

Promotional Awareness of Islamic Finance: Australian perspective

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Abstract

The role of promotional awareness of Islamic Finance does not end only boosting up product selling rather it should be goaled to educate consumers about what Islamic Finance is and how it is different from interest based finance and demonstrate a clear procedure to educate them. It is worthy of mentioning that a knowledgeable customer might act as brand advocate for the corresponding financial institutions. In this commentary, the authors share their industry experiences in building customer knowledge and awareness towards the Islamic financial products in Australian context. To this point, the specific objective of this paper is to create awareness among the existing Australian Islamic Financial Institutions through various promotional tools in the broad theoretical discipline of marketing. The data has been mostly obtained from the secondary sources including grey literature. The paper concludes by providing market effective promotional advice for the Australian Islamic Financial Institutions.

Keywords: Islamic Finance Promotion, Australian Islamic Finance, Promotion, Islamic Finance, Shariah.

1. INTRODUCTION

In the new millennium, the amazing growth of trade and commerce approaches both the profit and non-profit organization to the demand for huge promotion and communication as the people want to get the necessary information about goods and services they use (Alam and Islam, 2013). Kotler and Keller (2006) defined promotion as means of activities that communicate the merits of the product and persuade target customers to buy it. To persuade customers the specific mix of advertising, personal selling, sales promotion and public relations could be used to according to the suitability of the product and customer group. Like any other products Islamic finance also needs to use promotional tools. The underling characteristics of the Islamic finance itself instigates the need to create awareness among the consumers as it relates to *Shariah* related question on top of financial queries. Islamic financial organizations should use promotional tools not just to sell the product but to create awareness among the consumers.

2. ISLAMIC FINANCE AND ITS GRWOTH

Islamic finance is defined as a financial service principally implemented to comply with the main tenets of Shariah or Islamic law (Sain and Rahman, 2013). The basic difference between Islamic and non-Islamic finance lies in the fact that the former operates on an equity-participation system in which a predetermined rate of return is not guaranteed, whereas the latter's operation is based on both equity and debt systems that are driven by interest. This essential difference resulting from the implementation of the Islamic *Shariah* principles (Naser and Moutinho, 1998).

Islamic banking has witnessed substantial growth in recent years and it is still expanding (Khattak et al, 2011). Being the second largest religious sects in the world the size of the market is increasing as the population is increasing (Desilver and Masci, 2013). In addition, religious guidance encourages Muslims

to use financial institutions those comply with *Shariah* principles. (Wajdi and Abdullah, 2007). However, Islamic Banks do not operate in isolation and compete with traditional banks for customers, rather customers have access to both Islamic and Traditional Banking system (Naser and Moutinho, 1998). The reason for Muslim customers to enter into traditional banking system may be identified as low knowledge of Islamic banking principles or poor awareness of Islamic banks. In addition some scholars have questions whether all Islamic banks comply with *Shariah* principles and are truly 'Islamic' (Khan, 2010). These shows a clear indication to educate people.

Islamic finance in Australian context is relatively new. The first attempt to introduce Islamic financing products in Australia was made by the Muslim Community Cooperative Australia (MCCA). Apart from MCCA there are other organizations those offer Islamic Finance Facilities, such as Islamic Finance Australia Limited (ICFAL), Iskan Finance (Sain et al, 2013). In July 2003 the Weekend Australian reported that the Prime Minister John Howard had endorsed a shared partnership scheme between home buyers and banks which was very similar to schemes already being used by Islamic financial institutions (Ahmad, 2010). In 2006 National Australian Bank were interested about Islamic financing which was shown to their offer for post-graduate scholarship to a member of the Muslim community for NAB's understanding of Islamic Finance (Sain et al, 2013). According to 2016 Census the number of Muslims living in Australia is 604,200 which is 2.6% of the total population. In terms of percentage it was 1.7% on 2006, and 2.2% on 2011 (ABS, 2016). Empirical research on attitudes towards Islamic finance and banking has been limited globally. In Australia, only two known studies have been carried out to date (Farrar, 2015) and only one on individual customers' attitudes, by Hussain and Raft. Their research was carried out in Adelaide in June 2004 and showed genuine interest amongst practising Muslims in the idea of Islamic banking products – but a lack of familiarity with Islamic brands and understanding of Islamic principles of financing (Rammal and Zurbruegg, 2007). In the other study, it was noted that 59.50% of small business respondents (the majority of whom were non-Muslim) expressed an interest in profit and loss (i.e. *mudarabah*) financial arrangements and 41.2% of the financial institutions were prepared to lend on that basis (Jalaluddin, 1999). The latter study suggests policy makers should look beyond the actual numbers of the Muslim population when determining the potential market; Islamic finance is not just for Muslims.

