

Prospects of Islamic Banking in the United States: A Survey of Muslim Americans

Ibraheem Catovic

Abstract and Key Findings

Islamic Banking is a rapidly growing industry worldwide. Its *raison d'être* primarily due to the Islamic prohibition of Riba, commonly translated from Arabic as interest, coupled with the need of practicing Muslims to become engaged in the modern global economy. This paper seeks to address the current utilization of Islamic Banking services in the United States. Based on the results of a survey that was conducted at New Jersey mosques, the paper suggests that American Muslims consume conventional banking services at rates quite similar to the general American population. There is also some evidence that Islamic Banking is a pan-Islamic phenomenon: it is not clearly limited to a certain ethnicity, age group, education level or religious identification. This can be interpreted as good news for the Islamic Banking industry in the United States, as it means that its market potential is not significantly limited by any of these factors. However, this may also prove to be a double-edged sword, if the Islamic Banking industry in the United States is unable to strongly differentiate itself from the conventional banking industry, and therefore cannot generate a large and loyal clientele.

1. Outline

The paper starts by briefly recapitulating the origins and development of the Islamic Banking system, with specific emphasis on its emergence in the United States. Next, the literature review highlights some findings and observations from other relevant works. Finally, the results and analysis of a survey that was administered at a few mosques in New Jersey will be provided, in order to get an idea of the current usage of the conventional and Islamic Banking industries by Muslims in the United States, in order to determine if there are any demographic factors that are linked to a higher utilization of Islamic Banking services, as well as to predict the future growth prospects of the Islamic Banking industry in the United States.

2. The Development of Modern Islamic Banking

The Islamic ban on Riba has been in existence since the emergence of Islam in Arabia nearly 1500 years ago. The vast majority of Muslim scholars and jurists throughout Islamic history have considered Riba to be interest, unequivocally, in all its

forms. There is a minority modernist opinion that has developed in more recent times, in part due to the functionality of the global financial system around interest, which equates Riba with usury or excessive interest only. They hold that the ban on Riba was intended to prevent the exploitation of debtors and of the needy, and therefore many interest-based ventures would not fall within the ambit of Riba, although these conclusions are highly contested by most scholars and jurists (Ahmad & Hassan, 2007). However, the nearly unanimous consensus among Muslim scholars and jurists equating Riba with interest persists to this day, and has been validated by the proceedings of a number of international scholarly conferences that addressed this issue, such as the Mu'tamar al-Fiqhi al-Islami in 1951 and 1965, and the Rabitah Fiqh Committee meetings in 1985 and 1986 (Chapra, 2006). This consistent and nearly unanimous understanding of Riba would seemingly lay the foundation for the development of an Islamic Banking system shortly after the emergence of conventional interest-based banking. Yet Islamic Banking as an industry is a relatively new phenomenon, especially when compared to its counterpart conventional interest-based banking.

Islamic Banking has been available in parts of the world for up to sixty years, whereas many date the foundations of banking to have originated in the 14th and 15th centuries, with the rise of the Medici banking clan in Italy (Ferguson, 2008). With the coming of the age of colonization, western banking models were often imported wholesale into the Muslim world, and an interest-free banking system never successfully congealed on any large scale, in spite of numerous explanations and condemnations of interest by scholars and jurists (Kuran, 2004). There were individuals who refused to engage in interest in their business dealings throughout Muslim history, but large scale financial institutions that pool savings, provide credit and operate interest-free were essentially non-existent until the 20th century.

The global Islamic Banking industry owes its existence to the marriage of two starkly different yet contemporaneous realities. The first was the massive inflow of petro dollars into the Middle East during the 1960s and 1970s, a direct result of the formation of OPEC and the events surrounding its formation. This placed unprecedented levels of cash flows into the hands of the governments and companies in Muslim majority countries. The second reality was the proliferation and influence of Islamic revivalist movements across the Muslim world, beginning to take shape in the 1930s, but continuing even still to this day (El-Gamal, 2006). Some of the more well-known groups are the Muslim Brotherhood, which was founded in Egypt, and the Jamaat-E-Islaami, which originated in the Asian sub-continent. The Islamic revivalist movement with the most political success was that which took hold in Iran, as a theocracy was established after the Iranian Revolution of 1979. The Iranian movement, however, was not revivalist in the same way as some of the other movements, as it was the traditional clerics who seized power in the Iranian movement. Interest was

officially banned in post-1979 Iran, and the banking sector was nationalized, although privatized banking in Iran has seen an increase in recent years (Wilson, 1997). An excess of liquidity and income, coupled with a growing religious fervor in the Muslim world, proved to be the proverbial straw that broke the camel's back, leading to the establishment of Islamic Banking as an industry.

The first successful attempt at establishing an Islamic Bank was that of the Mit Ghamr savings bank in Egypt in 1963. It operated on an interest-free, profit and loss sharing model, contributed meaningfully to community development and quickly gained a positive reputation in the eyes of the local population. However, it was closed down by the Egyptian government in 1968, as part of a policy to quell institutions and movements driven by religious motives (Kuran, 2004). The primary banking model that has emerged in Islamic Banking is that of the Islamic commercial bank, which seeks to replicate the services and function of a conventional commercial bank while abiding by Sharia (Islamic Law). The first Islamic commercial bank was established in Dubai in 1975, and the industry has blossomed since then. In 2002, the annual growth rate of the global Islamic Banking industry was about 15% (Taylor, 2002). From 2006 until 2011, the compound annual growth rate of the global Islamic Banking industry was 18.8%, clearly indicating an increasing growth pattern in global Islamic Banking. In 2011, total global Islamic financial assets broke the one trillion dollar threshold, reaching 1.086 trillion, representing 1.5% of total global banking assets (The Banker, 2011). The potential profit frontiers in the Islamic Banking industry have not gone unnoticed by some of the major players in the conventional banking industry. Multinational banking corporations, including Citigroup and HSBC, have started their own Islamic Banking subsidiary corporations. For example, Citi Islamic Investment Bank (CIIB), based in the United Arab Emirates was established in 1996, and HSBC Amanah, was established in 1998. This has resulted in increased competition for Islamic Banks, as many are relatively smaller and may not be able to offer the same scope of services as these multi-national corporate conglomerates (Metawa & Almosawi, 1998).

