisto and Riepula 2011). As buyers of current and future new services, the customers may contribute to all the stages of NSD, from idea generation to commercialization. Yet, Gruner and Homburg (2000) argue for an intense interaction
between customers and product developers during the early stages of innovation process because customers can help generate new product ideas during the early stages. Likewise, Alam (2002) suggests that the intensity of service producer-customer interactions during the idea generation stage shall be higher than all other stages. He also claims that customer interaction results in many key benefits such as reduced cycle time, superior services and customer education. In addition, Alam (2006) reports that customer interaction during the fuzzy front end, i.e. the first three stages of idea generation, idea screening and concept development are more important than other later stages.

Most firms have many different types of customers, each with a unique set of characteristics and needs. Thus the selection of right customers is another key issue in customer interaction. A firm may obtain input from the customers with whom it has a close relationship because confidentiality can be a major issue. A service manager can trust close customers to keep sensitive information confidential. Close customers may also display their commitment in conducting NSD activities efficiently. In summary, formal NSD process and customer interaction are two important strategic choices in any NSD strategy. These two key issues are applied in the case study reported in this article.

**Methodology**

This article is based on a case study of NSD employed by a multinational bank providing a diverse range of financial services to the Indian customers. This multinational firm Indiprise Banking Corporation¹ (a pseudonym) had a global presence but wanted to improve its innovation efforts in India because of country’s massive market size, high level of economic growth, growing customer demand and increasingly transparent institutional policies (Johnson and Tellis, 2008; Kuntluru et al., 2012). The managers of the bank decided to tap into the neglected market segment of Muslim customers by developing various shariah-compliant services such as home loan mortgages, business loans and share and investment products². This decision was based on the opportunity provided by the recent changes in the RBI’s ruling on Islamic banking and finance. However, to be successful, the managers recognized that they need to adopt a new approach to service innovation. For example, they realized the need to obtain customer inputs because of the unique needs of the Muslim customers and the unique nature of the new services they were planning to develop. They formed a research team comprising of four managers and the author and asked the team to develop
new service ideas from the customers. These research participants were senior managers familiar with the needs of the Muslim customers. Their details are summarized in Table 1.

**Table 1**: Detail of the Stakeholders and Managers of Indiprise Corporation

<table>
<thead>
<tr>
<th>Last name of the managers</th>
<th>Position in the company</th>
<th>Total experience (no. of years)</th>
<th>No. of years in Indiprise</th>
<th>Experience in NSD (No. of years)</th>
<th>No. of NSD projects completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gupta</td>
<td>Customers Services Manager</td>
<td>11</td>
<td>7</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Bharve</td>
<td>Vice-president New Product Development</td>
<td>19</td>
<td>5</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Hussein</td>
<td>District Sales Manager</td>
<td>13</td>
<td>3</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Abraham</td>
<td>Vice-president Marketing</td>
<td>8</td>
<td>4</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>

**Field Research Design and Data Collection**

The research team headed by the author studied several actual NSD projects in real time using a longitudinal field research design similar to the ones proposed by Gebhardt et al. (2006) and Narayandas and Rangan (2004). This research design combines several qualitative data collection techniques, such as in-depth interviews, brainstorming, ethnographic observation, action research and archival records analysis. Researchers have emphasized the importance of combining multiple data collection methods in conducting inductive field research (e.g. Deshpande, 1983; Eisenhardt, 1989). We reviewed the extant literature of NSD, marketing in emerging countries, customers’ cultural orientation and Islamic banking and finance to identify factors that may be important to the understanding of the process of developing new shariah-compliant services in the emerging economies. These literature bases provided a deep insight into
the research question and helped develop a semi-structured interview protocol to be used for the research. Using the Indiprise’s customer database we identified 43 Muslim customers as potential participants and respondents for the research. As used in past studies, we took care to select the key informants through the identification and pre-notification method and selected only 22 customers who had the richest information to offer. These customers were located in Mumbai, India’s commercial capital and financial services hub of the country. Although the respondents belonged to a diverse background including physicians, business persons, company executives and small business owners, they had one thing in common: they all were searching for shariah-compliant services for their financial needs. Table 2 contains the details of the respondents.