The gradual increase of number of Muslims shows the demand of the Islamic financial products. To meet the growing demand in last decades there are some other financial institutions merged in the industry, namely, Hejaz Financial Services, Amanah *Shariah* Complaint Islamic Finance Solutions Australia, Insaaf Islamic Finance Australia, EFSOL, Lawful Finance Australia Limited. All these organizations have significant impact in providing Islamic financial services. These organizations offer *muraqabah*, *musharaka*, *istisna* and *ijara*, superannuation investment (in different names) and some products to meet customers' need. Islamic financial advice is one the new products offered by Hejaz Financial Services.

3. PROMOTIONAL TOOLS AND WHY THESE SHOULD BE USED FOR ISLAMIC FINANCIAL PRODUCTS?

Financial services marketing has some unique aspects. According to Estelami (2012), financial services marketing is a unique and highly specialised branch of marketing which makes selling, advertising, pricing and distribution of financial service products far more complex than that of consumer goods. It should note that there is need to appreciate the distinctions between marketing of financial services and marketing of consumer or industrial goods (Jan, 2012). Since the services are different from tangible consumer goods and hence require different marketing frameworks as identified by Swankie and Watson (2006). They also identified four fundamental differences between marketing of financial services and marketing of consumer goods, these are: fiduciary responsibility, intangibility, inseparability and lack of standardisation.

Christian (1990) mentioned, for each of these categories of promotional tool has its own distinctive characteristics. The nature of a relationship marketing strategy is more suitable when we are talking about financial products. These areas represent a major challenge for marketing and organizational behaviour, practitioners and academic alike, to remove traditional borderlines and work together. When we are talking about the financial product the word 'trust' plays a bridging role between the organization and its customers.

The idea of using promotional tools is to influence to consumers to do something, at least aware them. The traditional conceptual model for creating any advertising or marketing communications message is the AIDA model; get attention, hold interest, arouse desire and obtain action. John Caples, extended the traditional concepts of marketing communication into: get attention, hold attention, create desire, make it believable, prove it is a bargain, make it easy to buy and give a reason to buy now (Alam and Islam, 2013). The major highlight here is to make it believable.

Islam has well-established business, economic and social systems and its influences are interwoven with the daily life of Muslims. Therefore, it is vital for the Islamic financial institutions to comprehend the impact that religion makes on Muslim societies before designing their marketing strategies. (Yousaf, 2014). To highlight this issue the entire planning process of the Islamic financial institution should consider the various elements of marketing mix. Rather than focusing all promotional tools, we will only highlight the promotional tools relevant to Islamic finance. The basic concept in marketing mix, defined the elements an organization control that can be used to satisfy or communicate with customer (Anand and Murugaiah, 2004). The main concern of Islamic marketing and the promotional tools it utilizes, should be to earn Allah's pleasure by serving consumers and society at large (Anwar and Saeed, 1996).

3.1 Product: Existing Practice and how it should be in Australian Perspective

A vital component of marketing mix, the product or service is the basis of which customer satisfaction is created, it has to satisfy the want of need of the customer (Kotler and Keller, 2006). The quality of the production process is of a paramount concern in Islamic ethics. The impact and prohibition of 'riba' is declared in Holy Qur'an by the following verses, Surah al-Rum: verse 39; Surah al-Nisa: verse 161, Surah Al 'Imran, verses 130-2 and Surah al-Baqarah, verses 275-81. Allah (SWT) says, those who benefit from riba shall be raised like those who have been driven to madness by the touch of the Devil; this is because they say: "*Trade is like riba*" while God has permitted trade and forbidden riba. Hence those who have received the admonition from their Lord and desist, may have what has already passed, their case being entrusted to God; but those who revert shall be the inhabitants of the fire and abide therein for ever (2:275).

