Can Ireland become a “Centre of excellence” for Islamic finance?
A study of what is needed, what has been done and what else can be done

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Declaration

I declare that no portion of this dissertation has been submitted for assessment to Dublin Business School or any other institutions. I also declare that all the work in this dissertation is entirely my own except for specific resources that has been placed in inverted comas and are referenced to the original source available in the bibliography.

Signed: ……………………………………………

Date:………………………………………………
In the name of Allah, Most Beneficent, Most Merciful
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Abstract

This research was undertaken targeting the Irish financial market where Islamic finance is the main focus. It is a research instigated by the Irish government’s announcement in the summer of 2012 where it aims to be a “Centre of excellence” for Islamic finance in Europe. Therefore, this research will help identify how Ireland can achieve this objective.

Three interviews were conducted with professionals that are directly involved in the Islamic finance system in Ireland. Findings from data’s collected are transcribed and coded to provide guidance for interpretations.

The study shows that there is a very slow progress of the development of Islamic finance in Ireland. The correlation between the primary and secondary data of this research shows that in identifying what is needed to be a “Centre of Islamic finance” and what has been done for Islamic finance in Ireland, at the moment there is little done by Ireland to achieve this objective. Thus suggesting that there are a lot more Ireland has to do to fill this gap. The research findings show the government has a big role in the development of Islamic finance. Participants feel that the government should be the one to instigate the market as proven by other successful mature markets.
Chapter 1: Introduction
1.0 Background

Following the economic crisis in 2008, many financial institutions across America and Europe struggled to survive. However in this wake, the Middle East in particular has shown little effect from the property bubble. Experts argue that this may be due to a different financial system called Islamic finance. Since then, non-Muslim countries in Europe like Ireland, France and Luxemburg have shown interest in the Islamic financing market.

In Ireland, Tánaiste and Minister for Foreign Affairs and Trade, Mr. Eamon Gilmore TD at the International Fiscal Association Ireland Seminar in April 2012 addressed the intention of the Irish government to venture into the Islamic finance market. When asked what motivated the move, he said “this Government is determined to deal with the crisis, to promote growth and job creation, and to re-gain our economic independence”.

This venture is also part of the six stages of government’s economic strategy. He added that “one of the many lessons of the crisis for Ireland is the need for diversification. We cannot ever rely on the domestic economy as much as we did during the property boom, and we cannot ever rely again on any one industry sector or market”, thus realizing the role of Islamic finance in Ireland. Enda Kenny, Ireland’s Prime Minister also stresses his intention to make Ireland as a “centre of excellence” for Islamic finance in Europe.

Reddan (2012) argues that by providing a Sharia compliant product, Ireland will able to attract “wealthy investors” from the Middle East. PricewaterhouseCoopers (PwC, 2012) reported that Islamic finance is a high growth market and they estimated that Ireland is already a location for 20% of Islamic funds domiciled outside of the Middle East.

In addition, Ireland has a good relationship with other existing Islamic finance market such as Malaysia, Turkey and Bahrain (Reddan, 2012) through the treaties. On November 2011, Ireland’s Central Bank signed a Memorandum of Understanding (MoU) with the Securities Commission of Malaysia, marks a new partnership between Malaysia and Ireland to help the country embark on the Islamic finance market.

The Irish government has been working on to accommodate the Islamic finance in Ireland for some time now. For example, in their Finance Bill 2010 regulation adjustments was made to accommodate Sharia law (Islamic way of doing business). Reddan (2012) stated that the government have published ‘extensive tax legislation’ in the Finance Bill to facilitate Islamic products such as debt capital markets, securitization and investment funds. The article further
explained that Sukuk or bonds have been actively traded in the Irish Stock Exchange since the legislation changes, for example a $2 billion Sukuk listing by Goldman Sachs in 2011.

1.1 Interest in subject

Before coming to decide on this research topic, the researcher has already obtained a qualification for CIMA Diploma in Islamic finance. In addition, the researcher lived in Malaysia and as a Muslim, Islamic finance is a familiar topic for the researcher. The topic came to the researchers’ attention when looking for a dissertation topic which since then enticed the interest to explore Ireland’s effort in bringing the system to its country.

However, as the announcement for the venture is fairly new, there is little information available on how this initiative will take place. There are also questions on what benefit does the Islamic finance brings especially according to World Bank and Thejournal.ie, Ireland’s Muslim population accounts to only 49,200 people out of its 4,487,000 population. In addition, it is reported that Bank of Ireland and Allied Irish Banks (AIB) the two Irish biggest banks have confirmed that they do not offer any Sharia compliant products to their customer.

Hence, the researcher realized the potential and opportunity for this topic to be explored. Furthermore, this research is important as it help assess whether Ireland can be a “Centre of excellence” for Islamic finance and help explain what this phenomenon is really about, and perhaps reducing the skepticism of the public on Islamic finance. In addition, while doing this research the researcher hopes to gain further understanding of Islamic finance and also share this interest to the people around her.

1.2 Research framework

Saunders et al (2007) defines research as a systematic way people do to find out about something. In order to achieve a successful dissertation, a “clear purpose” or “set of things that you want to find out” has to be made with much in-depth reading, analyzing and framing the whole objective of this research.

This research is carried out as a result of Ireland’s mission to be a “Centre of excellence” for Islamic finance. The researcher wishes to study on the issues regarding what is needed to be a “Centre of excellence” for Islamic finance, to identify what has been done to achieve this and to study other ways Ireland can explore to become a successful Islamic finance market.
Literatures in this industry are based on the study of the mature markets and are taken as a benchmark to show how these markets have evolved to be what they are today. Hence, this dissertation could identify the gaps in the Ireland context of the literature.

1.3 Organization

This dissertation is organized to the following order:-

Title
Contents page
List of tables and figures

Acknowledgement
This section acknowledges assistance the researcher has received during the course of the research.

Abstract
The abstract provides an overview of the entire research that focuses on the question whether Ireland can be a “Centre of excellence” for Islamic finance.

Chapter 1 – Introduction
The first chapter provides a basic background of the research and shows a brief introduction to the development of Islamic finance in Ireland. This chapter also identified the researchers’ reason and interest to study this subject. The research framework and organization of the dissertation was also discussed in this chapter.

Chapter 2 - Literature Review
A literature review of Islamic finance was discussed in the second chapter to give more in-depth understanding of the history, principles, models and components of the Islamic finance system. Works by other scholars are researched to achieve a more understanding of the subject matter that could help answer the research question as well as achieving the research objectives.

Chapter 3 – Research Methodology and Methods
The overall research methodology is outlined in the third chapter. This chapter outlines the research question and the objective it tries to achieve while presenting the method, philosophy and approach that was undertaken to perform this research.
Chapter 4 – Data Analysis and Findings

Next, chapter four analyses the qualitative data arises from the interview that was coded.

Chapter 5 – Discussion and recommendation

In chapter five, the research objectives are discussed while taking into account the literature reviews to identify and compare these two materials. This allows validity, reliability, limit and the contribution of this research to be assessed thus allowing further discussion to develop recommendations to the research findings.

Chapter 6 – Conclusion

Meanwhile, the last chapter summarized and concluded the research objective to reflect the overall research.

Chapter 7 - Self-reflection on own learning and performance

This chapter provides an insight on the researchers’ skill and development. The researchers’ learning style are evaluated in this reflective exercise to assess how efficient and effective the researcher has been throughout the entire course of the MBA.

Bibliography

References to the original sources of literatures are provided in this chapter.

Appendices

This section contains supporting document to provide evidence and process of this research.
Chapter 2:

Literature Review
2.0 Introduction to Islamic Finance

Islamic finance operates in accordance to Sharia (Islamic law) that is based on the principles and values derived from three primary sources - the Holy Quran, Hadith and Sunnah. Hadith refers to the collection of norm, actions or words of the Prophet Muhammad or the early Muslim community, not found in the Quran and was derived from short texts, stories or sayings as told and recorded by ‘sahabat’ (companions to the Prophet). Meanwhile Sunnah is the practices and rulings resulting from those narratives (Warde, 2000).

However, Hadith has its criticisms as it is deemed “apocryphal” or seemed fabricated “to support a particular political faction or opinion, and a long process of authentication did not dispel all doubts about the veracity of certain texts”. Islamic groups have over the ages disagreed to some of the interpretations as “different traditions authenticate different Hadiths” and thus creating different “school of jurisprudence (fiqh)”. Four main schools emerged since the tenth century: Hanafi, Shafi, Maliki and Hanbali to “fill” in areas that was not discussed in the Quran or the Sunnah. Today, the schools are geographically spread to reflect or suit the “favour” of the locals. Hanbali can be mainly found in Saudi Arabia, Malikis in the North and West Africa and Shafiis in Indonesia, Malaysia, East Africa, Yemen and some parts of Egypt (Warde, 2000).

In order to facilitate the differences of thoughts in these schools, Warde (2000) explains that talfiq or patching principle could be used to “authorized judges to choose an interpretation from schools of jurisprudence other than their own”. The purpose of talfiq is so that societal developments, innovation, exceptions and loopholes are taken into account where or when required. This principle is therefore categorized into three which are to accommodate – local custom (urf), the public interest (maslaha) and necessity (darura). Today, Islamic rulings are made by secular experts or the Sharia Boards that will issue “fatwa” which will then be used in its legislated area.

2.1 Principle

Islamic finance stresses the importance of maintaining “moral purity” of its transactions (Duran and Lopez, 2012) and is based on four principles - the prohibition of riba or usury (interest), avoidance of gharar (ambiguous or doubtful contracts), prevention of involving in any haram (illegal) products and encouragement of giving out zakat (donations) (Sherin, 2009). Warde (2000) singled out two aspect of Islamic finance which is the “risk sharing philosophy”, “achievement of socio-economic development” (Sherin, 2009) and zakat (almsgiving) where
“property rights, social and economic justice, wealth distribution and governance” are taken in account in making transactions (Mohieldin, 2012).

From the above, a principle that still poses as a main challenge in the modern world is Riba or usury (excessive interest). Riba or usury can be explained from the saying of Prophet Muhammad (SAW):

“You should sell gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, and salt for salt, like for like, equal for equal, and hand-to-hand; if the classes differ, then you may sell as you wish, provided that the exchange is hand-to-hand.”

