Islamic Investment Funds in the UK: Exploring the Demand and Assessing the Supply

Zahirul Haque
Loughborough University
22 St Albans Road
Leicester
LE2 1GE
United Kingdom
kawsarh@aol.com

ABSTRACT

The study explores demand and supply for Islamic investment funds in the UK and indicates a propensity towards investing in this sector by professional Muslims although much needs to be done on the supply side in order for this to become a reality. Arbitrary scores have been assigned and benchmarked between responses given to different questions to indicate risk profile and the likelihood of investing resulting in 73% of those surveyed demonstrating favourable indications. The data demonstrated, however, that, overall, a cautious attitude to investing in stock markets perists, although this could potentially change through wider dissemination of information about products and past performance of funds. Credibility is also likely to be attained through promoting better assurances over regulatory status of funds and the institutions that back these, so revealing the sense of awareness of what could potentially go wrong and the role that regulators can play in protecting investors. Most respondents revealed a preference for a balanced investment portfolio with appropriate diversification in location and size of businesses invested in. There is in evidence a strong desire for respondents to take appropriate risk in order to achieve an improved level of income and quality of life with many indicating a preference to investing through business and property. With almost 2/3 also indicating that they held a savings and/or investment product, and coupled with an overall scoring that indicates a willingness to invest for the long term, and not just chasing lucrative short term profits, suppliers would benefit from capitalising on the professional Muslim sector as a starting point, so allowing access to wider investment pool which will inevitably bring greater efficiencies in capital employed.

I. INTRODUCTION

We live in a society where second generation Asian and more specifically Muslims are assuming a new identity, this crystallising in recent years faced with the strong views within the geo-political arena. At the same time, there is a growth in the overall standard of living, including education, awareness and the need and want to progress to a better economic platform enjoyed by many in Western societies. This need not, be a paradox, given that Islamically complaint based funds can operate, often successfully.

The overall limitation in focus by suppliers is reflected throughout the industry and is epitomised by the following comments made by a representative of the Abu Dhabi Islamic Bank:

It is felt that the HNWI and Institutional investors are better placed to appreciate the higher risk associated with investment products and at the same time have the financial means to absorb any losses or poor performance as compared to retail investors who are unlikely to be as sophisticated.[1]

The research here has attempted to identify the precise nature of the demand from a relatively young, professional Muslim population living in the UK, and has used this to determine the potential for roll out to a wider Muslim population[2]. The paper includes an outline of the theory behind Islamic funds and gives a flavour of the current topics of debate within the realms of the subject area. As a means of providing background, the composition and assumptions used as part of the risk and likelihood models are detailed. The analysis section has reviewed the data from the survey and using information provided by suppliers has allowed appropriate inferences to be drawn. The paper concludes by reflecting on what needs to be done going forward to help bridge the gap between supply and demand.

II. BACKGROUND OF ISLAMIC INVESTMENT FUNDS: DEVELOPMENT AND TRENDS

Islamic investment funds are managed in the same way as mutual funds where the investors all have a share in the overall return from investments made, and are unique in that the invested stocks need to fall within the boundaries of included industry sectors and / or where the rules around interest exposure are being adequately maintained. There are specifically stated exclusions such as banks dealing in interest based products, firms producing alcohol, pork based products, as well as other sectors such as gambling and arms manufacturers. There is a distinct moral code of conduct within the investment decision which is analogous to ethical investment, and as a result appeals to a wider audience other than just Muslims.

It is widely accepted that the concept of interest in financial transactions of any order, should not be permissible, and by implication, therefore, adherence to this prohibition

~~2~~

2

[1] Mirza (2005)

of *riba*[3], would exclude any equity investment in most financial markets such as the UK. It is within these markets, however, that great strides have been made over the last few years, and especially being pushed to the fore by the need for investors from the Middle East to find appropriate opportunities to help maintain and grow surplus assets arising from oil wealth in recent years.

Scholars such as Usmani (2001) challenge this on the basis that some level of interest should be allowed in the first instance, although accepting that any subsequent returns from the investment should be purified, through an appropriate proportion of the gain being paid to charity to reflect the interest element within the business overall net assets. The Price paid for the share should only be negotiable if there are illiquid assets, and it is clear that the purchase price exceeds the value of liquid assets. Liquid assets can only be sold at par, to avoid any charge that interest is either being paid or received. Modern jurists suggest that at least one half should be the share of illiquid assets. The Quranic verse is cited as support of the latter "*The majority deserves to be treated as the whole of a thing*". In practice, the one third mark has become the threshold for defining what is or is not a significant proportion.

As a further act to purify income, Usmani asserts that the shareholder's powers whilst restricted in that they own only a relatively small part of the overall pie, can be exercised through voicing their concerns at the AGM, although debatable as to how effective this will be given the large number of investors involved.
The second layer of exclusions can be summarised as follows (Adams & Thomas, 2004):

- Debt is >/= 33% market capitalisation (based on the previous 12 month average)
- Cash and interest bearing accounts >/= 33% market capitalisation
- Accounts receivable (current and long term) >/= 45% of total assets.

With constant movements in the above percentages as business circumstances change across the threshold boundaries, a "lagging period" has been suggested to allow for stabilisation and correction. However this practice of selling off stocks at such regular intervals does lead to volatility. A view expressed by pioneers within the Islamic finance sector basis is that sale of assets resulting in this manner could be interpreted as falling foul of the concept of sale of debt. This is based on the notion that effectively the sale of the stock is due to an increase the value of debt within the business and any surplus generated from the sale is the increase in accounts receivables and therefore by definition, a sale of debt (bai-al-dain).

Practical dilemmas

The parallels with ethical investments have been noted and as such challenges face the fund manager beyond the mere application of the rules stated above. This can be illustrated in a recent case study of an investment made in the third world.

---

[2] An assumption is made here that it is professional Muslims who one might expect would have the necessary risk appetite, curiousness to learn and financial understanding and ability to also engage in investing through Islamic funds.
[3] Interest

Case Study:
An equity investment was made in a coal mining project which had been launched in the heart of a third world country. The project had led to 50,000 people being displaced from their homes. Riots subsequently resulted in which clashes with the local police on the perimeters of the coal mine, resulted in five deaths. Consideration was given to the widely acknowledged need and potential benefits from foreign investment and the need to maintain confidence from these investors. The decision was subsequently taken to divest the monies given the ethical dilemmas being faced. This portrays the potential complexities in making appropriate judgement about stock selection.

Types of Funds

Islamic investment funds can take different forms to reflect the different categories of risk for the investor[4]. At the bottom of the (Islamic) investment product pyramid is *Murubaha* trade and commodity financing given the fixed mark up available. In order for the seller to legitimately apply a mark up and hence gain return from the asset, there is a requirement of constructive or actual ownership by the seller at the time of the sale. As a result investment choices such as 'short selling'[5] is not permissible given that it does not meet the ownership at time of sale requirement. This also rules out the use of forward contracts, which involves entering into a sale contract now for item to be sold at a future point in time, with agreement on the terms and price of the good[6].