Table 2: Details of the Customers/Respondents

<table>
<thead>
<tr>
<th>Occupation of the customers</th>
<th>Average no. of years as customers of the Indiprise</th>
<th>Number of participants (n=22)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physicians</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Small Business Owners</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>Managers of Multinational Firms</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Managers of Domestic Firms</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Government Employees</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>Travel Agents</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Lawyers</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>22</strong></td>
</tr>
</tbody>
</table>

Next, these 22 customers joined the author and four Indiprise managers for idea generation workshops that lasted about three weeks. During the workshops, we conducted semi-structured interviews with the participants using an interview protocol. Each interview lasted from two to three hours and was audiotaped. The interviews covered four complementary themes of inquiry: (a) the needs of the Muslim customers regarding the shariah-compliant new services (b) the problems they had with the current services available in the market and the solutions to solve
those problems, (c) the steps, if any, the customers had initiated to meet their needs for the shariah-compliant financial services, and (d) the latest trends in the market in regard to various Islamic financial service concepts. We posed several questions to probe these four areas of inquiry.

The analysis of data occurred at several levels simultaneously throughout the data collection process. We iteratively synthesized findings both from field research and the extant literature to develop a comprehensive understanding of NSD process and identify key factors and relationships that enhance the understanding of a firm’s customer interaction practices (e.g. Ulaga and Eggert, 2006; Workman et al., 1998). We used QSR International’s Nvivo software to electronically manage the interview transcripts, field notes and archival records and complete the data coding. Using this software we also highlighted the key quotes and emerging themes in the data. The case study database containing 117 pages of transcripts was sent back to the respondents and the research participants for member checks. All the respondents returned the transcripts after making minor changes.

**Research Findings and Discussions**

The case research data revealed several key issues related to NSD and customer interaction that a service firm must consider while developing new financial services for the Muslim customers in India and other emerging markets of the world.

**Important Stages of New Service Development**

Service firms are required to develop new services that meet the growing needs of the Muslim customers in India. To achieve this objective, they need to follow a structured NSD process model as reported in the literature; particularly the one containing 10 NSD stages proposed by Alam and Perry (2002). Service managers may conduct all the 10 stages of the NSD model, although they need to put more emphasis on the idea generation, idea screening, service design and process system design, service testing and commercialization stages. Overall, the management attention seems to be most critical for idea generation than any other stages of the development process. One reason is that the managers must gain an in-depth understanding of the needs of the Muslim customers that are vastly different from other mainstream customers. Next, the test marketing is another important stage because banks need to obtain key marketing information
including the potential and viability of the new services prior to their final launch. The research participants also noted that a large number of their Muslim customers routinely (a) do not invest in mutual funds with a debt component, (b) donate the interest earned on their salary savings accounts to the charity, and (c) use zero interest current account instead of high yielding and interest bearing savings account. These phenomena buttress the argument that many Muslim customers are in fact creating their own methods to develop shariah-compliant financial services. Thus, customer interaction during NSD becomes a key strategic choice for many service firms discussed next.

**Process of Customer Interactions**

Overall, customers can be involved in most of the 10 stages of NSD reported in this article. However, the three initial NSD stages including idea generation, service and system design and service testing/pilot run are more important than other stages for the purpose of customer interaction. In particular, the customer input into the stage of idea generation is more important and complex than other later stages. Therefore, service managers should interact with the Muslim customers more intensely in the earlier stages of the NSD process. In addition, the interaction with customers is more intense during the last three stages of service design, test marketing and commercialization of the development process. Thus, both the beginning and end of a NSD process are crucial for a successful interaction strategy.