Based on the current status of Islamic Banking worldwide, the author holds that Islamic Banking seems to be a pan-Islamic movement. Some evidence of this may be deduced by looking at the countries that hold significant Islamic Banking assets. The top three countries by total domestic Islamic Banking assets, along with their percentages relative to global Islamic Banking assets, are Iran (42.7%), Saudi Arabia (12.2%) and Malaysia (10.0%) (Tehran Times, 2013). These countries vary starkly in terms of their political structure and religious leanings. The Islamic Republic of Iran is a majority Shia country, politically structured as a combination of a democracy and theocracy. The Kingdom of Saudi Arabia is a majority Sunni country, ruled by an absolute monarchy. Both Iran and Saudi Arabia maintain that it is the government's responsibility to uphold Sharia within its own borders. It is also interesting to note that

Iran and Saudi Arabia are sworn enemies of each other, both vying for influence in the Middle East. Malaysia is a majority Sunni country, but has substantial Buddhist, Christian and Hindu minorities. Malaysia is a constitutional monarchy and is quite secular when compared to Iran and Saudi Arabia. The glaring contrasts between these countries do not seem to affect their interest in Islamic Banking, which would seem to suggest that Islamic Banking is a pan-Islamic movement and not a political or sectarian one. One purpose of the survey, which will be analyzed subsequently, is to see if the survey data gives credence to this hypothesis.

3. The Arrival of Islamic Banking in the United States

The survey that is analyzed in this paper is concerned with Islamic Banking in the United States. While there has been some limited availability of some Islamic financial services on a minute scale in the United States for around thirty years, Islamic Banking only began to see significant participation from the Muslim American community over the past ten years or so. However, there may be a sizeable untapped market for the Islamic Banking sector in the United States. The primary target population for Islamic Banking in the United States would be Muslim Americans, although the target clientele may extend beyond that in the future, especially if Islamic Banks offer services competitive with those offered by conventional banks. Estimates of the current population of Muslims in the United States vary. Some experts estimate that, as of 2010, the Muslim population in the United States was 2,595,000 (Pew Research Center, 2010), while others estimate the number of Muslims in the United States to be around seven million (Council on American-Islamic Relations, 2010). Islamic Financial institutions in the United States generated \$450 million in revenue in 2005 (Norris, 2005). According to an email that the author received from a Guidance Residential Account Executive on November 9, 2010, "Guidance is the leading Islamic Home Finance Company in the US having originated over \$2 Billion in Sharia (Islamically permissible) Contracts" (Alam, 2010). However, current total Islamic Banking assets in the United States likely do not exceed ten billion dollars.

Islamic Banking made its first successful regulatory breakthrough in the United States in December 1997. The United Bank of Kuwait (UBK) wrote to the Office of the Comptroller of the Currency to determine if Ijara (lease) financing was compatible with the National Bank Act, and if the United States banking system was conducive to Ijara financing. The OCC's response is summarized below: "UBK's residential real estate financing proposal is functionally equivalent to or a logical outgrowth of secured real estate lending or mortgage lending, activities that are part of the business of banking" (Rushdoony, 1997). This letter effectively established the feasibility of Ijara financing within a United States regulatory framework.

Another breakthrough for Islamic Banking in the United States happened soon after, in November 1999. Another major financing tool, Murabaha (cost plus markup), also received regulatory approval from the OCC. Murabahais often used to extend lines of credit and can also be used for real estate financing, whereas Ijarais primarily used in real estate financing. "The Murabaha financing transactions are permissible for national banks as part of the business of banking ...the economic substance of the Murabaha financing transactions is functionally equivalent to either a real estate mortgage transaction or an inventory or equipment loan agreement"(Rushdoony, 1999). This letter effectively established the feasibility of Murabaha financing within a United States regulatory framework. These two allowances set the stage for the emergence of the Islamic Banking industry in the United States.

4. Literature Review

There has been a significant growing literature relating to Islamic Banking all over the globe, as an increasing number of countries begin to harbor Islamic Banks within their borders. An industry that is concentrated primarily in the Arabian Peninsula and Iran now has roots extending into a wide variety of countries, including non-Muslim majority countries, such as the United Kingdom and the United States. Over the years there has been a plethora of theoretical literature about Riba in Islam, as well as contract structures for Islamic financial contracts. More recently, with the development of the Islamic Banking sector, the availability of economic and financial data of Islamic Banks has skyrocketed, resulting in the proliferation of statistical analysis of Islamic Banks. Some common topics addressed are the efficiency and costs of Islamic Banks compared to their conventional counterparts, capital structure of Islamic Banks, and how Islamic Banks fare during financial crises, particularly the recent financial recession of 2008, when compared with conventional banks.

The survey that this paper presents is not a statistical analysis of Islamic Banks' balance sheets and financings, but rather the survey seeks to identify utilization of Islamic Bank services by Muslims in the United States, as well as certain demographical and behavioral patterns of those who do utilize Islamic Banking in the United States. There have been a few papers that have sought to address behavioral analysis of Islamic Bank customers, but that research is dwindled in size by the statistical research carried out on Islamic Banks' balance sheets and finances. In essence, there has been quite a thorough analysis of the supply side of Islamic Banking, but the demand side, the clientele that has been driving the supply, has not been examined to the same extent.

This dearth of research on behavioral patterns, preferences and demographics of Islamic Banking customers is even more shocking, especially since Islamic Banking is in some sense a demand-driven industry. For instance, the creation of Islamic Banking

subsidiaries by HSBC, Citi Bank and other large, multi-national banks testifies to the strong demand for Islamic Banking, as it can hardly be believed that the decision makers at these banks, who in many cases are not Muslims, buy into the moral argument for Islamic Banking. They are merely expanding their companies into growing and profitable areas of business, the growth and profitability primarily due to the demand for Islamic Banking services worldwide.

Some additional proof of the demand-driven nature of Islamic Banking can be found by looking at the literature regarding bank selection criteria of Islamic Banking customers, but the literature is not unanimous on the criteria ranking. Based on the responses of customers of an Islamic Bank in Jordan, reputation and religious reasons are reported to be the primary reasons for banking with an Islamic Bank (Naser, et al., 1999). The results of a survey of Islamic Banking customers in Bahrain indicated that adherence to Islamic principles was the primary determinant. The results of a survey of Islamic Banking customers in Bangladesh suggested that lower income customers were most likely to use an Islamic Bank because of the suggestions of friends and family, while higher income customers were most likely to use an Islamic Bank because of religious considerations (Khan, et al., 2007). Other studies have not come to the same conclusions. An earlier study of Islamic Banking in Jordan concluded that religious considerations did not particularly stand out from other selection criteria, such as profit opportunities and peer influence (Erol & El-Bdour, 1989). Based on data from Egypt, the most important factor in becoming a customer of an Islamic Bank is the suggestion of friends and relatives (Hegazy, 1995). However, there is reason to believe that in the United States, adherence to religious beliefs by Islamic Banks is the primary selection criteria for customers of Islamic Banks.