Ismail (2013) stated that Prophet Muhammad had identified exactly 80 kinds of trades which 46 contain Riba. Riba or usury is forbidden by Islam as it is explicitly written in the Holy Quran where Allah (SWT) says:

“O you who have believed, do not consume usury, doubled and multiplied, but fear Allah that you may be successful.” (3:130)

“If ye do it not, Take notice of war from Allah and His Messenger: But if ye turn back, ye shall have your capital sums: Deal not unjustly, and ye shall not be dealt with unjustly”. (2:279)

The ban on interest has already existed in the pre-Islamic world. During the Mesopotamian era, “the Hamurabi code (1800 BC) placed limits on interest rates and banned compound interest”. Aristotle on the other hand argued that interest “should be a means of exchange and should not be allowed to multiply” meanwhile the Romans allowed interest but regulated the interest rates (Algabid, 1990; Warde 2000). According to Warde (2000) all three religion - Judaism, Christianity and Islam in the earlier years considered that the “prosperous (the lender) had a duty to assist the needy, if not by gifts, at least through interest-free loans”. Although it is initially banned by all three religions, the “denigrate” of interest by the Christians, loopholes and “growth in commerce” (Hassan and Lewis, 2007) have invoked innovation to feed “new financial needs” and finally influenced the financial system today (Warde, 2000).

Riba can be described in Islam as a transaction between two parties where it involves transfer of value (commodity or currency) without a same value to match. Therefore, it is describes as “wrong done” to the other party through the “unearned or unequally distributive income” (Ismail, 2013).
So how does Islamic finance profit? Udovitch (1970) explains that Muslim community in the early years designed contracts to prohibit riba by emphasizing on the profit and loss sharing mechanism, also called as mudharaba or qirad. Other alternative also includes imposing fixed charges or acting as a buying agent for a fee.

However, Islamic finance faced with a lot of challenges when modern finance and western colonial expansion entered the Islamic world (Issawi, 1996). At the time, funds were supplied from foreign banks to Islamic governments through loans, thus involving interest payment. But it is not until the end of colonialism, Islamic countries has taken active measures to “control development and economic policy” by nationalizing banks and the establishment of “national monetary authorities and central banks” of the newly independent states that issues their own currencies. This effort, also called as “Islamicizing” the economic systems means that all this while Muslim and the government have “learned to live with interest and with modern finance” and was justified by Muslim scholars’ consensus that it is acceptable to deal with conventional banks (with interest) if Islamic institutions is not accessible (Warde, 2000).

2.2 Significance of Islamic finance

2.2.1 Development and growth of Islamic Finance

The development of Islamic finance in the modern era can be traced back to 1940s from Pakistani scholars’ theoretical works and the creation of an “interest free credit network” in the 1950s (Wilson, 1983; Warde, 2000). In 1963, a Muslim Pilgrims Savings Corporation or now known as Tabung Haji was created by the Malaysian government as an “Islamic savings bank” mainly a saving for Muslim to perform Haj (religious pilgrimage) (Wilson, 1995).

Later, Islamic Development Bank (IDB) was created by the Organization of the Islamic Conference (OIC) in 1974 to act as the “world bank of the Muslim world” to “foster economic development and social progress” of its 56 members in accordance to the Sharia. The establishment of the bank is a foundation to the development of Islamic banking system as they provide training, advice, promote creation of new Islamic institutions, injecting funds to where needed and allowing financing assistance to its member countries (Warde, 2000; Gulf Research Centre, 2010). The bank has also join forces with the Accounting and Auditing Organization for Islamic Financial Institutions (AAIOFI) and the Islamic Financial Services Board (IFSB) in setting standards for the Islamic finance reporting (Mohieldin, 2012).
Today, there are over 500 Islamic banking and institutions operating in more than 75 countries, where South and South-East Asia leading the market followed by Africa and the Middle East (The Banker, 2009; Gulf Research Centre, 2010). In 2012, the Sharia compliant financial asset is worth $1,166 billion as compared to year 2006 where only $386 billion worth of banking assets (The Banker, 2012; Mohieldin 2012). Assets are mostly contributed by Sukuk or Islamic bonds which are “certificates of ownership” based on joint ownership, focusing on a profit and loss concept the system promotes. Malaysia is a market leader for Sukuk where it accounts to 63% of the market, followed by the United Arab Emirates and Saudi Arabia (Mohieldin, 2012).

2.2.2 Potential

Duran and Lopez (2012) argued that Islamic finance is highly potential because although the Islamic finance only accounts a small portion of the global financing market, it is estimated that Muslims would account for about 26.4% of the world population in 2030 (Time, 2012). It is also expected to grow at a rate of 15 to 20 percent per year (Sherin, 2009).

However, Derbel et al (2011) added that Islamic finance growth was not due to the increasing Muslim population but rather due to its efficiency and performance where they argued that the Islamic finance “constitutes an ethical choice” that was neglected in some of the conventional finance instruments. KPMG (2010) reported that “Its distinctive ethical stance also chimes with the desire of many politicians, regulators and customers in the mainstream banking sector for a focus on responsible, sensible, principled banking”. This is in line with Islamic value of “achieving socioeconomic development and social justice among different groups in society” (Sherin, 2009).

The interest in Islamic finance began during the financial crisis in 2008. France for example has the largest Muslim minority in Europe and has been offering Islamic finance product since the mid 1980’s. However, it is only in 2008 its government started their commitment to venture into the Islamic finance market. Arnaud (2010) stated France is also aiming to attract global funds and be a competitive Islamic finance market. Similar to the UK, France took the first step by forming a team to “identify obstacles to the development of Islamic finance” and is followed by extensive legislative and taxation research which results to the amendment of its regulations to accommodate Sharia compliant products in 2010. Their approach is to treat Islamic finance revenues as interest (Belouafi and Belabes, 2010). Another country to take notice is Luxembourg. Its Islamic finance market are considered to the leader in the ‘tax neutrality pro-activeness’ (Smolo, 2010).
In addition, Islamic financing are used as a banking alternative for savers and investor as it is considered to be “commercially sound” (Brooks, 1999). Ernst & Young (2011) argues that the Islamic finance growth is “relatively straightforward” and that it was “more resilient than many conventional instruments during the global financial crisis”. The report also suggests that Islamic finance instruments performed better during the crisis due to the Sharia restrictions against excessive leverage (O’Brien, 2012).

Mohieldin (2012) identified the factors contributing to the growth of Islamic finance where “the commodity boom has generated surpluses in some Muslim countries that need to be allocated through financial intermediaries and sovereign wealth funds; through quality improvements and the development of new instruments”. He added that this was also contributed by the increasing Islamic windows by multinational financial institutions to meet demands by Muslim especially in London and Luxembourg.

Meanwhile, Beloufi and Belabes (2010) stated that as a result of the growth of Islamic finance, it is no longer restricted to the Muslim and Arab countries but now has spread to the rest of the world. Shamshad Akhtar, a Governor of the State Bank of Pakistan stated the importance of Islamic finance as a “parallel system that will augment, and be augmented by, a deeper knowledge and experience of the conventional financial system”. She commented that to maintain and sustain this growth, Islamic finance should exploit its “unique features” without compromising Sharia principles (Kuo, Aziz and Akhtar, 2008).

However, the Islamic finance growth is not without limits. According to a study by BDO (2008) in Figure 2.1, it was established that “a shortage of expertise in the industry and a lack of regulatory harmonization are seen as the biggest obstacles to growth”. Among other barriers includes lack of demand and choices for customers, poor performance of funds and inconsistent religious interpretations.
2.3 Islamic Finance models

As mentioned before, Ireland wishes to be a “Centre of excellence” for Islamic finance in Europe. In order to achieve this objective, the researcher feels that it is important to study the various kinds of Islamic finance models available in the market.

Warde (2012) identified two Islamic finance models, the Arab model and the Malaysian model. He argued that the Arab model was driven by the oil boom surplus in 1970s while the Malaysian model was driven by the “developmental imperative, combined with domestic political factors, principally the promotion of the (Muslim) Malay majority”. Warde also mentions another model, the United Kingdom (UK) model where the motives are argued to be “political and economic”. The difference between the three varies but the most apparent difference is in the population of the Muslim in each country that also drives the Islamic finance development and growth.

This section will further explain the various models mentioned above but will be specific to Pakistan (a full ‘Islamicization’ of its finance system), Malaysia (a dual financing system and known for their Islamic window system) and the UK (similar to Malaysia but one of the successful western countries to implement Islamic finance).
2.3.1 Islamic Finance in Pakistan

Pakistan is one of the pioneers of the Islamic finance development in the modern era. However, it is not only until 1979 that Pakistan developed its banking sector, where a full ‘Islamicization’ was implemented to their financing system. A committee consists of “scholars, jurists, ulema, and prominent persons from other walks of life” was appointed by Zia ul-Haq, President of Pakistan at the time to structure the system. The committee is responsible in creating a “new Islamic economic order, the substitution of traditional Islamic laws and punishments for inherited Western codes, and the creation of a pure Islamic form of government designed to serve as a model for other Muslim states” (Warde, 2000). This step is applicable for Pakistan The World Factbook (2012) reports that the country accounts for 95% Muslim population, hence reflecting the demand for a ‘Islamicization’ of its financial system.

2.3.2 Islamic Finance in Malaysia

Different from Pakistan, although Malaysia is a Muslim country with 60% Muslim population, the country does not implement a full ‘Islamicization’ to its banking sector. According to the Malaysian Investment Development Authority (MIDA, 2012), the country promotes a “diversified range of institutions to serve the more varied and complex needs of the domestic economy”. There are four main components of the system, mainly banking, takaful and retakaful (insurance), interbank money market and the capital market operated in more than 56 Islamic institutions.

Warde (2000) explains two features that set Malaysia apart from other Muslim countries is that the country created a parallel system where an Islamic window is created in addition to their conventional banks and the “harnessing of Islam to the goal of economic growth through the embrace of high technology and finance”. The unique characteristic of the Malaysian system is geared to both Muslims and also non-Muslims. According to Warde (2012), “Muslims would have the opportunity to invest according to their religious beliefs, while non-Muslims, especially the Chinese minority which controls most of the country’s wealth, would have an extension of choice in money-management”. This effort was primarily contributed by Malaysia’s former Prime Minister, Tun Dr. Mahathir Mohamad where his ambition to persevere the rights of the Bumiputras (natives) and for Malaysia to become a rich country by year 2020.

Many institutions were established to accommodate this move such as the Malaysian Institute of Islamic Understanding (IKIM), the National Syariyah (Shariah) Board and Tabung Haji. The
Central Bank of Malaysia (Bank Negara Malaysia, BNM) also issued licensed to three major Gulf financial institutions, the Al Rajhi Bank, Kuwait Finance House and Asian Finance Bank. This initiative is reported to provide new opportunities for the Arabic countries to “use Malaysia as a platform” to offer their products and services to the rest of Asia (PwC, 2008).

According to Amin et al (2013) Malaysia in its effort to regulate the Islamic finance has enacted specific legislation such as the Islamic Banking Act 1983 and the Takaful (Islamic insurance) Act 1984. It is also important to note that a subsection of the Central Bank of Malaysia Act 1958 created the Syariah Advisory Council who administers the Islamic finance ruling in Malaysia. All Islamic banks are required to adhere to rules and regulations set by the Council. In addition, Islamic financial products offered by Islamic institutions are not permitted unless approved by an appropriate regulatory body as per the Syariah Advisory Council guidelines.