In Hadith it was mentioned- '*Jaabir (R.A.A) said: The Messenger of Allah (blessings and peace of Allah be upon him) cursed the one who consumes riba and the one who pays it, the one who writes it down and the two who witness it, and he said: they are all the same. [Muslim 1598]*

This is noticeable here that, Rasuallah (SWS) encouraged to prohibit both direct and indirect impact of riba. The financial products in Islam is visualized quite differently compared to conventional thinking. Islamic principles dictates that the production operations must be innocent and pure from beginning to end. (Sain et al, 2013). Thus, the quality of the product offered by the Islamic financial institutions must meet the need of the customers. *Shariah* compliance is the indefinite component here. Maqasid Al-Shariah is the objectives and the rationale of the *Shariah*. A comprehensive and careful examination of the *Shariah* rulings entails an understanding that *Shariah* aims at protecting and preserving public interests (*maslahah*) in all aspects and segments of life. According to Imam Al-Ghazali (d.1111) "*The objective of the Shariah is to promote the well-being of all mankind, which lies in safeguarding their faith (dīn), their human self (nafs), their intellect ('aql), their posterity (nasl) and their wealth (māl). Whatever ensures the safeguard of these five serves public interest and is desirable*" (Abozaid and Dusuki, 2007).

Second most common question arises basically from misunderstanding of the products. Among the many reasons for this confusion one is the names of the products are derived from Arabic language. Customers from different language background might not have knowledge in Islamic term such as Murabaha (selling on profit), Musharakah (joint venture) and Ijara (hire) (Abozaid and Dusuki, 2007).

In Australian Islamic finance industry, it is known that a majority of these organizations are based on the borrowed fund from third party based on the ruling that as long as the financial organizations' transaction with member is with *Sharia* principle there is nothing to be worried. Industry leader MCCA declares, 'MCCA's funding sources can be grouped into third party institutions and its' own sources, such as the MCCA Income Fund'. The MCCA Income Fund is Shariah certified by MCCA's Shariah Advisors. (MCCA FAQ, 2017). If this is acceptable practice then question may raise why Rasulullah (SWS) cursed the persons who indirectly involved? Based on this believe there are some institutions manage their fund from members only source. Some of the institutions don't declare the sources of fund. Being market leader MCCA has communicated the source of fund and the *Shariah* issue clear and precise way. In general, all the financial institutions are encouraged to follow the trail so that customers have clear idea about the source of fund and product structure.

Once financial institution gets the approval of their product from the Shariah regulatory body, copy of the certificate should be readily available to communicate to the customers, preferably presented to their web site including the contact details of the regulatory body. This will ease the customers to directly contact with the regulatory body. The demo copy of the financial contract should be available on the website as well so that if customers would go through the contract with and consult with their local Islamic Scholar, they have the opportunity.

3.2 Place & Price: Existing Practice and how it should be in Australian Perspective

Marketing focuses on making the product available to the customers at the right place, the right time, and at a reasonable price (Anwar and Saeed, 1996). It has been suggested that for building long-term relationship financial industry should prioritize reasonable price along with good quality and after-sell services (Domazet et al, 2010). To protect the weak and the feckless, Sharia transactional law (*al-mu'amalat*) imposes rules on all parties to make sure deals are fair, transparent and conducted with scrupulous honesty. Among the many rules it also mentioned to inform the amount of profit charged (Farrar, 2015). In Australia very few of the Islamic finance organizations disclose their profit rate. But both the *Shariah* and customer point of view it is required that the price should be reasonable and it need to be disclosed. Organizations should consider this seriously while setting their promotional mix.