In the United States, there are not many Islamic Banks or financial institutions, especially when compared to the size of the conventional banking industry in the United States, and their relative asset size is extremely low. In fact, the commercial banks that offer Islamic Banking services also offer conventional interest-based services as well, so there are no wholly Islamic Commercial Banks in the United States. If we use the generous estimate of 10 billion dollars of Islamic Banking assets in the United States, and divide that by the domestic asset total of United States banks with 300 billion dollars or more of assets, which is about 11 trillion dollars, the percent of banking assets in the United States that are Islamic is less than .1% (Federal Reserve, 2012). All of the studies mentioned above feature countries whose relative asset size of Islamic Banks to conventional banks are substantially higher. Due to the current geographical status of Islamic Banking in the United States, consisting of only a few banks and financial institutions in a few states, with only a few office and ATM locations, convenience is surely not a major selection criterion. While there has not been much study of profitability and costs of Islamic Banks in the United States, there is no reason to believe that they are substantially better than their conventional

counterparts. In fact, other studies have noted that typically Islamic financial services tend to be relatively pricier than their conventional counterparts, often do to the additional costs assessed because of the increased complexity of the Islamic financial contracts (El-Gamal, 2006). These realities point to religious observance and the suggestions of family and friends, a factor often related to religious observance, as the primary determinants of the Islamic Banking clientele in the United States. This also suggests that the clientele of the current Islamic Banking industry in the United States is almost exclusively Muslim Americans.

There have been a few studies that have surveyed Islamic Banking customers in certain countries, in order to determine their banking preferences, customer satisfaction and demographic makeup. These studies consist of the creation of a survey, which is then distributed to Islamic Bank customers, often on location at the Islamic Banks, with the Islamic Banks' permission. The results related to demographic makeup are the most useful to mention, as the survey used in this paper also records demographic information. The survey in this paper is not concerned with customer satisfaction with various Islamic Banking services, which is the focus of a number of these previously concocted surveys, as the purpose of this survey is to determine current usage and growth potential for the fledgling Islamic Banking industry in the United States. The results of a voluntary survey distributed to customers of two banks in Bahrain estimated that 50% of Islamic Banking customers hold a bachelor's degree or above, and that 80% of customers are between the ages of 25 and 50 (Metawa & Almosawi, 1998). Using a similar model, survey data from Islamic Banking customers at five Islamic Banks in Bangladesh suggests that about 75% of Islamic Banking customers have a bachelor's degree or above, while about 70% are between the ages of 25 and 50 (Khan, et al., 2007). Survey data from two Islamic Banks in Malaysia suggests that about 78% of Islamic Banking customers in Malaysia were between the ages of 20 and 40, and that about 70% of customers had a bachelor's degree or higher (Tahir, et al., 2008). This collective data from a variety of countries suggests that Islamic Banking customers are primarily young to middle-aged and well-educated, which means that growth prospects are definitely positive for Islamic Banking. Relatively high birth rates in Muslim countries, resulting in a relatively high proportion of the population being young, coupled with increasing percentages of educated individuals in Muslim countries in the future, could spell financial success for the industry in the coming years.

5. Survey Data

Three questions in particular that may be of further interest with regards to Islamic Banking in the United States are: (1) What percent of Muslims in the United States actually utilize Islamic Banking services, (2) What percent of Muslims in the United States are willing to utilize Islamic Banking services in the future, and (3) Are there certain characteristics that those who utilize Islamic Banking in the United States

share? In acquiring answers to these questions, commercial banking data does not suffice, as Islamic Banking in the United States is a fledgling industry, and the research pertaining to it is limited. The author only found three smaller commercial banks in the United States that even offer Islamic financial services, and all of these three banks also offer conventional banking services, so their balance sheets combine Islamic and conventional banking services. Therefore, determining what percentage of assets and liabilities at those banks that are Sharia-compliant is difficult to discern. However, there are other non-bank Islamic financial institutions that offer Islamic Banking services in the United States, primarily home mortgages. However, due to their status as mortgage providers, and not commercial banks, their financial data is not publicly available. Due to the lack of Islamic Banks in the United States, and in order to get a better and more inclusive data set of Islamic Banking customers, customers of non-bank Islamic financial institutions that utilize services that an Islamic Bank would provide would be included as utilizing services of an Islamic Bank. Therefore, the survey bundles up all institutions that offer Islamic financial services into the same category. These institutions will be referred to as Islamic Banking and Finance Institutions (IBFIs) henceforth.

In order to answer these questions, the primary clientele of IBFIs in the United States would need to be surveyed: American Muslims. One issue that surfaced was where and how American Muslims could be surveyed effectively. Due to the dearth of office locations of IBFI in the United States, the approach of surveying IBFI customers as they walk into offices or branch locations would not yield a significant sample size. Additionally, there is interest in determining what percentage of American Muslims currently utilizes IBFI services, and this could not be estimated by this method. The only practical answer that came to mind was to distribute the survey at a location where Muslims regularly congregate: mosques. The time when the greatest numbers of Muslims regularly attend mosques is for the weekly Friday prayer service. Therefore, an ideal time and location to distribute the survey was at mosques directly after the Friday prayers. This method would yield a larger sample size than would a survey of customers at office locations, and therefore would improve the strength of the survey results.

The survey was designed in such a way as to maximize the response rate, while getting as much information as possible. All the questions were Yes/No or multiple choice, in order to minimize the time spent filling out the survey. Minimizing the time required to fill out the survey was additionally critical in this case, since most people are in a rush to get back to work after the Friday prayers. While there could have been added benefit in requesting specific financial information from participants, such as estimating financial growth using the reported sizes of a checking account or home mortgage, the downside of a decreased response rate would have more than offset the benefits of possessing the financial information, as some surveying literature suggests

(Tomaskovic-Devey, et al., 1994). The survey was also anonymous, so as to make respondents feel secure that their responses could not be linked back to them. Requiring respondents to provide identifiable information could have caused some individuals to hesitate to participate. For instance, if identifiable information was required on the survey, some respondents may be worried that the Imam (religious leader) or other attendees of the mosque might see the information. If the respondent reports the possession interest-bearing accounts and a conventional mortgage, there is a possibility that the respondent's status may diminish in the eyes of the Imam or some other mosque attendees. Therefore, in this case an anonymous survey would likely procure a better response rate.

The mosques surveyed are all located in New Jersey. New Jersey has the seventh highest Muslim population of any state (about 160,000 residents), and the fourth highest percentage of Muslims relative to the total state population (about 1.83%) (Association of Statisticians of American Religious Bodies, 2010). The selection process was not random; the survey was generally conducted at some of the larger and more cosmopolitan mosques in New Jersey. However, not all mosques in New Jersey were contacted, so the sample is somewhat selective. Some mosques that were approached did not give their consent for the survey to be distributed, but most of the mosques that were approached consented and were quite cordial about it as well. The mosques that gave approval for the distribution of the survey are listed in Table 1, in descending order by survey responses received.