Therefore, Amin et al concluded that it is doubtful that any Islamic financing products are not approved hence made it easy to amend regulations such as tax laws to meet the Islamic requirement and ensure the attractiveness of its product to compete with the conventional products. Today, Malaysia accounts to 22.4% of the market share in the Islamic finance market with banking asset of over than RM334.9 billion (MIDA, 2012).

### 2.3.3 Islamic Finance in the UK

Sir Edward George (2003) in the Islamic Home Finance Seminar addressed the need for Islamic finance in Britain following up to his observation of how Muslims in the country would have to go against their religious in performing their financing activities, in this case housing mortgage. He stated that the financial system is capable to accommodate the differences in “meeting the needs of the different sectors of our society”.

The first step to introduce Islamic finance into Britain was to deal with mortgages issues where a “working party” consists of representatives of the Treasury, Financial Services Authority (FSA), the Council of Mortgage Lenders, British banks, lawyers, and Muslim representatives met to find a solution for this problem. Soon, a full-fledged Islamic bank - the Islamic Bank of Britain was established in 2004 to provide retail Islamic services to Muslims in England. Following Malaysia’s move to implement a parallel system or Islamic window, HSBC Amanah and Lloyds-TSB was created to offer Islamic mortgages (Gulf Research Centre, 2010; Wilson, 2007).
Scholars have argued that the British’s success in the Islamic financing market was due to its government policy which encourages and “went beyond the political agenda and focused on the financial and economic value of IBF propositions” despite it being a non-Muslim country. It promotes an open and flexible market compared to other European countries and the United States. This has enabled them to introduce and change the legislation to reduce barriers for an efficient operation of Islamic finance. The UK Finance Bill 2009 for instance has introduced a change in their “Stamp Duty Land Tax (SDLT), Capital Gains Tax (CGT) and capital allowance rules for land transactions involved in the structuring of sukuk instruments” (Walmsley, 2009; Gulf Research Centre, 2010).

The UK model differs from the Malaysian model because its legislation has to adhere to the policy requirements which came from the separation of the church and state. Hence, the UK approach would require more legislation as compared to the Malaysian approach “because the transactions have to be defined in meticulous free-standing detail, without being able to reference any definitions from elsewhere, and without being able to rely upon any form of advance certification of the structures by the regulatory authorities”. In addition the UK approach sets out “that private sector participants are free to enter into any contracts that they wish, apart from special cases where some contracts are prohibited by law or rendered unenforceable by law due to violating public policy as set out in English common law or occasionally due to violating specific legislative prohibitions” (Amin et al, 2013). Therefore, its legislation on Islamic finance products do not mention any Islamic finance terms but instead provides definitions to be used in the UK tax law (The Australian Board of Taxation, 2010).

2.3.4 Conclusion

From the discussions above, Amin et al (2013) in their research identified what countries would suit the Arab, Malaysia and the UK model.

Firstly, they argued that non-Muslim countries, mainly from the west should follow the UK model. They stated that this is because of the regulations and tax treatment issues the countries might face if they want to sell any Islamic product. The UK model is more suitable as it does not recognize Islam within the tax law “as the definitions of the transactions is entirely free-standing, and the desired tax treatment is given to all transactions that fall within the definition, regardless of whether they are Shariah compliant or not”. However, Amin et al (2013) cautioned that the UK model would require “significant effort” in drafting legal documents due to its approach to define each transaction “without any reference to sources external to statute law”.

However, not every western country could accept Islamic finance. According to the Gulf Research Center (2010), Islam has different implications to the European context. The historically-constructed view was said to have “sustained through various political events domestically and externally during contemporary times”. Wilson (2007) therefore argued that Islam “resonates negatively in Europe” and that non-Muslims are uncomfortable with its culture and values. He added that “the notion of wanting to apply sharia principle to banking and finance is treated with skepticism if not outright hostility, especially as there is no concept of Christian or Jewish banking, even if there are some parallels between sharia financial principles and the teaching of the Old Testament”.

In recent years, many European countries have been trying to accept the Islamic finance system. The development of Islamic finance in Europe was said to have been forced by the recession and the need for capital, in this case foreign capital especially from the Middle East. This has then contributed to the growth of Islamic finance in the Europe where Geneva for example is an important center of Islamic wealth management. Meanwhile, France has also now “has a positive and dynamic view’ of Islamic finance from before where it is restricted due to ‘its staunch secularist attitude” (Wilson, 2007).

Meanwhile, for the Muslim majority countries Amin et al (2013) suggested to follow the Malaysian model. Tax law and regulations amendment would be done much quicker and simpler due to the less complex drafting compared to the UK model and the availability of Muslim scholars and experts to form a Shariah Advisory Council to monitor and regulate the financial system.

2.4 Components of Islamic Finance

As the growing interest to Islamic finance, this section will further identify some of the important components of Islamic finance while discussing some of the challenges to implement the system.

2.4.1 Islamic finance products

In order to further understand Islamic finance, this literature will explain what Islamic finance offers to the financial market. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) is an organization responsible to “prepare, adopt and interpret accounting and auditing statements, standards and guidelines for Islamic financial institutions”
Murabahah
Sale of goods with an agreed upon profit mark up on the cost. Murabaha sale is of two types. In the first type, the Islamic bank purchases the goods and makes it available for sale without any prior promise from a customer to purchase it. In the second type, the Islamic bank purchases the goods ordered by a customer from a third party and then sells these goods to the same customer. In the latter case, the Islamic bank purchases the goods only after a customer has made a promise to purchase them from the bank.

Mudarabah
It is a partnership in profit between capital and work. It may be conducted between investment account holders as providers of funds and the Islamic bank as a mudarib. The Islamic bank announces its willingness to accept the funds of investment amount holders, the sharing of profits being as agreed between the two parties, and the losses being borne by the provider of funds except if they were due to misconduct, negligence or violation of the conditions agreed upon by the Islamic bank. In the latter cases, such losses would be borne by the Islamic bank. A Mudaraba contract may also be concluded between the Islamic bank, as a provider of funds, on behalf of itself or on behalf of investment account holders, and business owners and other craftsmen, including farmers, traders etc. Mudaraba differs from what is known as speculation which includes an element of gambling in buying and selling transactions. (It is to the former that this standard applies).

Musyarakah
A form of partnership between the Islamic bank and its clients whereby each party contributes to the capital of partnership in equal or varying degrees to establish a new project or share in an existing one, and whereby each of the parties becomes an owner of the capital on a permanent or declining basis and shall have his due share of profits. However, losses are shared in proportion to the contributed capital. It is not permissible to stipulate otherwise.

Salam
Purchase of a commodity for deferred delivery in exchange for immediate payment according to specified conditions or sale of a commodity for deferred delivery in exchange for immediate payment
**Istisna**

A contract whereby the purchaser asks the seller to manufacture a specifically defined product using the seller’s raw materials at a given price. The contractual agreement of Istisna has characteristic similar to that of Salam in that it provides for the sale of a product not available at the time of sale. It also has a characteristic similar to the ordinary sale in that the price may be paid on credit; however, unlike Salam, the price in the Istisna contract is not paid when the deal is concluded. A third characteristic of the contractual agreement of Istisna is similar to Ijarah (employment) in that labour is required in both.

Other instrument also includes qard – hassan (current and savings account), ijarah (leasing) and takaful (insurance). However, what mainly contribute to the Islamic finance growth are probably Islamic funds. Figure 2.2 (PwC, 2008) shows the types of instruments and how the transactions of these instruments is carried out.

Figure 2.2: A typical Shariah compliant transaction (PwC, 2008)
Funds are generally managed by a promoter, also known as the agent who received a fixed fee for the services they offer. These funds are then transferred to a fund manager who together with the agent receives a fixed fee or profit sharing compensation. The profit sharing nature differentiates Islamic banks to Islamic investment funds as Islamic banks participates directly as a working partner (mudarib) with the deposit holder while fund holders will have to bear all the risk of their investment (Ibrahim, 2008).

An example of Islamic fund instrument is sukuk. Sukuk, a plural for Sakk or Islamic bond is the “certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services or (in the ownership of) the assets of particular projects or special investment activity” (AAOIFI, 2008). Wilson (2004) argued that it is “better described as Islamic investment certificates” to distinct itself from the conventional interest-based securities. He stresses that Sukuk is not a substitute to the conventional securities but it is an “innovative types of assets that comply with Shari’a Islamic law”.

![Figure 2.3: Total sukuk issuance by major region](image)

The main feature of sukuk is that it an asset backed or asset based securities and not a debt instrument. Like other Sharia compliant products, Sukuk is structured without interest. The most common types of sukuk are ijara, salam, istisna’a, mudarabah, murabaha and musharaka certificates and are listed on exchanges such as at the Bursa Saham Malaysia, London and
Luxemburg Stock Exchange. Figure 2.3 show that the Malaysian market contributed the highest sukuk issuance as compared to other major region from year 2003 to 2012.

The difference between sukuk and the conventional bond can be further explained from the table 2.1 below:

<table>
<thead>
<tr>
<th>Asset ownership</th>
<th>Conventional Bonds</th>
<th>Sukuk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds don’t give the investor a share of ownership in the asset, project, business, or joint venture they support. They’re a debt obligation from the issuer to the bond holder.</td>
<td>Sukuk give the investor partial ownership in the asset on which the sukuk are based.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment criteria</th>
<th>Conventional Bonds</th>
<th>Sukuk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generally, bonds can be used to finance any asset, project, business, or joint venture that complies with local legislation.</td>
<td>The asset on which sukuk are based must be sharia-compliant.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Issue unit</th>
<th>Conventional Bonds</th>
<th>Sukuk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Each bond represents a share of debt.</td>
<td>Each sukuk represents a share of the underlying asset.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Issue price</th>
<th>Conventional Bonds</th>
<th>Sukuk</th>
</tr>
</thead>
<tbody>
<tr>
<td>The face value of a bond price is based on the issuer’s credit worthiness (including its rating).</td>
<td>The face value of sukuk is based on the market value of the underlying asset.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment rewards and risks</th>
<th>Conventional Bonds</th>
<th>Sukuk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond holders receive regularly scheduled (and often fixed rate) interest payments for the life of the bond, and their principal is guaranteed to be returned at the bond’s maturity date.</td>
<td>Sukuk holders receive a share of profits from the underlying asset (and accept a share of any loss incurred).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Effects of costs</th>
<th>Conventional Bonds</th>
<th>Sukuk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond holders generally aren’t affected by costs related to the asset, project, business, or joint venture they support. The performance of the underlying asset doesn’t affect investor rewards.</td>
<td>Sukuk holders are affected by costs related to the underlying asset. Higher costs may translate to lower investor profits and vice versa.</td>
<td></td>
</tr>
</tbody>
</table>
A KPMG report (2010) stated that one the challenges conventional banks would face is in the retail sector rather as compared to the wholesale sector. “Should they offer combined branches selling both conventional and Islamic products? Should the same staff sell both? Or should branches be physically divided into two?” are some of the questions banks have to consider when implementing an Islamic financing system to their banks. The report suggested that this issue is less challenging for Saudi Arabia but for markets like Malaysia with only about 50% of its market are Muslim or the European market where Muslims are minority, this is a far greater challenge. To this, KPMG (2010) commented that “it is therefore important that a clear growth strategy is mapped out”. Another challenge is the “inefficiencies and higher transaction cost” imposed as a result of the “emulation and reengineering of conventional instruments” (Canuto, 2012).