Muslim customers can perform a number of activities and provide valuable inputs into the development process of new shariah-compliant services as shown in Table 3. An analysis of Table 3 shows that the customers can contribute to most of the stages of the NSD process. However, the number of customer activities is the highest at the initial two stages of idea generation and idea screening. This is followed by service design, service testing, test marketing and commercialization stages. Service managers can use this detail of customer activities as a checklist of the customer interaction activities for their shariah-compliant new service projects.
<table>
<thead>
<tr>
<th>NSD Stages</th>
<th>Activities Performed by the Minority Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Strategic planning</td>
<td>Limited feedback on proposed plan for new service development.</td>
</tr>
<tr>
<td>2. Idea generation</td>
<td>Describe needs, problems and possible solutions; suggest desired features, benefits and preference in a new service via brainstorming or focus group sessions; identify financial problems not solved by the existing services; evaluate existing services by suggesting likes and dislikes; identify gaps in the market; provide a new service wish list.</td>
</tr>
<tr>
<td>3. Idea screening</td>
<td>Suggest rough sales guide and market size of various new service ideas; rate the liking, preference and purchase intents of all the new service concepts; critically react to the concepts by analysing how they would meet customers’ needs; compare the concepts with competitor’s offerings; examine the overall saleability of a new service.</td>
</tr>
<tr>
<td>4. Business analysis</td>
<td>Limited feedback on financial data, including profitability of the concepts, competitors’ data.</td>
</tr>
<tr>
<td>5. Formation of cross functional team</td>
<td>Join top management in selecting team members.</td>
</tr>
<tr>
<td>6. Service design and process/system design</td>
<td>Jointly develop initial service blue prints; review and evaluate the initial service blueprints to crystallize the concepts; suggest improvements by identifying fail points in service delivery; observe a mock service delivery process by the key contact employees; participate in a simulated service delivery process as a customer; compare their wish list with the proposed initial service blue prints.</td>
</tr>
<tr>
<td>7. Personnel training</td>
<td>Observe and participate in mock service delivery process; suggest improvements.</td>
</tr>
<tr>
<td>8. Service testing and pilot run</td>
<td>Participate in a simulated service delivery processes; suggest final improvements and design change.</td>
</tr>
<tr>
<td>9. Test marketing</td>
<td>Comments and feedback on various aspects of the marketing plan; detail comments about their satisfaction with marketing mixes; suggest desired improvements.</td>
</tr>
<tr>
<td>10. Commercialization</td>
<td>Adopt the service as a trial; feedback about overall performance of the service along with desired improvements, if any; word of mouth communications to other potential users.</td>
</tr>
</tbody>
</table>
Modes of Customer Interaction

A service firm can solicit input from the Muslim customers through several interaction modes: observations, management retreat, focus group, brainstorming, in-depth interviews and team meetings. Essentially, there are six customer interaction procedures that are particularly critical to developing an effective interaction strategy: (1) conducting several initial face-to-face interviews and team meetings for idea generation and screening, (2) conducting innovation retreats, summits and mini conferences for new service concept development that may uncover customers’ latent or unspoken needs, (3) increasing the amount of communication and informal interactions among the front-line employees/bank officers and Muslim customers. This also underscores the need for managers to foster a culture of idea hunting amongst front-line employees of their respective firms, (4) developing a close relationship with customers who are experts and innovative, (5) holding periodic progress update meetings to remain up-to-date on new developments and emerging needs, and (6) using customer interaction strategy to educate the customers about the new services or to develop a long-term relationship with them.

Criteria for Customer Selection

For selecting customers for the purpose of interaction, an existing relationship with the customers and their expertise and knowledge are the key selection criteria because the customers are required to act as development partners and co-developers of new services. Therefore, we recommend that the managers target customers with strong ties for the purpose of interaction because commitment and trust are very important considerations in any customer interaction strategy. Customers with strong ties are also highly motivated to provide input and ideas for NSD. In addition, expert and knowledgeable customers already exist among the Muslim population and only need to be identified. Muslim customers will willingly provide their input if they feel part of a team and believe that they are influencing a firm’s innovation process. Because they stand to benefit from the new services, these customers are willing to participate actively in the NSD process, bringing in required resources, expertise and information.
Cultural Challenges in Developing New Services for the Muslim Customers