Ijarah funds require ownership of the asset to remain with the fund with rental income distributed pro rata to subscribers. The certificate, otherwise known as 'sukuk' can be priced by market based on profitability, and trading permissible as this represents a share in a 'tangible' asset. Sukuks are expected to grow by 30% in 2007 globally[7]. There are certain conditions which need to be followed which include assets which are 'halal'[8], with the lessor taking responsibility over maintaining the overall existence and use of the asset, and the rent charged being fixed and built into the contract at the outset. Any fees charged by managers could be based on a percentage of the rental income to management. There is also a steady stream of income available for investors, with less opportunity perhaps to make lucrative capital gains.
Mudarabah[9] funds require more extensive due diligence to be carried out for each investment decision made. Fund managers need to take appropriate risk but similarly need to act quickly.

Geographic spread

The highest concentration of Islamic investment funds are currently in the Middle East. The Islamic Banker (2001), reported there to be around 40% of the total funds in the sector based in Saudi Arabia alone, compared to 16% in Europe and 3% in USA.

4

4

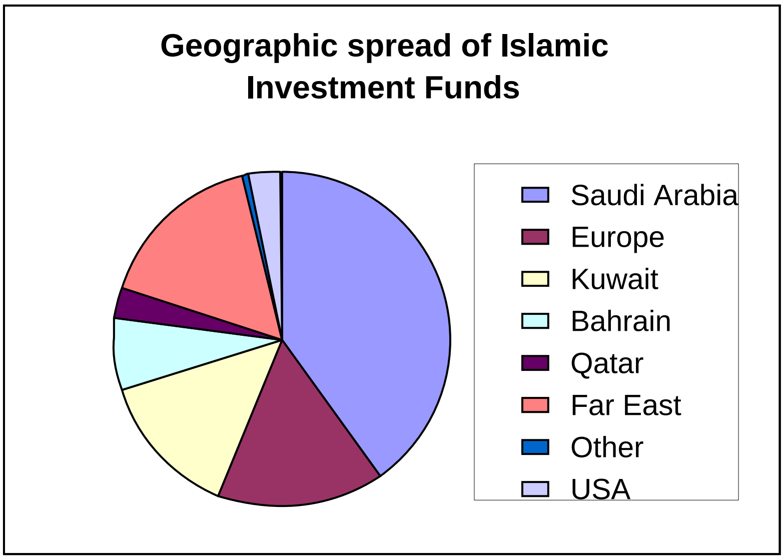
4 Risk definition assumed is the possibility of (being) exposed to the chance of injury or loss

5 selling the asset and then subsequently buying it back at a lower price

6 Exception to this is salam, istisna

7 Financial Times, 18 January, 2007: 25

A number of *Shariah* complaint funds have been set up during 2005 / 06 including those set up by Deutsche Bank, Citibank and the European Islamic Investment bank based in the UK.

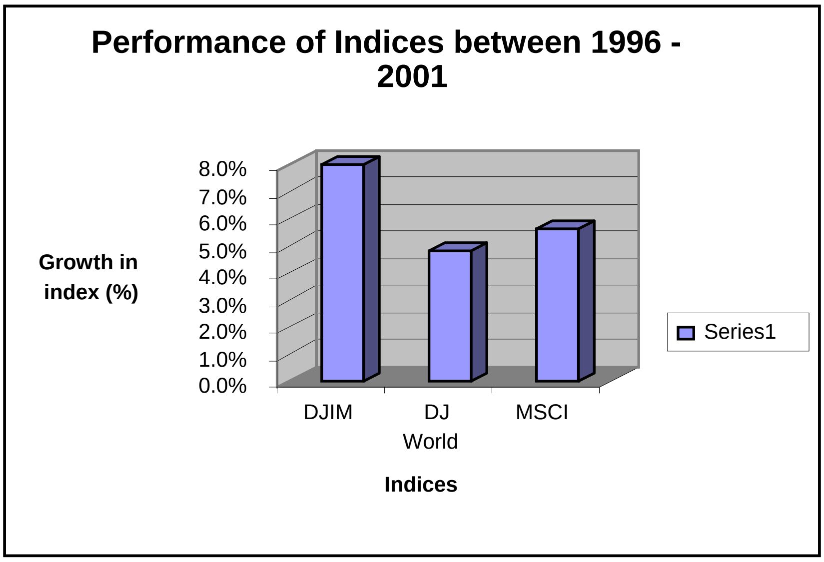


Source: Islamic Banker, Oct, 2001

Performance of *Shariah* compliant stocks

The performance of Islamic indices such as the Dow Jones Islamic index, have compared favourably with conventional indices.

Figure 1



Source: Keigher and Bauer, 2002

---

[8] Assets which do not fall into any of the excluded sectors as defined in this chapter
[9] Profit sharing fund

There have been waves of Islamic funds which have been created, this process accelerating post 9/11 given a rise in the need to reinforce Islamic identity and facilitated also by significant surpluses being generated from oil revenues in the Middle East. To illustrate this, Deutsche bank have in June 2005, set up their own Islamic hedge fund, which caters for the Islamic investor. Whilst the participation of investors has been limited to those fortunate to share the riches in specific regions of the world, the positive growth in value of stocks as included in the DJ and FTSE Islamic Indices allows the prospect of a more mainstream audience to be involved.

III RESEARCH M ETHODOLOGY

The design of the research process in particular to dissect the factors potentially affecting demand, required a standard approach which respondents would find easy to comply with. The survey approach was selected as being the most efficient and comprehensive technique. In order to assess the services offered by suppliers in the market, selected companies were reviewed, referring to the internet, face to face and telephone meetings and other forms of direct correspondence.

Survey – themes

The survey was used to extract the following information about the sample population:-

- Profile including age, marital status, ethnic background, education and professional status
- The level of savings in relation to their income
- The level of interest of wealth management and how people wish to make money
- Propensity to take risk in terms of investments and assessing people's tolerance levels
- The level of appreciation for the Islamic character of investments and people's knowledge and views about Islamic funds now and in the future
- Aspirations to acquire returns on investment and how this might be compromised by the need to adopt a more Islamic code of conduct in decision making or a situation where funds make a loss
- The level and type of information required to stay updated with their investments
- Peoples preferred choices for investments in terms of risk strategy, regional focus

The sample

The sample focused was on relatively young, educated, professional Muslims living in Leicester where there is a higher than average concentration of Muslims. Furthermore the Leicester Muslim population has achieved some of the highest educational results amongst schools and colleges in the UK[10].

Data analysis

The data was therefore organised into the following sections and where appropriate scores were assigned.

1. General profile

There were a number of aspects of profile for each person which, whilst potentially relevant in helping them to make investment decisions, did not necessarily fall under the definition of being causal factors. As a result the paper has separated out this information, bringing the information in where relevant, such as in the analysis section, where ideas have been used to speculate about the nature and explanation of themes identified in this research paper: Religious status (Muslim / non-Muslim); Gender; Age; Ethnic origin; Employment sector.