2.4.2 Regulation

Belouafi and Belabes (2010) argued that regulatory are one of the prerequisite in developing Islamic finance and are considered as a crucial challenge. They argued that the rationale of regulation and its importance to Islamic finance institutions is that firstly, “financial innovation” carries risks due to the being unfamiliar to the background or principles of Islamic finance.

Secondly, in terms of legal perspective Belouafi and Belabes (2010) questioned whether the existing law allows its financial transactions or product to be governed by Sharia principles. This brings back to the risk issue as studies by the writers show that most laws are flexible and could accommodate financial innovations but are limited by “cultural and historical sensitivity” for example the usage of religious laws and especially in the European countries (Wilson, 2007).

Finally, regulations are also important due to its nature involving financial transactions that normally requires high supervision and regulation in the conventional banking system. Belouafi and Belabes (2010) argued that the European countries agree that the Islamic financing system would also require the same. However, Warde (2010) argued that because the techniques are “fundamentally different” – particularly in mudaraba, musharaka and murabaha transactions thus Islamic finance should not be subjected to the same regulation as conventional banks. The prudential ratios and capital requirements in the Basel III are said to have “place Islamic financial institutions at a disadvantage” (Mallat, 1988; Canuto, 2012).

Even so, countries with dual system like Malaysia have proven to have faced with questions whether both banks would be subjected to the same rules or not. This dilemma has however
“generally been resolved” within the Islamic world. One way is by establishing a division in the central bank to deal with Islamic financing system and another is by coordinating the supervision (Sharia Board) of the respective banks. The challenge would then is to balance off the “over-and-under regulation” in order to attract investors, allowing the products to be able to compete without sending “the wrong signals to interested players, parties and markets” (Warde, 2010).

Studies by Belouafi and Belabes (2010) indicated that European countries tried to minimize the regulation barriers by following the “minimal change approach” similar to the UK model. This approach relies on its tax regimes with the policy “no obstacles, but no special favours”. Amin et al (2013) stated that the “application of the general tax laws” for Islamic finance transactions would generally “appear to give results for the taxable income”. This is however not the case as it is similar to the conventional products. Problem appears when additional tax are imposed as a result of a transaction of a similar nature to the conventional and “had similar economic consequences”. This is the case with Islamic mortgages arrangements when stamp duty would have to be paid twice as the transfer of asset between seller and the bank, and when buyback is involved, the bank to the buyer. In order to achieve tax neutrality or no other financing system is worst-off, changes to the stamp duty should be made to “remove the double taxation” (Australia Board of Taxation, 2010).

This is the same problem faced by India where according to Raveendran (2012), although the country marks as the third largest Muslim population and its unbanked population was estimated to about half of their total population India failed to bring and practice Islamic finance. Although numerous attempts have been made, it was seen to be unsuccessful due to the ban on “interest free banking” by the regulation and the opposition by the political parties.

2.4.3 Sharia Bodies

The operations and principles of an Islamic financing institution are monitored by a Sharia Board. The Boards are responsible to ensure the conformity of the Islamic finance system to Sharia. Their opinions are “authoritative” where they are responsible to review products and policies and also act as the account auditors. Fiqh Academy by the Organization of the Islamic Conference (OIC) in Jeddah and National Syariah Board by the Malaysian government are some of the most prestigious bodies in the world. National Sharia body like the National Syariah Board usually functions to “harmonize financial practices and review the compatibility of new financial products with religion, as well as advise the Central Bank on religious matters. The goal was to
adopt a liberal, modernist bent that would be consistent with the developmental goals of the government” (Warde, 2000).

However, KPMG (2010) in their report stated that Sharia scholars are limited to only few qualified scholars. This is supported by a research by BDO (2008) per Figure 2.1. These scholars possess extensive knowledge of the Sharia are responsible to “plan and design new appropriate products as well as to inspire the trust and confidence of the market”. Mufti Hassaan Kaleem explained that this shortage was due to the nature of study scholars have to undertake before he is recognized. In-depth study of the original sources of the Sharia and literature developed needs to be studied and comprehended but this alone would take a long time (www.deloitte.com, Meet the Scholar). Although it would allow a “commonality of interpretations” and standardization among Islamic markets, conflict of interest are one of the common issue raised.

2.4.4 Education

Education is an essential to develop and to promote the growth of Islamic finance. Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia stated that the skills required for Islamic finance are unique that scholars have to attain knowledge of finance with Sharia as the central focus. She added that Sharia principles should be practiced and supported from the highest level of the financial institutions so that it could be ethical and promotes economic justice. In order to achieve this, a sound, systematic and recognized institutions to teach the “unique” skills are required (Kuo, Aziz and Akhtar, 2008).

Some of the renowned institutions that provide Islamic finance education is the International Islamic University Malaysia (IIUM). The institution was established on January 2005, aiming to be the centre of excellence of education and research in producing competent graduates and scholars knowledgeable in Sharia. Both theoretical and applied research taught is equipped with an industrial exposure for students to develop their skills (www.iium.edu.my). Meanwhile, International Centre for Education in Islamic Finance (INCEIF) was established by BNM as a human capital investment to fill the demand of experts and qualified professionals in Islamic finance (www.inceif.org). In 2012, INCEIF together with the World Bank announced that they will work together in developing education and executive programs in Islamic finance. The program is aimed to “foster the development and expansion of sustainable and equitable Islamic finance” (bnm.gov.my).
In the UK, Islamic Finance Education Council (IFEC) was set up to “help improve awareness and understanding of Islamic finance”. They held seminars conducted by senior professionals in the industry which covers “banking products, insurance and housing finance products”. Most universities in the UK are also beginning to offer undergraduate to doctorate studies in Islamic finance. Professional bodies like Chartered Institute of Management Accountants (CIMA) are also now offering education in Islamic finance.

2.5 Islamic finance in Ireland

The Ireland’s Department of Finance (2012) produced a report regarding some of the early initiatives done to bring Islamic finance into Ireland. The first evident of Ireland’s serious initiative to Islamic finance was during the publication of the Finance Bill 2010 by the Minister of Finance, Brian Lenihan T.D. A provision of the Finance Bill - Section 35 FA2010 was introduced to facilitate the introduction and to promote development of Islamic finance. The provision covers legislation amendments that are required by the Sharia law for people to start with Islamic transactions. Among them is the tax treatment (tax neutrality) in relation to sukuk certificate, stamp duty, ijarah transactions and takaful arrangement (KPMG, 2010).

The Irish Revenue confirmed via a tax briefing that Islamic finance products will be taxed on the same basis as conventional financial products – similar to the United Kingdom approach. According to Khan (2009) the existing laws on tax for conventional investment funds in Ireland can accommodate the Sharia requirement as the products domiciled in Ireland are exempted from tax or any capital gain. This was also beneficial to Ireland as its tax system is designed for easy entrants by international institutions to do business in Ireland.

According to Chew (2012), Ireland is attractive as it offers low corporate tax at 12.5% and equal tax treatments for both the conventional and Islamic finance products thus the idea for Ireland to become the first European country to sell Sukuk.

Serving as the lowest corporate tax rate country at 12.5%, this effort has attracted around 20% or €2.5 billion of the Sharia compliant fund from the Middle East. Today, Ireland has double tax agreements with most of the Middle East countries and is growing each year. By teaming up with Malaysia via the MOU, Ireland now has also access to the Asian market. Even though France and Luxemburg are far ahead in the Islamic finance market, both have failed to do so for varied reasons. This is the same with Britain where they canceled the sukuk sale as they explained that
the “debt didn’t offer value for money” (Chew, 2012). Ireland’s Central bank listed their first sukuk in 2005 and in 2012 they managed about €390m Islamic funds.

Amanie Advisors, a Malaysian based company has set up an office in Dublin in 2012 to provide advisory and Islamic finance services such as on the Islamic capital markets, funding, investment banking services, structured finance solutions (amanieadvisors.com). The Minister for Jobs, Richard Bruton stated that it is significant to the development of Ireland’s financial and Islamic finance sector as it would enable companies to a new source of funding (The Daily Business Post, 2012).

Apart from that, CIMA Ireland in partnership with Law Society Finuas Network is working together to bring and expose lawyers to the learning model of Islamic finance. This can also be seen as a preparation for Ireland’s local professionals to be equipped with Islamic finance basic knowledge. CIMA Diploma of Islamic finance (CDIF) is offered to their professionals and in line with Ireland’s objective to be the “Centre of excellence” for Islamic finance. Third year into their program, CDIF have gained over 100 participants to complete the course (Law society of Ireland, 2012).
Chapter 3:  
Research Methodology & Methods
3.0 Introduction

Saunders et al (2009) explains that methodology is the ‘theory of how research should be undertaken including the theoretical and philosophical assumptions upon which research is based and the implications of these for the method or methods adopted’. The aim of this research is to study how Ireland can be a “centre of excellence” for Islamic finance. Therefore, the methodology of this research will be further explained in this section.

3.1 Research Question

1. What is needed for Ireland to become a “Centre of excellence” for Islamic finance?
Rationale: The government had shown interest in becoming the hub of Islamic finance in Europe. Therefore, this question will further investigate what is needed to achieve this objective.

2. What has been done to implement Islamic finance in Ireland?
Rationale: Double Tax Agreements and MoU’s have been signed between Ireland and various Islamic countries throughout the world. This question will further identify the efforts done by various parties with a comparison to other markets which will further identify gaps whether Ireland can be a “Centre of excellence” for Islamic finance.

3. What else can be done?
Rationale: Following question 1 and 2, this question identifies what is missing and what more can be done to help Ireland achieve its objective. In addition, this question also determines the challenges and possible suggestions for improvements to the Islamic finance market in Ireland.

The research question is to be carried out with following objectives:-

i. To study what is needed to become a center of excellence of Islamic finance.
ii. To identify what has been done to implement Islamic finance in Ireland.
iii. To determine what else can be done to achieve its objective.
3.2 Structure of Research Method

The structure of this research can be explained via a “research onion”. According to Saunders et al (2009) there are six layers of research process: philosophies, approaches, strategies, choices, time horizons, techniques and procedures. Figure 3.1 summarizes the different layers of the “research onion” describing the stages of a research process and will be the base to explain the structure of this research as per figure 3.2 below.