3.3 Customer Service: Existing Practice and how it should be in Australian Perspective

Since products are very similar and easily copied, financial institutions are now focusing on improving the quality of customer service. Information technology is a tool that can be used to create distinctiveness through targeting and relationship development (Anand and Murugaiah, 2004). Strong knowledgeable customer service team should be backed by good promotional support tools. As mentioned by Anand and Murugaiah, 2004, promotional effort must be stimulating and motivating enough to generate interest in and promote positive attitude towards the financial institution and its products. Customer acquisition, retention, corporate stability, public image and awareness all are tied up with good staff morale. A dedicated and knowledgeable customer service team can bring the change about product perception of the customers. The presentation of the customer service team wouldn't be immaculate unless they have clear knowledge about the Islamic products compare to conventional products. Classic example of this, MCCA *Sharia* board is sectioned as international and local body. Most of these honourable *Sharia* members are community trusted person and some of them are also known as specialized Islamic finance. MCCA's recent videos include the opinion of general people, MCCA officials and the scholars. These videos will create positive impact about MCCA. Some new organizations also following this trail.

4. BUILDING COMMITMENT TRUST RELATIONSHIP

In terms of relationship development, commitment has big impact toward building trust. The commitment-trust theory maintains that qualitative outcomes contribute to overall network performance. If commitment and trust are the key, the relationship commitment and trust will be developed when firm attend to relationship by providing resources, opportunities and benefit compare to alternative partners (Morgan and Hunt, 1994). Being able to maintain commitment will make existing customers loyal and acquiring new customers (Anand and Murugaiah, 2004). In this perspective, Islamic financial organizations in Australia are recommended to maintain commitment firmly, no matter they have shortage of fund due be member funded or need to follow third party organizations' policy from where they are borrowing.

5. QUALITY PROCUST NEEDS CONTINIOUS IMPROVEMENT: EXAMPLE

Delivering quality service also requires to measure the gap between the service and the expectation of the customer (Parasuraman et al, 1985). These gaps are: customers' expectations versus management perceptions; management perceptions versus service specifications; service specifications versus service delivery; service delivery versus external communication; The discrepancy between customer expectations and their perceptions of the service delivered; The discrepancy between customer expectations and employees' perceptions and the discrepancy between employee's perceptions and management perceptions. Australian Islamic finance industry should close these gaps. For example, it is commonly discussed that all Islamic finance institutions always charge higher than the conventional financial organizations. The customer expectation here is the price should be same. Islamic financial organization could develop a visual campaign why in the current industry practice they can't make the product competitive to conventional products. Customer service team of the Islamic finance organizations should have knowledge about the similar conventional products so that they can clearly communicate to the clients the difference between the products. Not just halal, the underlying reason why the product is halal need to be highlighted.

More example could be mentioned. The study shows that, the most common expectation, mentioned by 73 percent of consumers, is real-time access to and support of their financial accounts (Market Strategies International, 2011). Some of the Australian financial organizations yet to develop online access to their members' account. They can take immediate initiative to give that access to their customers to build trust and bring comfort to customer's mind. The same study shows that 40 percent of the customers expect rewards for customer loyalty and nearly as many value notification of discounts for not-banking products and services. At current Australian Islamic financial industry, the demand of Islamic finance supersedes the supply. Among the institutions, those who can cope these facilities as a promotional tool of their product definitely they have the potential to lead the industry in long run. The two major reasons why financial institutions choose over another are: trustworthiness, named by 80 percent and well-managed 76 percent. 30 percent of consumers would choose an institution on the recommendation in other words, word of mouth impact. So, highlighting the value of creating loyal customers will act as brand advocates.

6. CONCLUSION

Australian Islamic financial institutions should focus on educating their members/customers through the promotional tools as advised. In summary, our recommendation: (a) Product: clear and concise explanation of *Sharia* authenticity for general people, readily available translation of Arabic terms used for the products, source of fund and its *Sharia* explanation, access to *Sharia* board for *Sharia* related query; (b) Price: close to the competitive market price, if not should have explanation why it is not possible; (c) Place: more branches to have more access to customers (based on cost benefit analysis of the organization); (d) Promotion: involve local Sheikhs, Imams who have good trust in the community; electronic presentation of their opinion about the product in media, website, social media etc. (e)

Customer Service: knowledgeable and friendly customer service team about Islamic and conventional financial products.

Implementation of the above advises will eventually help members/customers to upgrade their knowledge about Islamic financial products. The domino effect is, more and more people will be interested for Islamic finance. Knowledgeable customers might act as brand advocate for the financial institutions.

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