2. Risk profile

Certain questions within the survey were deemed to be relevant for contributing to a person's risk profile. A scoring system was designed and appropriately benchmarked across all relevant questions.

Table 1: Risk scores

Risk Score	**Meaning of score**
1	Risk averse
2	Cautious approach to risk
3	Moderately speculative
4	Actively speculative
5	Aggressive risk taker

These scores were collated individually for each respondent, and transferred onto SPSS (Statistical Software System) for more collective analysis. The table below provides the scores used and what each of them signify. Details about the application of the above scoring to specific questions can be found in Appendix 1

3. Likelihood Profile

A scoring system was provided and benchmarked (see table 2 below) to help denote the likelihood of exercising an investment through the Islamically compliant route.

Table 2: Likelihood scores

Likelihood Score	**Meaning of score**

[10] Dr Zubaida Haque:4

1	Not likely at all
2	Potentially being interested
3	Should be expected to be interested
4	Quite likely to invest

Details about the application of the above scoring to specific questions can be found in Appendix 1:

Researching Suppliers

There are a number of different suppliers who deal with Islamic investment funds in regions such as the Middle East, Malaysia with relatively little presence in the UK. This is partly as a result of the development of the Islamic funds market, and specifically the sophistication in supply of funds, as well as in the case of the Middle East, in particular, the higher concentrations of Muslim investors who fall into the high net worth sector. Indeed, this sector has been the predominant focus of most of the institutions so far.
The study has selected the Abu Dhabi Islamic Bank and UK case studies focusing on the works of Islamic Bank of Britain, Alburaq Bank, and Dawnay Day Investments.
Research carried out has used techniques of content analysis of web pages, marketing and other literature available, as well as in depth interviews carried out with representatives of each. An Islamic Banking seminar hosted by IBB was also attended to get a sense of the tactics employed to attract new retail customers, and this has also formed part of the overall analysis.

IV RESULTS

4.1. EXPLORING THE DEMAND SIDE

General Profile of respondents

The sample consists of a younger profile with 71% of the sample falling in the 20-35 category. The mean age overall is 29. The sample does also include higher age groups (10% over age 50) with an assumption that these groups may also have a higher propensity to save.
The majority of the sample (87%) defined themselves as being Muslim. The 14% of non-Muslims included, however, served to provide an opportunity to compare our findings with their Muslim counterparts (see 3.6). The split of males:females was 81%:19% respectively.
Recent studies[11] indicate that the majority (just under 2/3) of the 1.547 Muslims living[12] in the UK originate from either Bangladesh or Pakistan. In our sample these latter groups represented 60% of the total with sizeable representation, also from

8

8

Indians and African Indians who make up a further 22%. The ‘other’ group included those of Indonesian, Malay and Somali descent.
The majority of respondents are professional with banking, finance and the accounting sector representing 32%, Education & community work 19% and Sciences / computing 11%. Retail and catering represents a further 17% of the professional sector of respondents.

Risk Profile of the sample

Overall risk scores
The amalgamation of all the relevant scores for identifying the risk profile of respondents led to the majority of those surveyed (65%) falling into the “moderately speculative” category with a significant 22% being “highly” speculative and 14% being defined as “cautious”. None of those surveyed fell under the definition of being “risk averse” (the lowest risk category).

BNCHRISK

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Cautious	13	13.5	13.5	13.5
	Moderately speculative	62	64.6	64.6	78.1
	Highly speculative	21	21.9	21.9	100.0
	Total	96	100.0	100.0	

Relationship of risk score with other variables
The research compared the risk profile to various aspects of the investment decision making process to ascertain the strength of any relationships with each variable. When looking at employment status, 10% of unemployed people were highly speculative, which compares to 24% and 30% for those working part-time and full-time respectively. The level of savings was also compared to risk profile and showed that 31% of those who fell into the cautious category saved over 20% of their annual income compared to 14% of those who were highly speculative. The relationship between risk profile and attitudes around the future potential of Islamic funds showed that 51% and 57% of those who fell into the higher risk categories of moderately or highly speculative, were positive about the future, with just under 20% of these that were strongly optimistic.

Investment decisions
Faced with the choice of investing a sizeable sum of money, the survey revealed that a sizeable percentage of the population (21%) would keep their funds in an interest bearing account, which would guarantee the principal and offer a fixed return on their investment. Only 12% of the sample would prefer to invest in the stock market, with the highest proportion (24%) opting to buy a new house or refurbish their existing homes. It was interesting to note as well that 33% of the responses were for setting up a new business.

[11] Dr Zubaida Haque:3
[12] 2001 Census Survey

Investment decisions by gender

Further analysis of the investment profile of respondents analysed by gender demonstrated that the key differences were firstly that 0% of females would opt to invest in the stock market, compared to 10% for males. In addition almost 40% would prefer to invest in property compared to just over 20% for males. This trend was reversed for the starting new business option and was selected by a higher proportion of males (36%) compared to females (22%).

The most striking aspect of the data comparison here between males and females is that whilst 26% of males would be prepared to keep the monies in the fund based on the prospect and or belief in future profits, only 6% of females would be prepared to do the same. Instead 50% would either take the money out or carry out research before deciding what to do next. A further 44% of females would switch the funds and hold the money where there is guaranteed fixed return in the form of interest, with 32% of males indicating the same choice.

The propensity to take losses appears to be least for females with 63% opting for the first option of maximum loss of 20% and profits of 10%. This compares to 35% for males responding in the same category. Interestingly, 25% of males would be willing to absorb losses of 35% or higher to earn more substantial profits, whilst only 6% of females would be willing to do the same. Overall, however the majority of males (75%) and females (94%) had a maximum loss threshold of 25%.

The results also showed that the majority of females (65%) would prefer the fund to take minimum risk whilst the majority of males (51%) would prefer the fund to spread the risk over more than one investment.

Size and location of invested companies

The highest proportion of respondents expressed a preference for firms to choose a "combination" of regions to focus on with Europe / North America and Muslim countries being preferred by 20% and 21% respectively. Some respondents also suggested a focus for funds to invest in third world countries (10%) and Asia/emerging markets (8%).

In a similar vain, a significant number of respondents expressed preference for funds to invest in medium sized companies (44%) as well as in large companies (32%) and smaller companies constituting the preferred choice for 15% of respondents.

Cautious attitudes

The question around self-appraisal of attitude towards risk, revealed that the majority (57%) perceived themselves to be "cautious". This is believed to play some part in the overall investment decision making process. Those who saw themselves as less cautious, 38% fell in the highly speculative category whilst this was 12% for those who declared that they were more cautious than average. The vast majority (77%) of the cautious group actually fell into the moderately speculative category, whilst this was 53% for the less cautious group, the remaining of whom fell into the higher speculative category.