A total of 308 responses were received from the eight mosques combined, although not every survey returned had every question on the survey answered. The disparity in response levels between mosques can mostly be explained by mosque congregation size and varying aggressiveness of the individuals who were responsible for distributing and collecting the surveys at the mosques. The survey as it was distributed is provided in Appendix 1. The survey was approved by the Rutgers University Institutional Review Board, which ensures that subjects of studies conducted by individuals affiliated with the University are guaranteed certain rights. Note that the survey was distributed as a one page, double sided handout, the top half of which the respondents can tear off and keep, as that portion delineates their rights as a subject. Specifying that the University had approved the survey could also have contributed to a better response rate, as there is evidence that University sponsorship of surveys leads to increased response levels (Fox, et al., 1988).

6. Survey Results

Survey Proportion Estimates and Interpretations

The survey can be broken up into three sections. Table 2 records the estimates for the demographic questions at the end of the survey, which seek to determine the

demographic breakup of the sample, as well as if there are certain characteristics that make Muslim Americans more likely to utilize Islamic Banking. Table 3 records the estimates for the first eight questions in the survey, which seek to determine what percentage of Muslims in the United States actually utilize conventional and Islamic Banking services. Table 4 records the estimates for the next three questions in the survey, which seek to determine what percentage of Muslims in the United States are willing to utilize Islamic Banking services in the future.

The items in Table 2 provide some demographic statistics of those who took the survey. An initial intent of the survey was to try to make it representative of the Muslim population in the United States at large, in order to give the survey results greater applicability. However, a look into the results from the Islamic Banking survey suggests that the population that the Islamic Banking survey seeks to capture is a more religious and mosque-going American Muslim population, which may not necessarily be synonymous with the American Muslim population at large. This is likely not a major issue for the purposes of gauging the potential of the Islamic Banking industry, as religious Muslims are more likely to abide by the ban of Riba when compared to their more secular brethren in faith, and therefore are the more appropriate and refined target consumer class for Islamic Banking. The non-random sampling procedure undertaken may also lead to biased inferences about the constitution of the American Muslim population in the United States, and therefore such conclusions should be avoided. For more appropriate data regarding the demographic makeup of the American Muslim population, a report compiled by the Pew Research Center in 2011, entitled "Muslim Americans: No Sign of Growth in Alienation or Support for Extremism", may be referenced. While Pew's total sample size of 1,033 isn't scales larger than the sample size of the Islamic Banking survey, it is more randomized and covers a larger geographic area, and will likely lead to more appropriate conclusions about the demographic constitution of the Muslim American population.

There are a few stark contrasts between the Pew data and the Islamic Banking survey that are worth noting. The 61.4% who identify as South-Asian is a strikingly high estimate of the proportion of Muslims in the United States that are South-Asian, when compared to the Pew estimate of about 25% of American Muslims that are Asian. This large discrepancy could be the result of a sampling problem, but could also be an implication that South-Asian American Muslims attend mosques regularly at a higher rate than their overall population proportion would suggest. While some may agree with this implication, based solely on observations, further research is needed to verify this potential phenomenon. The 95.7% of respondents that reported being male is by no means an accurate estimate of the Muslim American population. This result is due to the survey request of one survey response per household, along with the physical locations in the mosque where surveys were generally handed out, which were usually at locations where males would exit from. This restriction of one survey per household

was applied so as to avoid redundancy and repeated responses in the data, especially regarding the responses recorded in Table 3, which could lead to wrong conclusions being made. For instance, in the case of a mortgage, a husband and wife recording that they both received a mortgage on the same property could lead to a positive bias in the estimate of the proportion of respondents with a mortgage. The average respondent was also more educated than the average respondent in the Pew data, although the claim that the difference may be attributed to sample selection cannot be easily refuted.

There are some intriguing insights that can be gleaned by looking at the response rates for some of the demographic questions in the survey. There are only three questions in the entire survey with response rates below 90%, and all three of them are demographic questions. The question identifying whether or not a respondent identified as a Sunni or as a Shia had a response rate of 82.8%. A potential reason for this low response rate is the hesitancy of some Muslims in identifying themselves using sectarian terminology. Further evidence of this was seen on some surveys, where a few respondents did not circle a response, but rather wrote in phrases such as "I am Muslim". The question further identifying the sect or school of thought that the respondent adheres to received an even lower response rate of 59.1%. One reason is similar to that regarding the response to the Sunni or Shia question. However, knowledge of what defines these various sects and schools of thought is not ubiquitous in the Muslim community, so some respondents may not have been too familiar with the terminology, and therefore may have abstained from responding. There is also the possibility that some respondents identified with 2 or more of the responses, which could also have warranted a lack of response. The third question with a sub-par response rate was the question identifying whether the respondent was born in the United States or not, which had a 62.7% response rate. The primary reason that this is the case seems to be completely different than the reasons relating to the previous two questions. The fear of being identified potentially as an illegal immigrant can be ruled out for the most part, since the survey was anonymous. However, on the physical survey, the nation of birth question was the only question not aligned with the left margin on the sheet. This formatting shift was exacted in order to better fit the survey on one sheet. However, this inconsistency seems to also have the unintended effect of significantly reducing the response rate for that question. Imaginably, some respondents that were in a hurry to return to work focused their line of vision along the left-hand side of the page, answering the questions that began along the left margin. Therefore, a question beginning on the right margin may have escaped their line of vision.

The percentage of Muslims that reported using each of the financial services listed in Table 3 is quite revealing. Keeping in mind that the survey instructions state that only one survey per household may be returned, the 95% of respondents that reported having a checking account at a conventional bank is quite high, even when compared

to the 90.4% of American households that have checking accounts, based upon 2010 data from the Survey of Consumer Finances (SCF)(Bricker, et al., 2012). This higher level of utilization of checking accounts may be an effect of the prohibition of Riba, but it also may be due to the potential positive education bias that the Islamic Banking survey data bears, as there is a strong positive correlation between income level and education which may account for the high utilization of checking accounts, according to the Islamic Banking survey data. The definition of savings account in the survey is any non-checking accounts, which would include money market and call accounts. The survey estimate of 57.2% of respondents that have some type of interest-bearing account seems to be in line with the overall estimate for American households, but it becomes difficult to give an exact estimate of that value, as the SCF considers savings, money market and call accounts separately.

To have a better idea of the comparison between the American Muslim and greater American estimates of the percentage of households with non-checking accounts, take a look at transaction accounts, which is defined as the collection of checking and non-checking accounts. Based upon 2010 data from the SCF, the percent of American households with some type of transaction account is 92.5%(Bricker, et al., 2012). In the survey, having a transaction account is defined as either having a checking or non-checking account, or both. The estimate from the survey data for the percent of Muslim Americans with a transaction account is 97% (not shown in Table 3). In both samples, the difference between the percent of households with a transaction account and percent of households with a checking account is about 2%, which would further suggest that the percent of households with a non-checking account is similar between the American Muslim community and the American community at large. In order to check the robustness of this conclusion, given the potential positive education and income bias the Islamic Banking survey may have, it may be appropriate to look at transaction account estimates for individuals with a college education or higher. For American heads of households with at least a college education, the percent of those households with some type of transaction account is 98.7%(Bucks, et al., 2009). Based on the survey data, for Muslim American households whose head of household had at least a college degree, the percent of those households with a transaction account is 98.4% (not shown in Table 3), nearly an exact match of estimates. Overall, it seems that there is no major difference in the percent of American Muslim households and the percent of general American households with checking or non-checking accounts.