The findings suggest that several cultural factors may impact the customer interaction process in a NSD project. The way of thinking among Muslim customers is analytical rather than holistic in nature. There is a general tendency among the customers to strive to solve problems through the use of logic rather than finding a common middle ground. A related implication is that this style of thinking promotes never ending debate and argumentation. They find all too easy to discover flaws in other customers’ arguments. Thus, there is a need for a strong team leader, who will step in to resolve any unending debates and move forward with the common tasks of developing new services. Muslim customers may be very agreeable on some occasions and make concerted efforts to find common grounds, while on other occasions they may be singularly focused on attaining their own goals. In this situation, service managers are advised to take a firm stand on the need to focus on common goal, which is to generate new service ideas.

In relation to the cultural issues, Hall and Hall (1990) identify three dimensions of culture: high/low context, high/low space and monochronic/polychronic use of time. Applying one of these cultural value dimensions to India and its Muslim population, it becomes apparent that India is a polychronic country. Due to the polychronic use of time by the Muslim customers, the managers may face meeting scheduling problems. It is common among the Indian customers to either cancel the interviews at the last minute or come late to the team meetings. Because of these scheduling issues, NSD projects may be delayed. Secondly, in contrary to the general belief about the polychronic nature of the Indians customers, the Muslim customers may provide detailed and explicit information about new services which can be very helpful in generating new service ideas. Thirdly, as with most high context cultures, the relationships may play a key role in customer selection and the overall success of customer interaction strategy. Therefore, the service firms might consider investing time and resources in developing a close relationship with the Muslim customers. It will assist in selecting the right customers and gaining their cooperation for many NSD projects.

Problems in Customer Interaction and NSD Process

The findings of the research point to various problems and risks associated with developing new shariah-compliant services with customer interaction. For instance, listening to customers too closely may create a risk of over-customisation of new
services. To avoid this risk, the emerging trends in the marketplace as a whole need to be weighed against individual customer suggestions. Thus, the new service concepts must be tested with the larger group of customers that are representative of the Muslim population. Locating appropriate Muslim customers for interaction is another major problem because an intimate knowledge of the customers and market is necessary. In addition, customers may be disinclined to cooperate because of the conflicting objectives and intents of the firms versus their customers. Some Muslim customers may need extra motivation for their cooperation. Both monetary and non-monetary incentives can be useful to get full customer cooperation. Managers can also solve some of these problems by selecting the customers with whom their firm has a close relationship. These problems may also be solved by entrusting the task of customer selection to the product champions in the firm because product champions are often well connected to the industry and may already have forged relationships with some of the customers. By virtue of their position and connections in the industry, the product champions may be able to more easily identify the right customers and get appropriate assistance from them.

**Implications for Theory and Practice**

Extant literature warns that ignoring the importance of religion and marginalizing the Muslim and other minority groups can prove costly for many firms because minority customers are an important and growing market niche (e.g., Burton 2001; Jamal 2003; Knight et al. 2009; Lee et al. 2011). The marginalization of Muslim customers in India and several recent initiatives by the Indian government to solve the marginalization and exclusion problems offer opportunities for many service firms. In addition, low population growth of the majority Hindu group coupled with the large population increase of the minority Muslim group means it is time to target this growing niche more aggressively. Therefore, more empirical studies in all areas of marketing to the Muslim customers in India are needed. Our findings have implications for other parts of the world with sizable Muslim population as well, because the growth in Islamic banking and the neglect of minority customers are a global phenomenon (Bershidsky 2013; El-Bassiouny 2014). Indeed, both scholars and practitioners are discovering that previously ignored Muslim and minority customer groups are growing in power because of the increase in their population in various parts of the world (Geng and Choudhury 2002).
As the purchasing power of the Muslim customers grows, they will demand that the firms be responsive to their needs for financial and other types of services. The firms that can successfully develop new services exclusively for the Muslims will create a win-win situation for their businesses and for their customers.