There appeared also to be a self-realisation by non-Muslims (69%) that they are less cautious than the ‘average’ person. This compares with only 39% of Muslims who believe they are less cautious than average.

Risk and investment decisions – general trends
The investment choice category was split out further to highlight where respondents based on risk category would choose to invest. In terms of those who opted to set up a small business, this was represented by the choice of 10% of “cautious”, 33% of “moderately speculative” and almost 50% of “highly speculative” respondents respectively. The assumptions about the risk rating of option is borne out also by the fact that 38% of those falling in the “cautious” category would choose to keep their money in an interest based account, as would 24% of moderately speculative people. This compares to less than 10% in all risk categories choosing to invest in the stock market. Based on those that did express a preference to invest in the equity markets, 45% would want the fund to diversify across different regions, interestingly as well 18% indicating for the funds to be placed only in Muslim countries. This compares to 27% of potential market investors who would favour funds to be concentrated in Europe / North America.

Risk and investment trends – Muslim v Non Muslim
A comparison of the data from Muslims and Non-Muslims in terms of their capacity to absorb market losses also produced some interesting results. It was assumed here that the lower the ability or willingness to take losses, the lower the risk appetite. The minimum loss category contains a higher percentage of Muslims (44%) than non-Muslims (15%). The categories showing losses of 35% or more, was selected by 46% of non-Muslims compared to 18% of Muslims.

When posed the question about what individuals would do when a fund announced short term losses, a majority of the non-Muslims (53%) would switch to an interest based account. This compared with 32% for Muslims who would carry out research before deciding what to do (34%) or take the money out for the time being (9%) or indeed keep the funds as there is the possibility of future profits (26%). None of the non-Muslims were willing to choose the option of keeping their investment in the fund under such circumstances.

However 44% of Muslims also prefer the fund to take only minimum risk and to prioritise the preservation of the capital invested compared to 17% of non-Muslims. Some Muslims (11%) are willing for the fund to take risks which they deem appropriate as long as they are regularly updated with the developments in respect of the fund.

Likelihood profile of the sample

Overall likelihood score
The majority (73%) of the sample, fell into the “should be expected to invest” (level x3out of 4 levels) category. This implies that they displayed most, if not all of the characteristics relevant to the profile of an investor. A further 22% were in the “potentially interested” category with 5% falling into the highest likelihood category of “quite likely to invest”.

BNCHLIKE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Potentially interested	21	21.9	21.9	21.9
	Should be expected to invest	70	72.9	72.9	94.8
	Quite likely to invest	5	5.2	5.2	100.0
	Total	96	100.0	100.0	

Relationship of likelihood score with other variables
The overall likelihood scores were then compared across ethnic groups, some of the least likely to invest were Pakistani (26% potentially interested) compared to 0% of Africans or Arab / middle Eastern who fell in this category. 90% of African Indians fell into the highest two likelihood categories.

It was interesting to note as well that of those with lowest threshold for loss (losses of 10% to profits of 20%), 81% were still classified as "should be expected to invest", which was higher than those indicating a higher threshold for losses, such as the middle tolerance band where 62% fell into the same likelihood category.

Savings and investment products held
The majority (64%) have acknowledged ownership of some form of savings or investment product. There appeared to be some consistency in the levels of savings between both gender groups across the range of savings options, although slightly more females (50%) recorded savings of less than 10% (of annual income) compared to males (42%). The percentage of males was higher however for both higher savings categories of 10-20% and over 20%. Overall around 80% of males and 85% of females reportedly save up to a maximum of 20% of their incomes.

The results also indicate that a Muslims generally save a higher proportion of their income with the percentage of Muslims saving between 10% being -20% being 40% with 19% saving over 20%. This compares to Non-Muslim percentages in the same categories at 23% and 15% respectively.

Interest and awareness of Islamic funds
Another variable to consider when assessing the potential for investing in the Islamic funds sector is whether or not there is an interest and / or awareness in the area. The results indicated an even split respectively in terms of those who have (50%) and those who do not have (50%) an interest / awareness in Islamic investment funds.
There appeared to be a greater interest and awareness of Islamic funds from females where 67% expressed a positive response to this question compared to 47% of males.
An overwhelming majority (77%) of Non-Muslims expressed a positive response to being interested or having some awareness of Islamic funds whilst 54% of Muslims expressed a negative response.

Views on future of Islamic funds
In terms of overall prospects for the future, a majority of Muslims expressed a positive outlook with 52% either agreeing or strongly agreeing with the statement. Non-Muslims were also positive based on these categories (38%). There were, however a sizeable (27%) of Muslims who did not know what the future holds and this is comparable to the 23% of non-Muslims who also responded in the same way.

Overall the evidence based on responses from 58% of those surveyed, indicated that lack of knowledge within the UK market is the key explanation for the lack of Islamic funds in the UK. A healthy part of the sample believed that demand could be better met with greater availability of funds (31%). A minority (10%) believe that there is a perception of lack of trust in Islamic financial institutions which is hindering the progress of Islamic funds.

Investment choices and likelihood
After categorising likelihood scores of respondents and comparing these to the choice of investment, 20% of those falling in the highest recorded category (quite likely to invest) were willing to invest in the stock market, compared to the less likely categories ("potentially interested" and "should be expected to invest" categories) which had 0% and 10% respectively.

Credibility of funds
The majority (53%) believe past performance is the best indicator of future viability and credibility of the fund, whilst some (12%) place greatest importance on personal recommendation. A sizeable (36%) also indicate the significance of the fund having appropriate licenses and being compliant with industry and other regulations.

Promotion of funds
The majority (73%) would prefer to receive a combination of financial and non-financial information, whilst 24% felt that financial information on its own would be sufficient.
When analysing the scores for mediums to help promote funds, the highest proportion of respondents (47%) preferred a 'combination' of ways to be reached. It was evident as well that there was some preference expressed to get information through local community / mosque organisations (10%) as well as through Islamic TV channels (8%).

4.2. EXPLORING THE SUPPLY SIDE

Information has been received from 4 UK / Middle Eastern financial institutions[13] addressing the following areas:-

- Current product propositions
- Marketing of relevant products
- Challenges in promoting / developing products

13

13

1. Islamic investment products available in the market

Islamic Bank of Britain
The research indicated opportunities to invest into a higher return fund were in the form of a higher profit savings accounts, where customers are obliged to keep their funds for a period of time, with the potential profit available rising on a scale which is proportionate with the time the funds are held minimum return available is 2.75% (undetermined term) and the maximum is for term deposit at 3.75%.

Within savings there were 3 different products, namely savings accounts, term deposits and treasury deposits. Overall the web pages demonstrated a transparent approach to informing customers of the specific requirements and returns on offer through placing funds through this account.

An opportunity was identified for high net worth individuals to benefit from enhanced profit (of 4%) through an investment scheme whereby commodities are purchased on the London Metal exchange at spot, and a forward contract purchased on their behalf.