A substantive minority of respondents have checking and non-checking accounts at an Islamic Bank:8.5% of respondents have a checking account at an Islamic Bank, while 6.3% of respondents have a non-checking account at an Islamic Bank. Note that having a transaction account at a conventional bank and at an Islamic Bank is not mutually exclusive; there are individuals in the sample who have checking and/or non-checking accounts at both conventional and Islamic Banks. As expected, both of these

percentages are significantly lower than their corresponding estimates in the conventional banks. And while 6.3% of respondents report having non-checking accounts at an Islamic Bank, this does not necessarily mean that those accounts are of the Islamic deposit structure, whereby profits are shared between the bank and the depositor, and all financial loss is borne by the depositor. Some of the deposits could be interest-bearing, since all of the commercial banks that offer Islamic Banking services in the United States offer interest-bearing accounts. The only commercial bank in the United States that currently offers an Islamic savings account structure is University Bank, which does have an office in New Jersey though, so the possibility that many of those who reported having an Islamic savings account indeed do have one is not precluded.

The survey then shifts from banking liabilities to assets. It looks at two loan categories separately: home mortgages and all other loans, such as business, school and personal. The separation is qualified by Islamic Banking in the United States marketing its services primarily as an alternative to a conventional mortgage. The time frame is limited to ten years from the date of the survey to initiation of the mortgage since pairwise comparisons of loans between conventional and Islamic Banks was desired. While some IBFIs have been around for longer than ten years, such as LARIBA Finance House (est. 1987), the volume of financing and services provided by IBFIs has only taken off over the past ten years. In the case of LARIBA, its acquisition of a commercial bank in 2003 allowed it to provide an increased volume of financing, when compared to its average of one or two financing contracts per month prior to the acquisition of the bank (Abdul-Rahman, 2010). Also, the ability of banks to provide Islamic loans in the United States began with the OCC letters of approval for certain Islamic financial contracts happened only fifteen years ago, as was previously mentioned. Furthermore, Guidance Residential, which is the leading Islamic mortgage provider in the United States, was founded in 2002: about ten years ago. It may be useful to report the percentage of American households that have mortgage loans, which is 48.7% (Bucks, et al., 2009). The survey data suggests that the percentage of Muslim American households that have taken a conventional loan in the past ten years is 42.4%. While this is somewhat lower than the American average, the difference can reasonably be attributed to the fact that the period of mortgage initialization was limited to the past ten years in the survey data, where such a limited horizon was not applied in the SCF.

Of the four services (checking, non-checking, mortgage, other loans) that the survey asked about, the service that seems to have the highest participation in the Islamic Banking industry is the mortgage service (11.3%), compared to the checking account for the conventional banking industry (90.4%). This is further justification of IBFIs marketing themselves as Sharia-compliant home mortgage providers. It is interesting to note that this is not the case in the conventional banking industry, according to the

data. The highest service that is utilized in the conventional banking industry by American Muslims seems to be the checking account (95.0%). A checking account is interest free, and there is nearly unanimous agreement among scholars and jurists that a checking account at a conventional bank is permissible according to Sharia, although there may be some room for disagreement if the banks' uses of the funds in checking accounts are considered.

One reason why Sharia-compliant mortgages are the most utilized Islamic Banking service is simply due to the need. For Muslims who are strict in adhering to the Islamic prohibition of interest, a checking account may be acceptable. They can also avoid having a savings account or other interest-bearing accounts. They may be able to avoid business or school loans, as these are not universal needs. But the need for shelter is a basic human condition. If someone refuses to partake in interest in any way, buying a house becomes significantly more difficult in the United States. Such individuals may be forced to rent apartment space. The author has met individuals who have refused to buy a house simply because of the fear of paying interest. There are very few Muslim communities in the United States offering interest-free options to members, such as pooled savings of community members to be used as capital to loan out interest-free, or loans provided by local mosques or organizations to community members. Therefore, the demand and need for Sharia-compliant mortgage financing is high, which may explain its relatively high level of utilization when compared to the other Islamic financial services reported.

There are also reasons to believe that the four estimates of the proportion of American Muslim households that utilize services provided by Islamic Banks may bear positive bias. The sampling population will certainly give a conservative bias, as only practicing Muslims attend the Friday prayers. Data from the Pew Research Center suggests that only 47% of American Muslims attend religious services at least once a week (Pew Research Center, 2011). Furthermore, since an announcement was made directly after the Friday prayers that a survey about Islamic Banking will be distributed, individuals who have utilized some sort of Islamic Banking service may be more likely to respond to the survey than individuals who have not utilized Islamic Banking services, or those who are unaware of what Islamic Banking is. Also, since New Jersey has one of the highest concentrations of Muslims in the United States, a number of IBFIs that provide Islamic Banking services have offices in New Jersey to cater to the larger population and demand. Most other states have fewer offices or no offices at all. This may also contribute to an overestimation of the percentages of utilization of Islamic Banking services by American Muslim households.

The question remains as to why there is such a large percentage of Muslims who have interest-bearing assets or liabilities, since the majority opinion in Islam is that interest is forbidden. There are two primary answers to this question. The first is a general

Islamic principle of weighing benefits, or *Manfa'a* in Arabic. For example, is it better that an individual provide his/her family with a nice house in a safe neighborhood while paying for the house using a conventional mortgage? Or should the individual deprive his/her family of a nice house and pay rent to live in an apartment that is not nearly as sizeable or comforting as a house, or to live in an apartment in a run-down neighborhood? In these situations, where no other financing alternative is available, some scholars have allowed obtaining a mortgage, since the benefit that comes from the mortgage will outweigh the harm and injustice of the interest. The mortgage can be viewed as a necessary evil that can open the door to future benefits. But this position is by no means unanimous. And now that Islamic Banking is available in the United States, are obtaining mortgages still allowable? This is once again a contentious issue, since the "Islamic" part in Islamic Banking is questioned by some scholars, who view it as in keeping with the letter of the law but violating the spirit, and therefore no more Islamic than a conventional mortgage (El-Gamal, 2006).