Figure 3.1: The “research onion” (Source: Saunders et al, 2009, p. 138)

3.3 Research Philosophy

According to the research ‘Onion’, there are many types of research philosophy; pragmatism, positivism and interpretivism. Interpretivism according to Saunders et al (2009) is derived from two traditions which are phenomenology – “the way humans make sense of the world around us” and symbolic interactionism – “we are in a continual process of interpreting the social world around us”. It promotes how we interpret the “social roles” in our own “meanings and actions”. Saunders et al (2009) further suggest that this method is “highly appropriate” in business and management research, where the nature of it is frequently changing. Meanwhile, Kothari (2004) explains this philosophy would help to discover the underlying motives and desires which involves a subjective assessment where an in depth interview is suitable to find meanings to the different ‘attitudes, opinions and behavior’.
Figure 3.2: Research Methodology Structure

3.4 Research Approach

Two types of research approach according to the “research onion” are deductive and inductive. An inductive research is often related to qualitative research and will result to a formulation of a theory. Easterby-Smith et al. (2002) further explains that the inductive process is suitable in understanding a phenomenon and it would also enable researcher to find a “cause–effect link” between different variables.
The inductive research is undertaken by formulating interview questions which will later be gathered “in order to establish different views of phenomena”, thus answering the research question (Saunders et al, 2009). The findings of the research of how Ireland will introduce and implement Islamic finance will be answered in the data analysis and findings section.

3.5 Qualitative Research – Mono Method

There are several research methods available in conducting research, for example mono-methods, mix-methods and multi-methods (Saunders et al, 2009). These methods mainly explain which methods are chosen in performing a research, either by choosing a mono-method - qualitative or quantitative method; a mix-method where two research method are mixed; and finally a multi-method where it involves a diverse approaches within conventional qualitative methods; linking qualitative, quantitative and statistical tools; and linking the conventional qualitative methods vis-à-vis interpretativism and constructivism (Collier and Elman, 2008).

A qualitative mono-method will be employed in performing this research topic by conducting an interview with a purposive sample. This method is suitable as the nature of the research would require a selective participant or experts in the area and as Maxwell (2005) explains it to be useful where the subject is complex and are there is no specific answer or hypothesis to be tested. In addition, limitations of time and budget also restrict the use of the other methods.

3.6 Sample

Sekaran (2003) defines sample as a subgroup or subset of a population. Samples are chosen to represent elements within a population. Meanwhile sampling is the process of selecting these elements to conduct a study with the objective to understand its “properties or characteristics”. Study of a sample is efficient as it would save time, cost and other human resources and likely to produce more reliable results rather than to test to the entire population.

There are many ways a sample can be determined; probability and non-probability. Probability-based methods according to Doherty (1994) is the “mechanical” procedure involving lists of random numbers, or the equivalent’ or by having a certain amount judgment in when making choices; mainly referred to as the purposive, judgment and non-probability selection. A disadvantage of a method with the element of judgment is that bias may arise in the sample selection while a non-probability-based method is considered as fair as it is conducted in a random manner and would offer more useful information to the population (Sekaran, 2003).
The non-probability sampling is divided into convenience and purposive sampling. In this research, the participants are chosen based on a purposive sampling where Patton (1990) describes for “information-rich cases” where “one can learn a great deal about issues of central importance to the purpose of the research”.

Islamic finance is relatively new to the Ireland financial systems hence there are not a lot of experts who are exposed to the system. Hence, a judgment sampling from the purposive sampling has helped to identify a specified selected group of experts within the limited population to derive findings based on the research questions. Interviewee are asked to answer a set of questions which are structured to be open-ended and are open to further discussion based on their experience and knowledge on the topic in question. Participants are selected among key player in the development of Islamic finance in Ireland such as fund managers, consultants in audit firms, regulators and also representative from the Muslim community in Ireland.

3.7 Time Horizon – Cross Sectional

According to Saunders et al (2009) there are two types of time horizons; cross sectional and longitudinal time horizons. Cross sectional time horizons is used to collect data from different variables like observation of a phenomena or people and are undertaken only at a time which differs from longitudinal time horizons where it collects data over a certain long time. In order to gather data in this research, limitation of time presses the choice to use the cross sectional time horizon. In addition, it suits the nature of this research, to describe a phenomenon. As mentioned in earlier sections, purposive samplings are used to identify experts in Ireland who are involved in introducing and implementing Islamic finance to Ireland.

3.8 Data Collection Instrument

Bryman and Bell (2007) identified the main research method related to qualitative research. Some of them are “ethnography, qualitative interviewing, focus groups, and language-based approaches to the collection of qualitative data”. In addition, Rubin and Rubin (1995) suggested that information can be attained using “social research tools” by observing, and interviews. They explained by using this method, it is a “naturalistic” research where people are studied “in their ordinary settings” where their experience can be analyzed and then “convey to others in rich and realistic detail”. Saunders et al (2009) argue that data collected through this method shows that the researcher values the personal interaction rather than an anonymous survey of data.
In this research, open-ended interviews are structured for participants for an estimated time of an hour. Participants include key players to the development of Islamic finance in Ireland who consist of representative members these organizations in Ireland. Interviews are held at the representative’s offices. The researcher hopes that through this method a clear idea can be drawn on the financial environment in Ireland with specifications towards the development of Islamic finance. It is in the researchers’ opinion that an interview will bring more honest responses as compared to other forms of data collection. Clarifications can further questions can also be obtained on the spot. The researcher has approached a number of professionals ranging from managers and representatives of the organization. Three people declined to be interviewed due to time constraints meanwhile one interviewee declined for the interview to be recorded.

The interview questions are structured after thorough research and consultation with the supervisor while looking into information in the literature review. The theme of the questions is also structured in an open format but surrounding the research questions in order to achieve the research objective.

3.9 Data Analysis – Grounded Theory

After data have been collected, the materials derived from the interviews are analyzed to answer the research question. As per figure 3.3, Sekaran (2003) identified three objectives of data analysis which are to get a feel for the data, test the goodness of the data and finally to test the hypotheses of the research.

Materials or data gathered from interviews are then to be prepared for analysis. These materials will then be drawn out to form series of work that involves “identifying themes, dividing the research material into chunks or units and allocating the units to the themes” (Fisher, 2004). This process is also called coding. Materials from the tape-interviews are transcribed to effectively “identify major themes and issues” and are edited to ensure accuracy. These actions are preferably done on the same day so that clarifications can be obtained from interviewees (Sekaran, 2003).

All transcribed interviews are grouped together to show differences in opinion and suggestions according to the set of interview questions given to the interviewee. This would allow more understanding to the research topic. In the end, interpretations are done to make sense of the materials surrounding the research question so that it can be modified and developed to form a collective opinion or argument of the research topic.
In order to interpret the materials, grounded theory is used. Grounded theory is an inductive methodology research method (Paton, 1990) which according to Glaser and Strauss (1967) is aimed at “developing social scientists’ capacities for generating theory”. It is defined by Glaser (1992) as a ‘methodology of analysis’ that uses systematic methods (data collection, handling and analysis) to generate theory and that grounded theory is the best example of the inductive approach Glaser and Strauss (1967). According to Douglas (2003), the grounded theory emphasizes on interpretations and “judgments on possible outcomes” that are derived from “constant comparison, coding and analysis of interview and observational data” with ‘minimal researcher intervention’. The three main categories of grounded theory data are field data, interview data and any existing literature.

In this respect, the research questions and objectives of this study are answered by using secondary and primary data collections which consist of the three main categories of grounded theory as mentioned above, while employing a qualitative mono-method to interview and gather
information from participants of this research. Axial coding is also adopted to look for relationships between data categories. This process is called as theoretical development which will take the action to explore and explain a phenomenon (Saunders et al, 2009). Meanwhile, the data analysis process is carried out in line with Crabtree and Miller (1999) suggested principles for interpretation process:-

- Know yourself, your biases, and preconceptions.
- Know your question.
- Seek creative abundance. Consult others and keep looking for alternative interpretations
- Be flexible.
- Exhaust the data. Try to account for all the data in the texts, then publicly acknowledge the unexplained and remember the next principle.
- Celebrate anomalies. They are the windows to insight.
- Get critical feedback. The solo analyst is a great danger to self and others.
- Be explicit. Share the details with yourself, your team members, and your audiences.

3.10 Coding

Strauss and Corbin (1998) define coding as a process where "data are fractured, conceptualised, and integrated to form theory". Glaser (1992) on the other hand defines it as “conceptualizing data by constant comparison of incident with incident, and incident with concept”. Coding can be done in three stages; open coding, axial coding and selective coding (Strauss and Corbin, 1990). This process allows data to be explored and grouped to form an opinion or theory of the subject matter. However, coding is time consuming as it requires a detailed examination of materials which sometimes also could lead to confusion.

This research analysis is undertaken by performing and identifying data’s through the three stages of coding (see Appendices). Four selective coding was identified which was then further explored in the axial coding area and evidenced by the open coding as a result of the interviews to collect these data’s.

3.11 Validity and Reliability

A qualitative mono-method is employed research topic by conducting an interview with a purposive sample. This method is suitable as the nature of the research would require a selective
participant or experts in the area and as Maxwell (2005) explains to be useful where the subject is complex and are there is no specific answer or hypothesis to be tested.

However, grounded theory and the researchers’ interpretation are subjective and also unknown to be correct. Rogers (1961 as cited by Saunders et al, 2009) mentioned that “scientific methodology needs to be seen for what it truly is, a way of preventing me from deceiving myself in regard to my creatively formed subjective hunches which have developed out of the relationship between me and my material”. Therefore, it is important to maintain the research credibility by reducing the wrong answer by performing validity and reliability check.

Robson (2002) has identified six threats to validity; history, testing, instrumentation, mortality, maturation and ambiguity about casual direction. In order to attest this, validity can be measured in three approaches; content, construct and criterion validity (Hair et al, 2003). Meanwhile, Robson (2002) identified four threats to reliability; subject or participant error, subject or participant bias, observer error and observer bias.

Internal and external validity of the research is carried out during the entire process of the research. To enhance the internal validity, an in-depth interview is done with proper research done to construct the interview questions. Validity of the data’s are performed during editing and coding of the data collected. Field notes are also assessed to clarify any vague items identified in the transcription of the recorded interviews. Accuracy of the recorded interviews is also done by reviewing it multiple times. Meanwhile, external validity is enhanced by ensuring the researcher to seek clarification during and after the interview by asking interviewees to review their transcripts. The research findings are also discussed with other scholars.

Saunders et al (2009) suggested that semi-structured and in-depth interviews are exposed to reliability concerns. In order to enhance reliability, the researcher has documented all materials, notes and decisions to choices in regard of this research. In order to reduce bias, the researcher tried to maintain a neutral role in performing the research. A “high-degree” of structure of the interview questions is also implemented as suggested by Saunders et al (2009) to reduce the reliability threat.
3.12 Ethics

Ethics can be defined as the “moral principles, norms or standards of behavior that guide moral choices about our behavior and our relationships with others” (Blumberg et al, 2005). Diener and Crandall (1978) classified ethical principles into four main areas – “whether there is harm to participants; whether there is a lack of informed consent; whether there is an invasion of privacy; and whether deception is involved”.