Abu Dhabi Islamic Bank
In terms of investment products the bank openly claimed to have a cautious investment strategy, to reflect the risk averse attitude of its customers (see below). There was also limited product range at the time of writing, as evident from the promotion of only the *Ijarah* and *Murabaha* funds.

Yes our customers are concerned about our limited product offerings. We expect the product offering to widen from the current which is quite narrow to include more asset classes and a wider choice within each[14]

The Ijarah fund is sold as a fund structured for "conservative long term investors" and hold investments in long term assets which are initially purchased from fund proceeds and rented out to corporate customers of high credit quality' on a lease basis. The promotion of the fund was openly 'conservative' in that the potential for capital gain is superceded by a regular and fixed income stream, with 'low volatility' in price of units, and most importantly it was marketed on the basis that it offered a degree of 'capital preservation'. There was a minimum investment of USD $100,000 with unit prices being sold and purchased on a weekly basis. There is, arguably some liquidity offered to customers, although barriers to entry into this option are created through the high minimum investment sums required.

Alburaq
Al-Buraq hoped to be able to offer a more *Shariah* complaint banking service to the wider retail market including its proposed new treasury / savings product. The new product when launched will it was hoped, offer attractive returns to customers, and have a minimum threshold as with other banks such as IBB and Abu Dhabi, but set at a lower sum, so as to reach its intended wider market audience.

---

[13]These consist of the following institutions: Dawnay Day, Islamic Bank of Britain, Alburaq, Abu Dhabi Islamic Investment Bank
[14] Mirza, H(2005) ADIB

Dawnay Day

The demand from Dawnay Day's market sector was for short term financing, which came principally in the form of Murabaha financing. Investment funds set up were almost all on a Murabaha basis. They expressed the belief that whilst in principle equity based funding was the ideal long term option, in reality their customers are driven by ensuring compliance with Islamic finance concepts and at the same time requiring a rate of return which is comparable to LIBOR, although the affiliation with interest goes beneath the surface of any deals. Although to date there was no accepted alternative, the bank was working on developing new ways of providing a solution to this need.

Going forward, whilst *Murabaha* funds will continue to be a significant part of Dawnay Day's investment choice to customers, there is the potential for *Sukuk* to also take a lead.

2. Marketing of savings Investment funds

Islamic Bank of Britain

There has been a general awareness campaign with bill board advertising, and setting up of branches in key cities with large Muslim presence within the UK.

IBB carries out seminars to targeted groups in the Muslim community ranging from community leaders, to professional groups, young people, and all women's audiences.

Abu Dhabi Islamic Bank (ADIB)

The bank had a useful summary on its site which reflected the potential concerns of investors with a comparison between Islamic banking and conventional approach. This in part reflects the consciousness of the bank towards the lack of awareness and knowledge about the distinguishing features of the bank which the bank says is important to win over customers trust and to allow them to engage in some kind of debate.

For the retail / High Net Worth Individual (HNWI) market, the approach here was following a need to target a relatively wide audience and correspondingly broader mediums such as newspaper advertisements and press releases which ultimately feed into the media are used.

For ADIB the timing factor is also seen as crucial:

Timing is very important because if there are a lot of similar investment opportunities being offered at the same time or a big event happening it is more difficult to get investors attention.[15]

There was clarity over the target market given the emphasis on risk cautious investment approach for the HNW and Institutional customer base.

There were no specific plans to roll out the opportunities for investment products to customers abroad, although interestingly, it did not perceive there to be any major differences in its approach if it were to reach out to potential customers based in countries like the UK. There was appreciation, however, for the opportunities to partner with an established UK bank operating in the conventional sector, given that it would have better access to distribution and help ease any concerns from customers in terms of perceived credibility issues.

There was also considered also to be an opportunity to attract non-Muslim customers who would be attracted by ethical banking and investment strategies on offer.
Surely we believe if the economics of an investment product is competitive it will attract investors regardless of their faith inclinations.[16]

Al Buraq
Al-Buraq have been operating in the UK since 1996 and more recently have developed a concerted awareness campaign in the effort to position themselves in the minds of the target audience. Bill board advertising was targeted initially at areas containing a high population of Muslims. Alburaq were reputed to be the first of their kind in the UK trying to break out to the general public. A total of 40 bill boards were set up over a period of 2 or 3 weeks and this had a positive impact in terms of building the brand.

Al-Baraq have ran a series of targeted TV adverts through the Islamic Channel, Vectone which is run in a number of different 'Asian' languages including Urdu, Gujarati, Bengali and Punjabi. This series of promotions had an instant effect on sales and there are plans to try and build on the success of these going forward.

Overall the distribution networks of Bristol & West and Bank of Ireland respectively offered access to a much wider audience than if Al-Buraq were to operate on a stand alone basis, albeit that the bank is itself registered with the FSA. There is a direct link from B&W to Al-Buraq's customer services.

Dawnay Day
The bank has specifically targeted HNWs and institutional investors, and therefore no expenditure has been incurred in driving a marketing campaign. Instead, through its affiliations and close relationships with its customer base, customers have so far come directly to them with typical deals of c£10m.

There was also a conscious approach to ensuring that any funds that are invested are separated from the wider pool and operate through Dawnay Day global Investment arm[17]. In the Middle East, there is a sensitive game to play in terms of appearing at least to be separately branded.

There are personalised customer relationships in place which help drive action and generate new business from investors. The lack of presence in terms of office or branch can, however, be a hindrance.

---

[15] ibid
[16] ibid
[17] Dawnay Day operate through a number of different companies including Dawnay Day Corporate Finance (Mid Market Corporate Finance Advisors, Dawnay, Day Lander (High Technology investment fund and Dawnay, Day Property Finance (Arranger of specialist property finance).

3. Challenges of promoting / developing products

Islamic Bank of Britain
Officers at IBB have suggested that there were significant challenges posed by the UK regulators, namely the FSA, who were keen to allow introduction of products gradually into the UK market, so that the inflow could be controlled.

Abu Dhabi Islamic Bank
There has, however, this far been no focus on the retail market investment needs as there is a perception that the market does not currently have the risk appetite required for this level of investment:

Alburaq
Given the challenges faced by IBB in its initial phase, Al-Buraq also expressed a degree of caution and were conscious of the obstacle of getting FSA approval for the Treasury product. One of the principal hold ups was the definition of whether the treasury product was a ‘savings account’ or a ‘fund’. In the case of the former, the bank is currently qualified to sell through its own channels, whereas in the case of a ‘fund’, the regulations require appropriately qualified individuals to sell the product. In the case of it being defined as a fund, there will be will be a need to sell through a broker or other appropriately qualified channel which would inevitably eat into the profitability that the product would otherwise offer. The state of play at the time of writing in regard to the launch, is possible further delay until all of the issues with the various internal and external stakeholders are resolved.