This leads right into the second reason why so many Muslims have interest-bearing assets and liabilities. Some Muslims are still unaware of Islamic Banking, some consider *Riba* to mean usury, and still some others find no religious objection in dealing with interest, or simply just do not care to abide by the prohibition of interest, seeing that it has permeated all levels of society. But even many of those who are cognizant of Islamic Banking's availability in the United States may not engage in it, simply because they view Islamic Banking, as it currently stands, as an imitation of the conventional banking system with no substantive differences. They see that the contract structures change, but they believe the end result is the same in both industries. In fact, based on previous research of the Islamic Banking industry worldwide, Islamic Banking often costs more than its conventional counterparts. In fact, some scholars and academics argue that inefficiency is counterintuitive to the Islamic ban of *Riba* (El-Gamal, 2006). So, just because Islamic Banking has arrived on the scene in the United States does not mean that there will be an instantaneous shift in the household financial portfolio composition of all Muslims in the United States. But the composition certainly has begun to change, but the extent to which it will continue to change remains unclear.

The items in Table 4 represent the responses to questions that seek to gauge whether or not individuals will be interested in Islamic Banking services in the future. These questions are non-committal and somewhat vague, but were meant to get a general idea of people's willingness to partake in Islamic Banking in the future. The percent of individuals willing to transfer their checking and savings accounts to Islamic Banks in the future are 92.8% and 85.4%, respectively. If those who chose that they may consider transferring their savings account to an Islamic Bank are included, depending on the relative return between Islamic and conventional banks, that percentage increases to 96.1%. These high estimates are of no surprise, and careful interpretations

should be made. This may be viewed as a ceiling of the growth level of Islamic Banking in the United States among Muslim Americans under ideal conditions. However, there are a number of reasons why this ceiling value is unrealistic, given the current status of Islamic Banking in the United States. For instance, since some of those surveyed may not be fully aware of what Islamic Banking is, and would therefore be unlikely to discredit their possible participation in the industry in the future, especially an industry that has “Islamic” in its name. Then there is also the problem of Islamic Banking being viewed as a guise of conventional banking, let alone the likelihood that Islamic Banking will be costlier than its conventional counterpart.

The most surprising estimate from these responses listed in Table 4 is the percentage of individuals who definitively said they would not even consider taking a Sharia-compliant loan in the future, if that need arose: a stunning 16.0%. Only 68.4% said that they would consider taking a loan from an Islamic Bank in the future, while 15.7% said it depends on the relative costs of the loan when compared to a conventional bank. This highlights the concerns that some in the American Muslim community have with Islamic Banking. The main financial service that the American Muslim community is in need of is Sharia-compliant loans, particularly mortgages. Checking and savings accounts are not the major contentious issue when it comes to Islamic Banking, in part due to the smaller demand for these services, as the estimates in Table 4 suggest. The data suggests that 1 out of every 6 Muslim Americans are not even interested in Islamic financing as the industry currently stands, and if the industry does not remain competitive with the conventional banking industry, that number increases to 1 out of every 3 American Muslims at a minimum. That is not to say that the remaining two-thirds would get a loan from an IBFI, just that they would merely consider it. This is a bit of worrisome information for IBFIs in the United States, as it suggests that there is a significant group of American Muslims who have their qualms with the industry as it currently stands. One individual even wrote on the survey, selecting that he would consider taking a loan from an Islamic Bank in the future, “if they truly followed the Sharia”.

Chi-Square Tests for Demographic Characteristics

Besides estimating proportions of American Muslims that utilize certain conventional and Islamic financial services, the survey also sought to provide insight into whether or not there are certain characteristics that can be associated with an increased likelihood in utilizing Islamic financial services. The answer to this question can be of particular use to the Islamic Banking industry in the United States, as it can allow IBFIs to target a specific customer base, one more specific than the diversely constituted American Muslim population, as exhibited by Table 2. In order to determine if such characteristics exist, the Pearson’s Chi-Squared test is implemented in the forthcoming analysis.

First, a few adjustments are made to the raw survey results displayed in Table 2. Due to the small percentage of respondents who had used Islamic financial services, only one response category was considered, instead of the initial four service categories. The response was binary, which equaled one if the respondent used one or more Islamic financial services, and zero if the respondent had not used any Islamic financial services. There are many ways to regroup the categorical data presented in Table 2. However, the results of only one set of grouping will be included, with justifications for this regrouping provided below. There was initial interest in determining if Muslim Americans from Iran and the Arabian Gulf had higher levels of participation in the Islamic Banking industry, since those regions have the two largest concentrations of Islamic Banking assets worldwide. However, since only 13 respondents identified as originally from either of those regions, and because the proportion who had utilized an Islamic Financial service was not starkly different from that of the other ethnic groups, these 13 respondents were included with the "Other Arab" ethnicity. Also, "African" was combined with "African-American", and "White/European" with "Hispanic", due to sub-sample size issues and the Chi-Squared tests exacted on the original ethnic groupings, which showed non-significant differences in proportions between these initial groups. The "Sect" response is somewhat convoluted, and with initial Chi-Squared tests not showing any significant differences among the "Sect" estimates, the analysis of the "Sect" response will not be included. The analysis of the "Gender" response will also be omitted, due to the bias in that response, as was previously explained.

The results for the Chi-Squared tests are presented in Table 5a through Table 5e. The results in Table 5a suggest that the ethnicity of the respondent does not seem to have any remotely significant effect on whether or not an individual chooses to use an Islamic financial service or not. While the p-value of .83 is highly insignificant, the author ran a number of tests, where ethnic categories were combined in a variety of ways, and those tests also yielded insignificant results, suggesting that ethnicity of origin does not seem to be a determining factor in whether or not an American Muslim will utilize an Islamic financial service. This finding seems to be in line with the observation that Islamic Banking has begun to take off in a wide variety of countries that collectively represent an extremely diverse ethnic constituency.

Not only does ethnicity seem to be a non-factor, but the sectarian inclination of the respondent does not seem to be an important factor either, according to the results in Table 5b, where a p-value of .44 is reported. Since Iran, which is the global leader in magnitude of Islamic Banking assets, is a majority Shia country, there may have been some reason to hypothesize that Shia Islam is more conducive to Islamic Banking, given that about 40% of the global Shia population resides in Iran (Pew Research Center, 2009). If that was the case, it could have been expected that significant differences in consumption of Islamic financial services between Sunnis and Shias in

the survey would appear. However, the prohibition of Ribais a common belief in both the Sunni and Shia traditions. It therefore seems likely that the nationalization and Islamization of Iranian banking after the Iranian Revolution of 1979 was not driven by a strictly Shia ideology, but likely by some other motives.

Whether or not an individual was born in the United States does not seem to be a significant factor either, according to the test results from Table 5c. This conclusion may follow from ethnicity of origin not playing any significant role, but this question was specifically presented in order to determine if Islamic Banking is a uniquely non-American phenomenon. However, being born in a foreign country does not seem to alter the probability of participating in the Islamic Banking industry in the United States in any significant manner, presenting further evidence that Islamic Banking is a pan-Islamic phenomenon.