The researcher takes precautionary action to adhere to the ethics principles mentioned above. Saunders et al (2007) mentioned that a researcher is responsible to ensure the research design to be “methodology sound and morally defensible”. In this research context, the researcher is concerned that ethical issues may arise while analyzing the data. Hence misinterpretations of any information received during the data collection period are to be avoided. All interviews are recorded in a media recording device that is password protected. In addition, all vague or doubtful answers are clarified during the interview or after each interview are transcribed to avoid any misinterpretation. In respect of ethics during the interview, researcher is expected to maintain a certain level of professionalism in conducting the interview. Interviewee rights to remain anonymous and their right to refuse recording of the interview are respected. Ethics in this research also focuses on the respect of the originality of any data collected by crediting the appropriate authors to avoid plagiarism.

Furthermore, other issues like biasness should also be avoided by having a neutral stance on the research topic. Bias could impair the “validity and the replicability” of the study (Sekaran, 2003). Some of the biases identified are sampling biases where ‘inability to contact persons’ could also affect the quality of a research. In addition, biased questions are also identified as the researcher is from a country where it is considered as a pioneer to the Islamic finance development which might affect or influence the types of answers expected from interviewees.
Chapter 4
Findings
4.0 Introduction

This section will present findings from the qualitative research undertaken by using a mono-method approach to study Islamic finance in Ireland. The findings of this research will be analyzed in an inductive approach.

Qualitative research is carried out by performing interviews while referring to past literatures to further explore the themes of the research and to achieve overall dissertation objective. This method is also known as grounded theory where the data and explanation emerges as a result of the research (Saunders et al, 2009).

4.1 Data Collection

Purposive sampling was used to help identify professionals involved with Islamic finance in Ireland. The interviews were carried out in the interviewees’ office and lasted around 45 minutes to an hour. A set of semi-structured questions are provided to allow an open-ended discussion with the interviewees based on their experience and knowledge in Islamic finance.

4.2 Data Analysis

Data’s are gathered to form series of work that involves ‘identifying themes, dividing the research material into chunks or units and allocating the units to the themes’ (Fisher, 2004). According to figure 3.3, this process is necessary as to prepare the data for analysis. Data from the taped-interviews was transcribed and edited while referring to the field notes as suggested by Saunders et al (2009). These actions are also done on the same day to ensure accuracy of the interviews (Sekaran, 2003). All transcribed interviews was grouped together to show similarities and differences according to the research questions. Finally, data’s are interpreted to make sense of the research question so that it can be developed to form a collective opinion and argument on the research topic.

4.3 Validity and reliability

To enhance the internal validity, the discussion topic and basic background of each interviewee are researched before the interview is carried out. Validity of the data’s are performed during editing and coding of the data collected. Field notes are also reviewed to clarify data’s. The
recorded interviews were reviewed multiple times to ensure accuracy of the transcribed data. Meanwhile, external validity is enhanced by seeking clarification from the interviewees and for them to review the transcripts. The research findings are also discussed with other scholars.

Saunders et al (2009) suggested that semi-structured and in-depth interviews are exposed to reliability concerns. In order to enhance reliability, the researcher has documented all materials, notes and decisions to choices in regard of this research. In order to reduce bias, the researcher tried to maintain a neutral role in performing the research. A ‘high-degree’ of structure of the interview questions is also implemented as suggested by Saunders et al (2009) to reduce the reliability threat.

4.4 Findings

This section will discuss the research findings from interviews with three professionals who have expressed their opinions on the subject matter. The data’s are coded per Strauss and Corbin approach (1990) to further explore the themes and direction of this research. The following themes are classified as selective coding and can be found in the Appendices section.

4.4.1 Awareness of Islamic finance

Two out of three interviewees stated that they do not have much knowledge of Islamic finance. One interviewee stated that he would not have a huge knowledge of Islamic finance if he has not worked there. Similarly, another interviewee learns about Islamic finance during the tenure of his employment which requires him to take the professional qualification for Islamic finance. Both agreed that they also learn about Islamic finance through the media. On the other hand, one interviewee has had a formal education in Islamic studies and is exposed to Islamic finance while growing up.

All interviewees are aware of the Irish governments’ motive in bringing Islamic finance and their intention to be the Centre of Islamic finance in Ireland.

“…so that it would open all different types of business.”

“…the Islamic finance could be a good way out of that recession.”

They mentioned that it is one of the efforts to “refresh the Irish economy”, “marketing Ireland”, to help combat the recession, to create more jobs and bring more money into the country.
All interviewees agreed that the public in Ireland would not have a huge knowledge of Islamic finance.

All interviewees agreed that professional firms know about Islamic finance. However, the extent of how many these firms know about Islamic finance was not discussed. One interviewee commented that the people who need to know, knows and that there are functions in their organizations that deals with Islamic finance.

“I would think that professional firms have certainly most in their departments now that has special that each of them would have sections of Islamic finance or Islamic finance teams…”

“…we do have Islamic finance authorities in Ireland who can be members of boards of management…”

The reasons why the public or professionals are not aware of Islamic finance in Ireland are as follows:

a) Not enough activity in the media
b) Small Muslim population
c) Terms of Islamic finance
d) Islamophobia

Firstly, an interviewee suggested that there is not enough to talk about. He continued that this might lead to the lack of coverage and activity by the Irish media on Islamic finance.

Other reason includes the small Muslim population, the terms used in Islamic finance and Islamophobia. Interviewees commented “…because they only limit their understanding of the word interest…” and that “…when they hear the word Islamic finance, they tend to relate to what they seen on the screens…” the Islamic finance system was unable to grow.

4.4.2 What is needed to be a “Centre of Excellence” for Islamic finance?

This subject can be further divided to three themes where the interviewees discussed the following themes during the course of the interview.

a) What is needed?

In order to become a “Centre of Excellence” of Islamic finance, the interviewees suggested that Ireland needs the following:
I. A Sharia compliant banking facilities to attract people, especially Muslims from the Middle East to invest in Ireland

II. For the government to start its own project so that it could provide initiatives to the private sectors

III. Train staffs in Islamic finance and Sharia law

IV. Muslim involvement in the development of Islamic finance in Ireland

V. Islamic enlightenment and a systematic education system

VI. Create confidence on the Islamic finance system

b) Is there demand?

An interviewee suggested that at the point of the interview, there is no demand on the retail market but huge funds are currently undertaken for the wholesale market. He commented that

“Well I can say that at this point we have no evidence for demand… I think there is; just from this perspective here it hasn’t been communicated to us.”

One interviewee suggested that the reason is because of the current economic state. He stated that banks have other things on their shelves thus reducing the chances to introduce new products like the Islamic finance products.

However, it was argued by another interviewee that there is demand where a list of 400 potential buyers for Islamic mortgages existed.

c) Will it affect the Irish financial system

Two out of three interviewees agreed that Islamic finance would not affect the current financial system.

From a legislative point of view, an interviewee mentioned that it would not affect the current system as “…one type of approach doesn’t have an advantage over the other” and that it is in the government’s intention for it to be neutral.

However, Islamic finance could create more competition. An interviewee commented:-
“…if they do it they will be pioneer. They will have the biggest number of customer but I also said that they won’t be on their own for long… once people do it and people see it is viable, they will be copying this… it will also help because it will refresh the atmosphere so Muslim and non-Muslim will benefit from that…”

4.4.3 What has been done?

The interviewees agreed they saw slow to no progress of Islamic finance system in Ireland.

All interviewees are not aware of any initiatives undertaken by the government or the Central Bank to encourage the growth of Islamic finance in Ireland. However, all are aware of other institutions effort in the matter.

“We have approach to the banks before recession and we talked to the... them about the umm market for houses for Muslims… they were not very flexible about it. So, we said maybe they need to be addressed in a different language, so (we) invited bankers from the UK who deals Muslims and we invited representatives from the very financial institutions in Ireland to a seminar…”

“… I have heard of a number of Muslim speakers they’re specialist in banking. They do come to Ireland and they do give talks to Irish economist…”

As mentioned above, a list of 400 potential buyers for Islamic mortgages is also available.

Two interviewees mentioned that they are aware that CIMA is now offering courses in Islamic finance and grants are available to the public to pursue education in Islamic finance.

All interviewees are also aware that some colleges in Ireland are now offering courses for Islamic finance studies.

Two interviewees suggested that private companies are now offering Islamic finance services to investors and companies in Ireland.

“They come to us here and they’ve asked for advice… a few people will have a number of ideas. They are not bankers but it will be private companies doing in certain Islamic or Sharia compliant products for Muslims in Ireland…”

One interviewee mentioned his company provides services where they look for investors to bring in capital to “investible companies” to finance projects not only in Ireland but also Europe.
4.4.4 Comparison to other Islamic financial markets

Mature Islamic finance markets like Malaysia, United Kingdom and the Middle East are discussed in the interview session.

As mentioned above, Ireland is employing a tax neutrality approach where both conventional and Islamic finance products are taxed the same way. If compared to markets like Malaysia certain income derived from Islamic finance products like dividends are exempted from taxes. An interviewee confirms that this is not the case with Ireland.

Meanwhile, an interviewee argues that as compared to Ireland, the Malaysian Central Bank is in sync with the rest of its financial institution.

The interviewee also raises the issue of business and religion decoupling. He expressed that people do not care about religion because at the end of the day, they want a fair and transparent deal that is value for money. He commented that people in West are very secular thus Islamic finance products have to make their products attractive. This brings to the concern of using Islamic terms in the products as it will raises confusion to non-Muslims. He concluded that this is where Malaysia excels, that they bring everybody in and it is marketable. However, he added that Malaysia took a long time to achieve the success.

An interviewee commented that there are more Muslims in the UK than Ireland. The UK market serves as a global center for finance hence it is more appealing to other people especially from the Middle Eastern countries.

If compared to other European markets like Luxemburg and France, one interviewee stated that Ireland’s approach to Islamic finance regulation are ‘broadly’ the same as the French’s except that Ireland does not deal with any special legislation for mortgages and the retail sector.

Another interviewee suggested that Ireland has the most advanced legislation compared to other European markets. He commented that Ireland treats Islamic finance in a neutral manner by making sure it does not creates any tax leakages. Their approach to tax neutrality also looks into the substance over form approach where it focuses on the objective and to regulate it accordingly rather than making a new tax regime for Islamic finance. However, he noted that nobody is using it.
The interviewees suggested the followings on what Ireland can learn from the mature markets:-

a) Market Islamic finance to everybody
b) Send staff to the mature markets for training
c) Government to show the lead
d) Prevent from abuse of legislation
e) Learn from stamp duty problems faced by the UK market

An interviewee suggested the importance of communication that first experience does matter. He took the Malaysia as an example where neither the government nor the banks forced people to buy Islamic products. He mentions that Malaysia focused on the wholesale sector with lots of publicity. However, as noted above, it took Malaysia more than twenty years to achieve it.