There were challenges which have come firstly from its own *Shariah* board in the specific characteristics of the investment product with the notion that it cannot ‘guarantee’ a return under normal circumstances. In addition the bank needed verification from its partner institutions, namely Bristol & West and Bank of Ireland, who were to provide the financing for the product, that there is an appropriate infrastructure in terms of systems and distribution that can accommodate the new product.

Dawnay Day
The level of funds flowing into Dawnay day’s UK ‘cash’ funds, have been sharply reduced post 9/11 given the fear of customers that assets flowing to the UK might be frozen but the authorities here based around suspected terrorism funding.
Equity funds have been few in number (NCB) and there does not appear to be the appetite to engage in volatile stock market trading from its customers.

Overall, there appeared to be acceptance of the scepticism in terms of the attitudes of ordinary (Muslim) customers towards Islamic investing. There is a gradual approach which is being adopted in terms of winning the hearts and minds of prospective new customers. DD was well placed in its insight of the retail market through its equity stake on IBB, which back in 2003 it had arranged a share placement for.

V IMPLICATIONS OF EMPIRICAL FINDINGS

The key areas that needed to be explored based on the results were as follows:-

- the investment risk appetite from Muslims living in the UK
- areas in which investment demand is evident
- factors which show that not only is their demand, but a likelihood of investment
- promotions factors
- challenges facing suppliers as they aim to provide an opportunity for investment

1. Investment appetite

Overall risk score

A scoring assigned for the areas of the survey which were deemed to have an impact were firstly totalled and individuals placed 'graded' based on what range their total score fell into (See chapter 1). This suggested that there is sufficient risk appetite within the largely Muslim sample to absorb the possibility that investment values will fluctuate around the point of cost.

2. Evidence of Demand

Cautious attitude of investors

There appeared to be a desire amongst what was largely an immigrant Muslim population to help achieve a better quality of life which inevitably entails some level of risk.

Muslims, however, considered themselves to be more cautious than average compared to non-Muslims. Whilst this is a subjective assessment, if one is apparent of being cautious, then it is assumed to follow that consciously a more cautious approach will be adopted, even if the definition of what is the 'average' level in terms of cautiousness is not clearly quantifiable or defined. Muslims appeared to be more risk averse to the potential of profits if losses are involved with non-Muslims having greater appetite to gamble or speculate for higher losses with a view to make bigger profits. Indeed, Muslims generally would prefer to take minimum risk (44%) whereas majority of non-Muslims (75%) would prefer to spread the risk (which is a less apprehensive approach to risk).

In terms of company sizes for the fund to invest in, a sizeable (32%) chose the larger companies fund. There is some indication of risk taking appetite given that the highest percentage of respondents preferred for the fund to invest in 'medium' sized companies given that it offers the best of both worlds in terms of being relatively established in terms of size and maturity of time, but still offering some upside potential. There appeared also to be a preference for a combination of regions (41% response) for funds to invest in, perhaps to help diversify risk. Given the familiarity of UK / North American markets 20% of respondents have selected this as a preference. As some respondents verbally fed back, there was perceived to be upside potential in investing in third world countries (10%), albeit that it is more 'risky' and volatile.

Loyalty of Muslim investors
In a situation where a funds value is diminished for a period of time, Muslims would be less reactive, as whilst, Non-Muslims would all take funds out, with various choices thereafter, 25% of Muslims would retain their money, believing there to be future profits. This is perhaps due to the belief by Muslims that as part of an ethical investment it might useful to keep the monies in the fund.

There was also a conscious attempt to 'help' Muslim countries given that in relation to the question for regional focus of funds, 21% of respondents expressed preference for Muslim only countries. Some respondents commented that this would provide greater assurance of investing in companies which would be more compliant with Islamic ethical business practices.

Gender differences
There was some evidence of a more cautious attitude by females. None of the females would invest in the stock market, faced with the choice. The stage of life in which many of the respondents were, implied that buying a house (27%) was perhaps a natural choice and would offer less burden in terms of mortgage debt. The overall mean score was slightly over 2.5 which denotes a medium risk grading in the overall sample, based on the responses to this particular question. More females want to buy property than males, who would prefer to set up in business.

Females would be more willing to take action in a situation where fund loses value, by withdrawing the funds, some switching to an account where there is fixed return. At least one quarter of males expressed preference to keep the funds in the account, suggesting a more relaxed approach to investing, and thinking more about the long term. However a sizeable chunk of both males (32%) and females (44%) would prefer to switch their funds to an interest based account, perhaps a reflection of what they are already accustomed to in the modern capitalist system.

In choosing a fund strategy for the fund to pursue, females generally selected a strategy for the fund to take minimum risk, the majority of males would prefer the fund to 'spread' the risk over greater than one investment , and some males even entrusting funds to take whatever risk they deem to be appropriate.

Some males (25%) indicated a tolerance for loss of greater than 35%, this comparing to only 6% of females. Some male professionals could be targeted for higher risk funds, females for lower risk funds, although overall the majority of males and females had a maximum loss threshold of 25%.

3. Likelihood Profile

Good likelihood for investing
There have been identified a number of factors which collectively point to a relatively strong likelihood for Muslims to invest in funds. Overall the scores which have been assigned to the relevant questions pointing to likelihood of investment demonstrate that almost 80% of those surveyed fall in the median or above levels.

Cap on threshold for taking losses
When viewing overall likelihood scores and comparing to the threshold for loss scores, it was interesting to note that even where there was apparently caution in their willingness to take only minimal losses (even though it meant that potential profits would also be lower), the same respondents scored higher on the likelihood to investment score than those who indicated a desire for higher profits with the possibility of higher losses as well. The implication of this is clear in that even though respondents appeared to be cautious they demonstrated sufficient evidence of investing and this characteristic of the Muslim investor needs to be considered by potential suppliers.

Savings and investments currently held
Those with existing savings and investments have been assumed to have a higher propensity to consider investing in an Islamic investment fund. The sample data showed that there was relatively high ownership of savings or investment products. This revealed that approximately 60% of both males and females had some type of saving or investment product. There is clear indication of a propensity to save or invest by Muslims along similar trends as non-Muslims which is in accordance with what is needed for Islamic funds. There were similarities in the savings trends in terms of gender, with the highest proportions of males and females (42% and 50% respectively) saving less than 10%. This maybe due to circumstances of age, given that the higher proportion of aged 20 -35 in the sample, would be trying to establish themselves in terms of career, property ladder, setting up family etc, so quite a few major commitments which might suggest it is difficult to save.

Role of employment
The employment profile was mainly professional which can be assumed to show a greater ability to see beyond short term profit and loss and see the potential of long term value. This is especially pertinent due to the younger profile of the sample, which has a more positive bearing on the future progress and growth of Islamic funds.

Sources of credibility
The initial decision or likelihood to invest would of course based on a number of different factors, principally as the sample has demonstrated, based on the past performance of the funds. It is interesting to note here, the relevance of having appropriate licensing in place (36%) and this is more to provide assurance of longevity of the fund to avoid corporate collapses such has been the case with BCCI the latter of which has been expressed as a concern by some respondents. The data also confirmed there to be similarity in trends between male and female respondents.