The age of the respondent seems to be the most likely of all the demographic characteristics to have an effect on the likelihood of using an Islamic financial service, reporting a p-value of .06 in Table 5di. While this p-value seems promising, a further look at the actual estimates under each age group shows an increasing percentage of respondents who have utilized some Islamic financial service, up until the "51 to 60" age category, where the proportion shoots to 90.9%, then subsequently drops to 71.4% for the "60 or Over" age category. This trend is quite difficult to explain, and may just be an issue of how the age categories were defined. For instance, the p-value is .15 if the two oldest age categories are combined into a single age group, as seen in Table 5dii. However, when this change of grouping is made, a consistently positive relationship between age and utilization of Islamic financial services emerges, as seen through the percentage estimates in Table 5dii, although the significance level of .15 is not strong by any definition. Therefore, the case that age is truly a determinant of Islamic financial service utilization cannot be confidently made based on the survey results.

The final demographic identifier that was included in the analysis, the education level of the respondent, also does not yield any significant relationship with consumption of Islamic financial services, with a p-value of .42 reported in Table 5e. While percentage estimates seem to indicate a potential inverse relationship between education level and Islamic financial services consumption, this relationship is nowhere near significant by any commonly accepted level of significance. Other regroupings of education level also yield insignificant results. The general lack of significance of these demographic determinants seems to suggest that Islamic Banking can have an extensive appeal to American Muslims, but this can also mean that the Islamic Banking industry cannot consistently rely on any certain sub-demography within the American Muslim population to synthesize their client base.

7. Conclusion

Islamic Banking and Finance has only been around for fifty or so years, but it has already made a lasting impact on the financial world. It currently has developed into a system that structurally differentiates itself from the conventional interest-based system, yet seeks to replicate the outcomes of that system. Based on the results from the Islamic Banking survey, it can be seen that American Muslims utilize conventional banking services at rates quite similar to the general American populace. The level of Islamic financial service consumption by Muslim Americans, however, is significantly lower than their consumption of conventional financial services. There is no statistical evidence to suggest that ethnicity, age, education or religious identification play any significant role in determining whether or not the potential Muslim American customer will utilize Islamic Banking in the future. This result supports the hypothesis that Islamic Banking is a pan-Islamic movement, not an ethnic or sectarian movement, or movement of the educated, or a trend that will die off as the elderly in the community pass on. These results really put the future of Islamic Banking in the United States in the hands of IBFIs. If they are able to successfully market their products as truly Sharia-compliant alternatives to conventional finance, the industry could experience double-digit growth rates for the foreseeable future. But, the lack of a clear target market within the American Muslim population can also be a potential roadblock for the industry, if it is unable to define itself as the truly competitive, affordable and Islamic alternative to conventional banking in the United States.

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Table 1: List of Participating Mosques

Name of Mosque	Responses
Islamic Society of Central Jersey	89
Islamic Society of Essex County	50
Muslim Center of Middlesex County	49
Muslim Center of Somerset County	43
AhleBaith Foundation, Inc.	37
Muslim Community of Bergen County	29
New Brunswick Islamic Center	7
Islamic Circle of Mercer County	4

Table 2: Demographic Response Results

Ethnicity	Response Rate	South-Asian	Iranian	Arabian Gulf	Other Arab	African-American	White/European	African	Hispanic
	282 (91.6%)	173 (61.4%)	6 (2.1%)	7 (2.5%)	38 (13.5%)	38 (13.5%)	9 (4.6%)	7 (2.48%)	4 (1.42%)
Sunni/Shia	Response Rate	Sunni	Shia						
	255 (82.8%)	218 (85.5%)	37 (14.5%)						
Sect	Response Rate	Hanafi	Shafi	Hanbali	Maliki	Salafi	Ithna-Ashari	Zaydi	Ismaili
	182 (59.1%)	107 (58.8%)	15 (8.2%)	0 (0%)	12 (6.6%)	12 (6.6%)	35 (19.2%)	0 (0%)	1 (0.6%)
Gender	Response Rate	Male	Female						
	281 (91.2%)	269 (95.7%)	12 (4.3%)						
Born in US	Response Rate	Yes	No						
	115 (62.7%)	48 (24.9%)	145 (75.1%)						
Age	Response Rate	30 or Under	31 to 40	41 to 50	51 to 60	60 or Over			
	292 (94.8%)	77 (26.4%)	90 (30.8%)	70 (24.0%)	23 (7.9%)	32 (11.0%)			
Education	Response Rate	High School	College	Masters	PhD/MD/JD				
	289 (93.8%)	24 (8.3%)	135 (46.7%)	90 (31.1%)	40 (13.8%)				

“Response Rate” represents the number and percent of surveys that have an answer to the relevant question. Every cell to the right of the second column with numeric values consists of the number of respondents, followed by the row percent of respondents in parentheses.

Table 3: Financial Services Utilization Response Results

Financial Service	Response Rate	Percent With	Percent Without
Conventional Checking Account	300 (97.4%)	285 (95.0%)	15 (5.0%)
Islamic Checking Account	294 (95.5%)	25 (8.5%)	269 (91.5%)
Conventional Savings Account	297 (96.4%)	170 (57.2%)	127 (42.8%)
Islamic Savings Account	287 (93.2%)	18 (6.3%)	269 (93.7%)
Conventional Mortgage in Last Ten Years	288 (93.5%)	122 (42.4%)	166 (57.6%)
Islamic Mortgage in Last Ten Years	292 (94.8%)	33 (11.3%)	259 (88.7%)
Conventional Non-Mortgage Loan in Last Ten Years	296 (96.1%)	73 (24.7%)	223 (75.3%)
Islamic Non-Mortgage Loan in Last Ten Years	294 (95.5%)	8 (2.7%)	286 (97.3%)

“Response Rate” represents the number and percent of surveys that have an answer to the relevant question. Every cell to the right of the second column with numeric values consists of the number of respondents, followed by the row percent of respondents in parentheses.

Table 4: Future Islamic Financial Service Utilization Response Results

Action	Response Rate	Percent Yes	Percent Maybe	Percent No
Get an Islamic Loan in the Future	294 (95.5%)	201 (68.4%)	46 (15.7%)	47 (16.0%)
Transfer Checking Account to Islamic Bank in the Future	292 (94.8%)	271 (92.8%)	.	21 (7.2%)
Transfer Savings Account to Islamic Bank in the Future	281 (91.2%)	240 (85.4%)	30 (10.7%)	11 (3.9%)

“Response Rate” represents the number and percent of surveys that have an answer to the relevant question. Every cell to the right of the second column with numeric values consists of the number of respondents, followed by the row percent of respondents in parentheses.