In addition, the interviewees suggested that staff members should be sent to these mature markets. One interviewee commented:-

“… if they send members of their staff to these countries and have them for training courses in these Islamic countries and to see how they work in their Islamic products over there and let them see how much profit they are achieving… so they need practical lessons maybe…”

The discussion was then continued to how Ireland can compete with these markets. One interviewee suggested that it is easy for Ireland to compete. He stated that:-

“… because Ireland does not have a history of colonization, they have not occupied any of the Muslim countries… the fact that there is a number of embassies very recently open in Ireland… they’ve (Muslims in Ireland) been approximately from 62 different backgrounds… Ireland has a very good reputation in these countries…”

4.4.5 What else can be done?

As mentioned in 4.5.2, currently there is “no evidence for demand” or that “it hasn’t been communicated to us”. However, one interviewee stated that more Islamic products will be introduced and the government are looking into mortgages and leasing transactions.

Another interviewee argues that he does not foresee any Islamic products (retail) available in the Irish market in the next ten years. He stated that it can be done quickly but the problem lays with the Irish banks shelf products.
The interviewees suggested the followings as some of the challenges Ireland might face in developing Islamic finance:-

a) The battle against recession  
b) Small Muslim population  
c) Islamophobia, ignorance and skepticism  
d) Government not doing enough  
e) Substance over form

One interviewee suggested that Islamic finance instruments like Sukuk are expensive to issue. Hence, it is more appealing to larger companies. However, Middle Eastern countries like Oman does not buy Sukuk from countries lower than A credit rating therefore they do not buy Sukuk from Ireland who is rated BBB (at the time of the interview). He also added that although regulations are laid out and treaties agreed, these efforts only enable but without action nothing can be accomplished.

All interviewee agreed that Islamophobia, ignorance and skepticism are one of the main challenges Ireland has to overcome. In their effort to become a “Centre of excellence” of Islamic finance, it is important that these issues or general perception to be tackled.

Referring to 4.5.2, confidences in the system should be created. The interviewee stated that:-

“…ignorance usually raises fear and this fear is not based on just premises but just fear that is based on ignorance…”

“So, if we want to bring this money here then we have to build confidence about it, self-esteem is very important…”

One area that raises concern is on the substance over form approach the government is pursuing as one interviewer stated that:-

“We decided that it's not necessarily important for us to understand sharia finance, sharia law…”

However, another interviewee disagrees with the approach saying

“… You can't mix them because they are based on different theories…”

These challenges are not without solution. One interviewee mentioned that
“so it really means that you’re looking at bringing business from abroad but I think Ireland is really good at that… that has been our forte really hence you know bringing on domestic financing industry etc into the country and acting as a hope for that kind of industry…”

The following are some of the suggestions identified how Ireland can manage these challenges and help Ireland become a “Centre of excellence” of Islamic finance.

a) Someone to start offering Islamic finance products

b) The government to play an important role

c) Invite foreign banks to open branches in Ireland

d) Remove prejudgments on Islamic institutions

e) Revolution of Islamic finance education

One interview commented that if the government creates opportunities for Islamic finance and provides Sharia compliant products in Ireland, they are one step closer to achieve the objective.

This is mainly out of concern of two out of three interviewees as they mentioned that although there is tax legislation on Islamic finance, nobody is using it. Therefore, they feel that someone has to start and in their opinion, the government should show the lead. Both interviewees agreed that once the government starts its own project first, it will provide initiatives and soon people will follow.

Another way to overcome this is by inviting foreign banks to open branches in Ireland. One interview stated “… that might make a difference to other investor here…”.

Meanwhile, two out of three interviewees mentioned that prejudgment on Islamic finance and its institutions should be removed. An interviewee suggested it can be done if history could be brought up. History could bring some sense of belonging to all religion on how Riba or interest was once treated. He added that the British and the French are struggling to connect this and believes that it is important to not take Islamic finance as a religious product.

Finally, one interviewee suggested that there needs to be a revolution of Islamic finance education in Ireland. He stated

“I think we need a massive revolution in this regard… well, I understand that there are people at the moment doing degree in Islamic finance but that is not enough… Islamic finance has to be an essential part of the crucial courses…”
Chapter 5
Discussion and Recommendations
5.0 Introduction

The aim of this research is to study whether Ireland can be a “Centre of excellence” for Islamic finance. From this research, the researcher’s primary motive was to study and understand three different areas as formulated based on the following research questions:

4. What is needed for Ireland to become a “Centre of excellence” for Islamic finance?
5. What has been done for Islamic finance in Ireland?
6. What else can be done?

The Institution of Engineering & Technology (http://eandt.theiet.org) defines “Centre of excellence” as a “department that, in addition to performing its own routine work, has an additional role in improving its own expertise and knowledge resources so that in turn it can help other activity centres throughout the organisation to improve. The CoE may comprise a functional or cross-functional team looking both inside and outside the organisation to capture new knowledge and practices. It may be set up as a physical or virtual team, but it will have a permanent rather than just a project status. The defining feature of a CoE is knowledge management”.

Based on the definition above, this chapter will further discuss how Ireland can achieve this status.

5.1 Research objective discussed

5.1.1 To study what is needed to become a “Centre of excellence” for Islamic finance

Three interviews were conducted to determine what is needed to become a “Centre of excellence” of Islamic finance. All interviewee are directly involved in the Islamic finance industry in Ireland and therefore are aware of the requirements to achieve this objective.

To be an Islamic finance hub, interviewees has suggested several requirements that are relevant to past literature. According to a research by PwC (2008), the Malaysian government has shown numerous efforts to be the first to kick start the Islamic finance industry. This is also the case in UK where according to Walmsley (2009) and the Gulf Research Centre (2010) their success was due to the governments’ policy that “went beyond the political agenda and focused on the financial and economic value of IBF propositions”. In other words, literatures and the interviewees agreed that the governments’ plays an important role to the Islamic finance development.
In addition, the interviewees also felt that education is important. Dr Zeti Akhtar Aziz, the Governor of the Malaysian Central Bank commented that skills required for Islamic finance are “unique” and scholars have to attain knowledge of finance with Sharia as the central focus. In order to achieve this, a sound, systematic and recognized institutions to teach the “unique” skills are required.

Moreover, education enables confidence in the system and provides enlightenment as suggested by the interviewees. Since Ireland is not a Muslim country and that Muslims are also a minority, education could prevent “financial innovation” risk due to being unfamiliar to the Sharia and the Islamic finance industry (Belouafi and Belabes, 2010). The findings also shared that staff training and Muslim involvement in the process are also important to avoid the risk mentioned above.

In order for Islamic finance to foster in Ireland, there must be also demand. Sir Edward George (2003) stated that UK’s venture Islamic finance was driven by his observation of how Muslims have to go against their religious belief. However, this reason was backed by the demand of Muslims who records as the second largest religion in UK. Reddan (2012) stated that Sukuk have been actively traded in the Irish Stock Exchange since the legislation changes, for example a $2 billion Sukuk listing reflecting the demand for the wholesale products from Ireland. However, majority of the interviewee feels that although there is demand for the wholesale products, for the retail sector there was “no evidence for demand” and that “it hasn’t been communicated”. Moreover, Muslims are still a minority in Ireland. This brings back to the question whether Ireland can be a hub for Islamic finance without providing retail products.

Similar to Beloufi and Belabes (2010), the interviewees also agreed that regulation is also required. The finding shows that Irelands’ approach to Islamic finance regulation is similar to the UK. Ireland do not recognize Islam within the tax law, thus Islamic terms are not mentioned in the regulation (The Australian Board of Taxation, 2010; Amin et al, 2013). This approach is also part of their intention to balance the financial system so that it achieves tax neutrality and to promote a free market (Amin et al, 2013).

5.1.2 To identify what has been done to implement Islamic finance in Ireland.

The research finding shows that all interviewees see slow progress and that they are not aware of any initiative by the government in regards to the Islamic finance sector in Ireland. However, they are aware of many initiatives done by the private sectors as there is demand for advisory and consultancy services.
This is inconsistent with the researchers’ findings on other markets like Malaysia and the UK. As mentioned above, PwC (2008), Walmsley (2009), the Gulf Research Centre (2010) and majority of the interviewees agreed that the government should be responsible to start and hold an important role to the growth of Islamic finance. The literature shown that for Malaysia and the UK, its government and the Central Bank is in sync with the rest of its financial institution thus allowing more coordination and various types of initiatives conducted (PwC, 2008 and Amin et al, 2013).

In terms of regulation, currently Ireland only accommodates for the wholesale sector. There is no indication that shows a retail products are to be introduced in the near future. As mentioned by the interviewees, there was no demand at the moment. However, the Irish tax authorities are open to regulate other Islamic finance products in the near future. Therefore regulation is not a hindrance to the growth in Ireland.

5.1.3 To identify what else can be done to achieve this objective.

The research was able to identify possible challenges Ireland might face in becoming a “Centre of excellence” for Islamic finance. The interviewees suggested that the recession, small Muslim population, Islamophobia, government not doing enough and the legislation issue as some of the possible challenges. This is consistent with the research by BDO (2008) in figure 2.1 and the works by Beloufi and Belabes (2010), Warde (2010), KPMG (2010), Wilson (2007) and Amin et al (2013) and Canuto (2012) that have identified the barriers to growth and challenges for Islamic finance.

In order to overcome these challenges, the research has uncovered several suggestions that would help Ireland become an Islamic finance hub. Majority of the interviewees strongly urges that someone has to start. They suggested that the government should be the one to start and play the role to grow Islamic finance in Ireland. This step is one of the success factors of the mature markets.

However, it has been only few years since Ireland started to regulate Islamic finance (Finance Bill, 2010). Amin et al (2013) and an interviewee agreed that it takes ‘significant effort’ and a lot of time to achieve success in Islamic finance.
5.2 Recommendations

It has been established that majority of the interviewees feels that there was no progress in the Islamic finance development in Ireland. From the discussions above, the researcher finds that in order for Ireland to be a “Centre of excellence” for Islamic finance the government holds the key to achieve this objective.

It would be worthwhile for the government to first consider establishing regulations for other Islamic finance products such as mortgages and leasing. In order for the Islamic finance market in Ireland to grow, regulations would enable and encourage private companies or Irish banks to get involved in the market. Regulations are also a way for the market to reduce the risk of ignorance or abuse of the system. Their recent agreement with Malaysia’s Security Commission is beneficial as it would help Ireland to establish this purpose.

In regards to the above, although regulation supports the growth but it is a waste if no one is using it. Therefore, someone has to start. The research findings raised this issue where it is suggested that the government should start their own project. If they are able to achieve this, it is a step forward than the rest of European countries and might also penetrates not only to the European market but also to the rest of the Islamic finance market.