Interest and awareness
Half of the sample did indicate that they were interested or have an awareness which is more than one might expect given the relatively early stage in development of the industry. More females appear to have an interest / awareness (67%) although a significant 47% of males also indicated a positive response to this question. Greater proportion of non-Muslims expressed interest. This maybe due to non-Muslims generally being more aware about investment opportunities through conventional investment funds and services promoted through banks and financial advisers. There may also be more scepticism within the Muslim population as they are more ‘aware’

about the intricate theoretical issues involved in terms of permissibility based on Islamic principles. There is seemingly some scepticism in the sample about the future prospects for Islamic funds with 24% either disagreeing or strongly disagreeing. This may in part, be due to the lack of faith in or knowledge of investing through stock markets or perceived volatility.

4. Promotion and information

Promotion
There was evidence of an overwhelming preference for use of a combination of mediums to better market the services on offer from Islamic investment funds (47%). For males the local community /mosque represented 13% of their total choices (females 0%), perhaps given the Muslim ‘community’ in a public domain is dominated by men at local centres and mosques, which is frequented normally by only a small percentage of the female population. The internet represented a further 15% of male choices, whilst for females 0% responses recorded for this option. However 17% of females selected the specific option of newspapers which was only chosen by 5% of males, perhaps given the greater credibility and access to this source of medium by females. The majority of females (67%) preferred to use a ‘combination’ of mediums, whilst 42% of males chose the same.

Information
In terms of information needs, the majority of respondents would prefer the mix to be a combination of financial and non-financial. This suggested that there was an appetite for wider information, other than merely financial data and could be inferred to mean that there is some appetite for information in respect to non-financial policies pursued by a fund. This might suggest an inclination more towards ethical as opposed to pure financial investment.

5. Implication for suppliers

There are currently few suppliers of investment funds available to a wider audience of Muslims living in the UK. There are some entrants to the market ho are starting to make in roads with Middle Eastern banks in some cases more advanced in their offerings. The principal themes which would be useful for suppliers to note are as follows:-

Dealing with cautious attitude of investors
Suppliers need to be consciously aware of the relatively cautious profile of the Muslim investor. ADIB, which is an established player in the Middle East, is open about its strategy of targeting the ‘conservative’ investor in its promotion of the Ijarah and Murabaha funds. They highlight in their website the security of capital invested, the predictability and low volatility of the income stream, albeit that capital gain is limited. This could be channelled to a wider professional investor audience, given the risk profiles identified.

Targeting higher risk investors
There was, however, an appetite, based on the data, of a more moderate and aggressive appetite for risk, and a reasonable tolerance for losses, which allows greater opportunities for suppliers to explore. Alburaq have been involved in the

process of setting up a new savings account / fund which was being targeted for the wider retail market, and unlike ADIB, there was a lower barrier to invest in terms of minimum threshold. There was appreciation of a greater appetite for investment than is recognised by the likes of ADIB, as well as IBB, who have a treasury product aimed at the high net worth sector.

Dealing with scepticism in the marketplace
Suppliers are conscious of the apparent scepticism in the market place for ensuring that there is sufficient knowledge passed on about what is involved in Islamic banking per se, and are gradually building this into the consciousness of investors and customers generally through publicity campaigns which involve a range of activities including seminars, using Islamic TV channels, professional and highly cautious sensitive approach and service provided to customers in branches and when meeting face to face.

Capturing a wider net for investment funds
There appears to be, however, an underestimation of the potential to capture a wide audience than the current focus on the HNW / institutional market. What the data has demonstrated in the demand side analysis is a higher level of sophistication and consistency with risk scoring and likelihood factors coming into play. There were perceived differences in some areas between genders, and between Muslims and non-Muslims, in terms of media best used for promotion, risk strategies to be employed by funds, and how to go about ensuring credibility from customers point of view. This is appreciated by institutions dealing in the market, who refer to the FSA registration as a source of comfort for investors, but given that investors place a lot of emphasis on past performance, and need time to allow awareness and knowledge, and in the case of some groups like women, for trust to develop, inevitably any efforts to meet this demand will take time and require patience.

Targeting the professional Muslim market
There are indications that the higher than average educational achievements of the sample population afford them the self belief to consider and challenge the assumptions used by investment fund managers.

Focus on ‘information’
It would be sensible for suppliers to reach out to this market using appropriate information packs, a consultative approach with potential investors to get the details of the product right including risk strategy and where funds are placed including both size of business and geographical location. There is of course a need to win over credibility, and this can be achieved of course with time as the fund builds up a track record as well as effective controls in place to ensure compliance with key regulations. There is a fear factor of the unknown which should be addressed by regular information updates to investors and avoiding investments which are inconsistent with the risk profile of the individual investor. It is assumed that choice would provide the opportunity for the different types of investors out there. As part of the educational effort, it would be useful to also highlight the distinction to would be investors between conventional and Islamic funds.

Targeting Non-Muslims
There was clear evidence of support for the idea of placing funds through ethical investment vehicles and if returns can be stabilised and maintained on a par with other indices, there is an opportunity to reach out to Non-Muslims, thus widening the investment net further. Promotion material and adverts should highlight the ethical practices followed by the fund in avoiding for instance arms manufacturers, distilleries and tobacco companies.

Appreciating Gender differences
Female investors have demonstrated such as in terms of their capacity to take losses, and their reaction to where such losses are recorded. Funds should bear in mind the different risk profile of these investors and market accordingly.

Patient adherence to regulation
The overall product range, however, is limited not only by investors concerns of risk and ability to absorb losses, but also regulatory concerns such as dealing with the non-HNW / institutional investor segment. In the UK, for instance, there are stringent requirements set on financial institutions when dealing with the wider retail market, ranging from product launch, promotion, capital adequacy and other loopholes which place a greater responsibility on suppliers should they choose to pursue this channel. For new entrants like the IBB, they have already faced challenges from the FSA, and have been restricted in terms of the pace at which they are allowed to introduce new products, although ultimately are likely to win over customer confidence from being appropriately licensed and monitored.

VI. CONCLUSION

There is a great opportunity to help capture a wider investment pool for suppliers as well as for ordinary folk to enjoy the fruits of equity investment. Suppliers must in the first instance evaluate how they can tap into the market, including educating on the basics of differentiation between Islamic investment funds and their conventional counterparts. There is a strong desire within the Muslims living in the UK to go along a steady and accumulating investment path, such as through investment in property, which has seen double figure annual price growth in recent times. There is some persuading to do on the front of risk of loss, and there appears, at least when it comes to Islamic funds, a cautious willingness to engage in the product going forward.

Suppliers need to consider what assurances that they can provide to these would be investors, and any product structure which reflects the need to preserve must, if not all of the capital outlay of the investment. The sample surveyed is relatively young, so there is the possibility of more patience from these investors as they plan their lives and build a financial foundation.