Table 5: Chi-Squared Results

Each table in Table 5 represents the Chi-Squared results for a demographic question posed in the survey. The upper left-hand cell contains the type of demographic question, along with the p-value of the Chi-Squared test. The middle row contains the number and column percentage of respondents that have not utilized any Islamic Financial Service. The bottom row contains the number and column percentage of respondents that have utilized at least one Islamic financial service.

Table 5a: Chi-Squared Results for Ethnicity

Ethnicity p-value = .83	South-Asian	Arab	New African	New White
Without Islamic Financial Service	129 (84.3%)	41 (87.2%)	35 (83.3%)	12 (92.3%)
With Islamic Financial Service	24 (15.7%)	6 (12.8%)	7 (16.7%)	1 (7.7%)

Table 5b: Chi-Squared Results for Sunni/Shia

Sunni/Shia p-value = .44	Sunni	Shia
Without Islamic Financial Service	166 (85.6%)	29 (80.6%)
With Islamic Financial Service	28 (14.4%)	7 (19.4%)

Table 5c: Chi-Squared Results for Born in US

Born in US p-value = .93	Yes	No
Without Islamic Financial Service	115 (85.8%)	38 (86.4%)
With Islamic Financial Service	19 (14.2%)	6 (13.6%)

Table 5di: Chi-Squared Results for Age (5 Groups)

Age (5 Groups) p-value = .06	30 or Under	31 to 40	41 to 50	51 to 60	60 or Over
Without Islamic Financial Service	65 (92.9%)	69 (84.2%)	50 (80.7%)	20 (90.9%)	20 (71.4%)
With Islamic Financial Service	5 (7.1%)	13 (15.8%)	12 (19.3%)	2 (9.1%)	8 (28.6%)

Table 5dii: Chi-Squared Results for Age (4 Groups)

Age (4 Groups) p-value = .15	30 or Under	31 to 40	41 to 50	51 or Over
Without Islamic Financial Service	65 (92.9%)	69 (84.2%)	50 (80.7%)	40 (80.0%)
With Islamic Financial Service	5 (7.1%)	13 (15.8%)	12 (19.3%)	10 (20.0%)

Table 5e: Chi-Squared Results for Education

Education p-value = .42	High School	College	Masters	PhD/MD/JD
Without Islamic Financial Service	17 (77.3%)	106 (86.2%)	66 (82.5%)	33 (91.7%)
With Islamic Financial Service	5 (22.7%)	17 (13.8%)	14 (17.5%)	3 (8.3%)

Appendix 1

INFORMED CONSENT FORM

You are invited to participate in a research study that is being conducted by Ibraheem Catovic, who is an honors student in the Economics Department at Rutgers University. The purpose of this research is to determine the current usage and future potential of Islamic Banking in the United States. Participants must be older than 21 to fill out the survey. No current Rutgers students may take this survey. Only one survey per household. The survey will last approximately 5 minutes.

This research is anonymous. Anonymous means that I will record no information about you that could identify you. This means that I will not record your name, address, phone number, date of birth, etc. There will be no way to link your responses back to you. Therefore, data collection is anonymous.

The research team and the Institutional Review Board at Rutgers University are the only parties that will be allowed to see the data, except as may be required by law. If a report of this study is published, or the results are presented at a professional conference, only group results will be stated.

Continued on Back

Tear Here: Keep TOP Half for Your Own RecordsSurvey: Q=Question, A=Answer

Q. Do you have a checking account

A. at a commercial bank or credit union (for example, Bank of America)? Yes No

A. at an Islamic Bank or Financial Institution (for example, Guidance or LARIBA)? Yes No

Q. Do you have a savings account or other non-checking account

A. at a commercial bank or credit union (for example, Bank of America)? Yes No

A. at an Islamic Bank or Financial Institution (for example, Guidance or LARIBA)? Yes No

Q. In the past ten years, have you received a home financing loan or mortgage

A. from a commercial bank or credit union (for example, Bank of America)? Yes No

A. from an Islamic Bank or Financial Institution (for example, Guidance or LARIBA)? Yes No

Q. In the past ten years, have you received a small business loan or personal loan

A. from a commercial bank or credit union (for example, Bank of America)? Yes No

A. from an Islamic Bank or Financial Institution (for example, Guidance or LARIBA)? Yes No

Q. If you have not obtained a loan or financing from an Islamic Bank or Financial Institution, would you do so in the future, instead of from a commercial bank or credit union, if the need arose?

A. Yes Maybe, depends which is less expensive No

Q. Would you consider transferring your checking account funds from your commercial bank or credit union to a checking account at an Islamic Bank or Financial Institution, if that option became available?

A. Yes No

Appendix 1**INFORMED CONSENT FORM (Continued)**

As this is an anonymous survey, there are no foreseeable risks to participation in this study. The benefits you receive from participation are limited to the implications of the results and findings of my research. Therefore, you will receive no direct benefits or compensation for taking part in this study.

Participation in this study is voluntary. You may choose not to participate, and you may withdraw at any time during the study procedures without any penalty to you. In addition, you may choose not to answer any questions with which you are not comfortable.

If you have any questions about the study or study procedures, you may contact me at: ibster31@eden.rutgers.edu

You may also contact my advisor and Principal Investigator, Professor Joseph Naus:

Hill Center, Room 571

110 Frelinghuysen Road Piscataway, NJ, 08854-8019

Tel: (732) 445-2690 ext. 1129. Email: naus@stat.rutgers.edu

Tear Here: Keep TOP Half for Your Own Records

Survey (Continued): Q=Question, A=Answer

Q. If there were savings deposits at an Islamic Bank or Financial Institution that operated on a profit sharing basis versus the fixed interest return at a commercial bank or credit union, would you consider opening a savings deposit with the Islamic Bank or Financial Institution?

A. Yes Maybe, depends which has a higher average return No

Q. What is your ethnicity of origin (circle appropriate response or write ethnicity in "Other")?

A. South-Asian (India-Pakistan-Bangladesh) Iranian Arabian Gulf (Saudi Arabia, UAE, etc.)
Other Arab (Egypt, Syria, etc.) African-America White/European Other: _____

Q. What is your religious identification? (Choose most specific selection applicable. For example, if you are Sunni and are Shafi, circle Shafi. If you are Sunni but don't follow any of these groups or don't know them, circle Sunni).

A. Sunni: HanafiShafiHanbali Maliki Salafi
Shia: Ithna-Ashari/TwelversZaydiIsmaili
Other: _____

Q. What is your gender?

A. Male Female

Q. Were you born in the United States?

A. Yes No

Q. What is your age?

A. 30 or under 31-40 41-50 51-60 Over 60

Q. What is your highest level of education completed?

A. High School or less College/Bachelors Masters or equivalentPhD/MD/JD or equivalent