For this purpose, the 10-step NSD model (Alam and Perry 2002) is a good starting point for idea generation and introduction of new services. Despite the use of formal NSD model there may be uncertainty on the ultimate shape and make of the new services. Some of the uncertainties can be alleviated by partnering with the Muslim customers. For example, the managers need to interact extensively with their customers to obtain key information as detailed in this article. The customers can help crystallize the service concepts and critically evaluate the overall service delivery blueprints and final offerings that are relevant to their needs. Interaction with Muslim customers offers two additional advantages: (1) customer interaction is a way of developing a relationship with the customers because the minority customers respond more favorably to products and services targeted exclusively at them (Grier and Deshpandé 2001), (2) customer interaction may also dispel the perception of exclusion and marginalization of the customers, a problem experienced by the Muslims and other ethnic minorities in many parts of the world (Knight et al. 2009; Wilson and Liu 2011). Therefore, this research has proposed a systematic process to search and involve Muslim customers in NSD that the managers may apply to their service innovation programs.

**Implications for Policy Makers**

Policy makers of the countries with a sizable Muslim population must take proactive measures to introduce and promote shariah-compliant financial services among its Muslim population. In particular, India is ripe for the formal introduction and massive penetration of financial services among its growing Muslim population (Haque et al. 2009). Indian policy makers will be interested to increase the flow of finance to the Muslim community for several reasons. First, the Islamic finance will open the door for better inclusion of the economically weak and downtrodden Muslim population. Second, it will reduce the economic disparities between the Muslim minority and other religious and ethnic groups leading to the reduction of poverty in country that has been the slogan of the successive Indian governments for many years. Third,
Islamic finance will further boost the Indian economy because it will result in the free flow of finance to the millions of new and emerging customers. Fourth, it will introduce a new mode of banking in India, making the Indian financial market more robust, competitive and mature. In a previous study, Hassan et al. (2013) have also argued that the liberalization of Islamic banking actually helps the local banking sector in improving its efficiency. Finally, it will offer diplomatic advantage in dealing with the Muslim dominant and rich nations in the Middle East and help attract more lucrative direct investments in the country. For example, due to the several geopolitical reasons, many investors from the Middle East are reluctant to invest in institutions based in Europe and North America. India can easily offer an alternative investment destination, once it opens the door for shariah-compliant services and establishes itself as regional hub of Islamic banking and finance.

Limitations and Future Research Directions

Although, the case analysis produced desired result by offering a vivid description of the process of developing shariah-compliant services for the Muslim customers in India, the generality of this result must be determined by further studies. The single case design constraints the generalizability of the findings, yet a detailed and comprehensive analysis of the case mitigates this circumstance and offers worthwhile implications for the shariah-compliant banking and finance and NSD literature. An avenue for future research is to conduct multiple case studies of NSD that will facilitate robust cross-case analysis. Second, this research relates to developing new services exclusively for the Muslim customers in only one emerging market. Although most emerging markets share cultural similarities, a different pattern of findings may emerge in other countries. Thus, there is a need to replicate this study in other countries and markets to further contribute to the literature of both NSD and Islamic banking and finance. Third, the research has focused on only one type of service, financial services, therefore further studies of NSD across different service categories and tangible products is another avenue for further research.

Although, the introduction of new shariah-compliant services in a Muslim minority country poses political, regulatory and administrative constraints to many firms worldwide, it is a worthwhile venture and needs to be investigated further. Indeed,
there is a dearth of infrastructure and technical knowhow for managing Islamic banking in Muslim minority countries. We believe that this article is only a catalyst for future research in a field growing in theoretical and practical importance. It is hoped that the themes emerged from this article will help lay the foundation upon which later analysis and research of this topic can be built.

Endnotes

1. The name of the firm is disguised to maintain anonymity as requested by the participating firm.

2. One of the conditions for the firm’s participation in this research was that the details of the new services developed during the research would not be revealed. Thus to satisfy this condition, we did not divulge much information about the new services in this article.

References


Developing Shariah-Compliant Financial Services for the Muslim Customers in India


Developing Shariah-Compliant Financial Services for the Muslim Customers in India


Sachar Committee Report (2006), Social, Economic and Educational Status of the Muslim of India. Prime Minister’s High Level Committee, Cabinet Secretariat, Government of India.