There is evidence of some sophistication within the population given that there is little if any misunderstanding of the basic concepts involved, such as volatile markets, the need to spread risks and risk which is calculated and does not compromise the basic capital invested. Continued engagement through providing information which helps provide more security over the venture, the types of investments that can be made, the financial fundamentals involved, and a fair appreciation of the likely pitfalls as well as opportunities for the companies that are being invested in.

Customers are willing to be patient in getting rewards even where there is a slight fund loss which in other cases such as with the majority of the Non-Muslims, result in switching to safer options such as putting the monies into a higher interest account.
The evidence that a conscious feeling form Muslim investors, has been consolidated in recent yeas on a global scale, given the polarities in views in the modern geo-political environment. Whilst there is caution to potential losses and the majority wanting a combination of sizes and industry sectors for the fund to invest in, people are willing to wait for further information before deciding whether or not to switch. Female investors are, however, consistently across Muslims and Non-Muslims, prepared to be decisive in getting funds switched to an interest based account. Indeed the large majority of Muslims surveyed have an existing savings or investment product, and given the potential higher salaries that can be earned within the professional sector in the UK, there is a gap in the market which needs to be researched in terms of the type of product that can offered and how it can be effectively marketed, maintaining the Islamic precepts involved, as well as offer positive returns. This is made easier by the fact that Islamic based indices have performed on a par with the FTSE global and FTSE good indices over the 90's and beyond. The comparisons here include the ethical dimension involved in both Islamic banking and the community mentality of the modern businesses which appeal to ethical investment funds. It was interesting to note, for instance that non-Muslims are particularly interested in investing in Islamic funds, or at least to find out more about what can earned from these types of investments. A degree of scepticism is more apparent within the Muslims surveyed, although overall there is a positive outlook that there will be more awareness and take up of Islamic investment funds in the future.

BIBLIOGRAPHY

Al Qaradawi, Y. (2001). *The Lawful and the prohibited in Islam*, American Trust Publications.

Al-Buraq Bank (2005). Shariah Compliant Mortgages(pamphlets)

Anderson, T. (2000). *IslamicQ offers first online supermarket for Islamic funds,* Available at <URL:http://www.netimperative.com/2000/10/27/IslmaicQ_offers_first> Access Date 21st April, 2005.

Asutay, Mehmet (2004). *Lecture 5 Notes: Research Methodology & Research Method*, MIHE, Leicester.

Atkinson, R. (1998). *The Life Story Interview, Qualitative Research Methods Series, Sage University Paper 23*, Sage Publications Inc

UK Population *Census* (2001). City of Leicester

Chowdhury, A (2004). *Demand for Islamic Banking in the UK.* MA Dissertation submitted for MA Islamic Management, Banking and Finance, at the MIHE, Leicester, UK.

Cox, S. (2002). "Islamic Asset Management: An Expanding Sector", *Review of Islamic Economics*, No. 11, 2002, pp. 27 – 50.

Dawnay Day Group (2002). (Various) promotional litereature on investing in the Islamic financial sector

De Vaus, D. (2001). *Research Design in Social Research*. London: Sage Publications.

Duncan Smith (2004). "*Islamic Financing and Investments In Britain – The Growing Potential*", *Review of Islamic Economics*, Vol. 8, No. 2, pp.

Economist (2004). *Sharianomics: Britain's first Islamic bank gets official approval*, The Economist 12 August, 2004, (pp.51-53).

Egodigwe, L.S. (2005), Portfolios that Invest in Real Estate or Latin America are Hot, *Mutual Funds quarterly Review, The Wall Street Journal*, July 5, 2005

First Islamic Bank to open in UK. (2004). Available at: <URL: http://www.bbc.co.uk> Access Date: 9th August, 2004.

Gerrard, P (1997), "Islamic banking: a study in Singapore", *International Journal of Banks Marketing*, 15/6, pp.204-216

Gray, D.E. (2004). *Doing research in the Real World*London: Sage

Hakim, C. (2000). *Research Design: Successful designs for Social and Economic Research*. London: Routledge

Haque, Z. (2003), British Muslims and Education. A paper presented to the British Muslim Research Centre June, 2003, BMRC Library, London, UK.

Houlihan, J. (2004). *Islamic global Liquid Real Estate Fund*. Presentation made at the 3rd Islamic Finance Summit during January 13-14, 2004, organised by Euromoney at London Langham Hilton .

Hussein, K. A (2004). “Ethical Investment: Empirical Evidence from FTSE Islamic Index”, *Islamic Economic Studies*, Vol.12, No.1, August, 2004.

Islamic Bank of Britain, (2005) Promotional literature on Treasury Products

Keigher, R and Bauer J (2002). *Measuring the Performance of Islamic Equity Funds*, Euromoney, Presentation made at the Islamic Finance Summit January 24, 2002

Khan, N.A., “Success of Islamic Funds, an Experience of Al-Tawfeek”, *8th Annual Lariba Symposium*, June 16, 2001, Passadena, California

Moore P. (2004). *Islamic finance: A partnership for Growth*, EuroMoney Publications (Chapter 16: *Islamic Economics in the United Kingdom – the challenges of co-existence*)

Morris V. and Ingram B. (2002). *Guide to Understanding Islamic Investing*, Lightbulb Press Inc

Nambiar, S (2005). Deutsche Bank to start Islamic Hedge Fund by June , May 16, *Bloomberg*, Available from: bthomas@bloomberg.net

Norton Rose, February 2004, *Islamic Finance Briefin*g, London:UK

Oakley, D (2006), “Shock Fades as Deal Breaks Records”, published in the *Financial Times*, Jan 18, 2007.

Polar Capital Technology Trust Plc, Annual report and accounts for the year ended 30 April 2004

Sir Edward George (2003). “Towards Islamic House Financing in UK”, *Review of Islamic Economics*, 13, 73-75.

Sir Howard Davies (2002). “Islamic Finance and the FSA”, *Review of Islamic Economics*, 12, 101-108.

Spector, P.E. (1981). *Research Designs, Series: Quantitative Applications in the social Sciences*, Sage University Paper 23, sage Publications Inc

Tag El Din (2004). Lecture Handouts, *Islamic Banking and Finance,* Markfield Institute of Higher Education.

UK FSA Expects First Islamic Bank Application Soon. (2003). Available at: <URL:http://online.wsj.com/article/

Usmani M. (2000), *An Introduction to Islamic Finance*, Idratul Ma'arif, Karachi (chapter : Principles of Shariah governing Islamic Investment Funds, pp.203-218

Usmani, I.A., (2002). *Meezanbank's guide to Islamic Banking, The Premier Islamic Bank*

Vincent C (1997). *The Investor's guide to Short-term Trading and Long-term investing*, London: Pearson Education Ltd.

Wilson, R (2004) *Islamic Banking and Finance: new perspectives on profit sharing and risk*, Macmillan, London (Chapter 10: The Interface between Islamic and conventional Banking)