Otherwise, Ireland should invite foreign banks to open branches in Ireland. Currently, Ireland has treaties agreement with some of the most advance market for Islamic finance. Other markets also practice this approach as it enables the government to ‘test the waters’ for Islamic finance products and create more competition to the conventional financial market.

The research also suggested more Muslim involvement in the system. Literature stated that Islamic finance required “unique” skills and these skills are limited as it takes a long time to acquire. Therefore, Muslims can partake in management of Islamic finance. The government can establish a National Sharia Board to monitor the system and advices the Central Bank on religious matters. By working together with the Central Bank, the system could be more in sync with the rest of the financial system hence allowing more control of the market.

Education is also important to develop Islamic finance in Ireland. As mentioned above, the interviewees feel that the public knows little about Islamic finance. Education can be in different forms and not only available in classrooms. The awareness to the public should also be promoted. An interviewee suggested bringing up history such as the principles of Riba in the early days to bring some sense of belonging.
Education is also a way to remove prejudgments people have on Islamic institutions. According to the findings, ignorance and fear of anything Islamic can be removed once it is known and studied. This effort could promote confidence to a new system that could help the Irish economy. Similar to Malaysia and the UK, Ireland could also provide more diversity and competition to its financial system and allowing its residents to more choices in money-management.

5.3 Limitation

While conducting research for the secondary data, the researcher was able to identify few limitations for this topic. Firstly, there are limitations on the availability of Islamic finance sources in Ireland. Libraries are not equipped with materials for this topic and there is little literature in Ireland context hence the longer time to search for information.

Therefore, other sources from the UK, Malaysia and the Middle East are referred to in the literature review and also in constructing the research findings. Warde (2000) argues that there are also “flaws” in Islamic finance literature where he said it is limited by “the 'authorized' nature of a significant portion of it; narrow geographic focus and lack of comparative analysis; reductionism (religious, financial and legal); and faulty assumptions about the relation between theory and practice”.

In addition, data’s are collected via interviews with professionals directly involved in the area to answer the research question. When only a number of professionals are available in Ireland, some could not contribute to this research. Furthermore, Paton (1990) explains that ‘structuring data collection instruments has several limitations. By setting out an agenda, the qualitative evaluator may miss opportunities to follow an interviewee’s direction’. Hence, direction of the interview which was limited by time leads to some issues like the depth of governments’ involvement was unable to be discussed during the course of the interview. Some of these issues were also not available in literature works.

Another limitation is that the researcher’s skill in interpreting the data. Paton (1990) argues that “a challenge for evaluators who use qualitative methods is to establish the credibility and generalizability of their findings, that is, their believability and hence usefulness for stakeholders. Relying on analyses of cases can produce rich, detailed information, but if we cannot address possible concerns about the representativeness of the findings, or the methods used to produce
them, our work has not been productive”. Time also plays a major factor to learn and improve skills in order to construct a quality research.

Finally, as the development of this topic is currently ongoing and would require more time to establish itself, this research can only cover a certain time frame which is restricted to the time of the submission date. In addition, the depths of discussion like what else can Ireland do are also subject to the Irish government’s focus at the moment which is to focus on the wholesale sector.

5.4 Contribution to the Industry and future research

Easterby-Smith et al (2002) argued that a research needs to have some practical consequences. One of the major contributions of this research is to provide some of the early study of the Islamic finance development in Ireland. The research provides information of the initiative undertaken by various parties to introduce the system, challenges and suggestions on how Ireland can be a “Centre of excellence” for Islamic finance.

It would not only benefit students, professionals and the public but mostly to non-Muslim that are interested to know more about Islamic finance but with limited resources to do so. This research raises issues that Ireland is facing and could be a tool for future research. The researcher hopes that this research could provide more understanding of Islamic finance and it could hopefully break the skepticism people have on the system. Finally, by identifying gaps of the current development, the researcher hopes this research could help Ireland move a step closer to be a successful “Centre of excellence” for Islamic finance.
Chapter 6

Conclusion
6.0 Conclusion

The research was undertaken targeting the Irish financial market where Islamic finance is the main focus. It is a research instigated by the Irish government’s announcement in the summer of 2012 where it aims to be a “Centre of excellence” for Islamic finance in Europe.

The primary and secondary findings shows that in correlating the research question one: what is needed to be a centre of Islamic finance and research question two: what has been done to implement the system, there are gaps identified suggesting that Ireland have much more to do to achieve its objective. Therefore, in order for Ireland to be a “Centre of excellence” for Islamic finance, these gaps need to be filled.

The overall research shows that in order to achieve this, the government has to step up and lead the Islamic finance market. This research shows that there was lack of awareness from the public because currently the system is focusing to the wholesale sector rather than retail. Recommendations in past literature and research findings provide suggestion how Ireland can be a “centre of excellence” for Islamic finance thus achieving the research objective as outline in chapter three.
Chapter 7

Self-reflection on own learning and performance
7.0 Introduction

This final chapter provides an outline on the learning process that was undertaken during the course of the research while identifying skills acquired to assess the overall performance of the researcher. Kolb (1984) learning style and Honey & Mumford (1986) Typology of learners are used for this purpose. Finally, an overall conclusion will be made to set a possible future direction to the researchers’ development and career.

7.1 Background

“Try not to become a man of success rather try to become a man of value.”
— Albert Einstein

Growing up, the researcher was exposed to different cultures and was taught to try different things every day. The researcher competed in taekwondo, arts, beauty contest and also learnt foreign languages like Mandarin and Korean.

After going through five years of formal education in accounting, the researcher never really did see herself doing only accounting. Therefore, the researcher took the challenge to branch out into other areas and decided to pursue her studies in MBA.

MBA has exposed the researcher to be more independent in developing her own opinions and was able to improve inter-personal, critical thinking, personal management, cognitive and learning skills. These attributes and learning process will be discussed below.

7.2 Learning Style

Learning style can be define as “characteristic cognitive, effective and psychological behaviours that serve as relatively stable indicators of how learners perceive, interact with and respond to the learning environment” (Keefe, 1979). Meanwhile, other scholar argues that as each individual learns differently (Honey & Mumford, 1996), learning is a process where “concepts” or “ideas” are modified by experience which could leads to personal development (Kolb, 1984; Bruner, 1966).

Kolb (1984) argues that there are four stages for experiential learning. Figure 7.1 summarizes the cycle of learning which comprises the following:

a) Concrete experience: The act of feeling by getting involved in new experience
b) Reflective observation: The act of watching or observations on personal experience
c) Abstract conceptualization: The act of applying experience to theories, and
d) Active experimentation: The act of interpreting theories for future undertakings, make
decisions or solving problems.

Figure 7.1
Kolb’s learning styles (Source: Kolb, 1984)

As mentioned, above, everyone learns differently. Therefore, by knowing self-learning style,
learning could be oriented to the preferred method. Kolb identified four types of learning styles;
accommodating, diverging, converging and assimilating. Meanwhile, Mumford (1993) argued
that personal characteristics influence learning. Thus, Mumford and Honey developed a
questionnaire to study these characteristics which are divided into four types of learning styles;
activist, reflector, theorist and pragmatist.

From the questionnaire (refer to appendices), the researcher identified her learning style as a
reflector. A reflector is said as a person who likes to stand back and observe before coming to a
decision. Reflectors are risk averse and are cautious therefore require a thorough analysis of data.
They are characterized as being thoughtful, a good listener and would usually take a back seat in
meetings and discussions. This is because they enjoy observing other people and needs time before making their own points.

The questionnaire also suggests that the researcher is also a pragmatist. As mentioned in 7.2, the researcher likes to try out different things. A pragmatist is said to be the first to experiment to see if it would work in practice and are practical, down to earth in making decisions or in problem solving.

The learning style enables the researcher to understand better about herself and believes that it was reflected in the process of completing this research. However, the researcher understands that these learning styles have its disadvantages therefore this assessment would help in building the researchers personal development in the future.

7.3 Skill Development and Performance

Throughout the course of the MBA program, the researcher has encountered numerous challenges and opportunities that have led to the completion of this research. This section will further discuss these experiences and assesses how the researcher have developed for the past a year and a half.

7.3.1 Inter-Personal Skills

From past experiences, the researcher has always felt neglected in conversations and she feels that it is because of her soft voice. This leads to her feeling timid in discussion therefore would prefer to remain quiet. Even during the tenure of her work, she finds trouble in communicating her thoughts or opinions.

By moving abroad, the researcher feels that she was able to overcome this as she meets with different people from many backgrounds. The multicultural class has given the opportunity for the researcher to interact with people who talks in different languages. From there, she learnt to use simple words to explain things in getting what she wanted. At the same time, the researcher feels that she was able to improve negotiation skill as well as communication skills through the group discussions and research interviews.
7.3.2 Critical Thinking Skills

The researcher realized that as an accounting student, she finds herself memorizing facts or calculating numbers. While not blaming the system, the researcher feels that this has led to the lack of critical thinking skills. Banning (2006) argues that critical thinking involves scrutinizing, differentiating, and appraising information as well as reflecting on information to make judgments that will inform clinical decisions.

The MBA program emphasizes on discussions and group work where case studies are analyzed while applying theories to the end result. Like accounting or law subject most questions have a definite answer but MBA has given the researcher more opportunity to create ideas and discuss it with others. The researcher decided that in order to further understand business management, she need field experience. Therefore, she enrolled in a three months internship to learn how commercial firms do business.

The completion of this research was also contributed by all this processes and experiences where the researcher was able to train in developing ideas, discussing it with other scholars through interviews and stating opinion by making argument that relates back to past literatures or theories.

7.3.3 Personal Management Skills

Personal management is very important as it could control the quality and ensure someone can deliver its job. Throughout the course of the study, the researcher kept a schedule to ensure each assignment is submitted before or on time. This was also applied during the course of this research. The researcher feels that by not procrastinating and following the schedule, more time can be done in research. The researcher was able to maintain work life balance. As a result, the researcher is happy that her personal management skill enables her to many good results and opportunities.

7.3.4 Cognitive and Learning Skills

The researcher feels that besides improving her understanding of business management, she learns more than that. As a reflective learner, Honey and Mumford describe the trait as to like to stand back to ponder experiences and observe them from many different perspectives. In
addition, they are thoughtful people who like to consider all possible angles and implications before making a move.

However, the MBA has really changed the researcher in this aspect. Last April, the researcher was invited to attend a roundtable series with highly positioned people from the Malaysian financial industry. She finds herself more confident and feels ease in meeting new people, sharing ideas and also presenting her ideas to the room within ten minutes of preparation time. The researchers’ group was also awarded the best group among 6 other groups.

The MBA experience has also helped the researcher to conduct this research where during the interviews, the researcher was able to conduct the discussions and make fast decisions to the direction of the interviews. In addition, this thesis has exposed the researcher to be unbiased, open-minded and make logic to the experience that she been through. In other words, MBA has opened the opportunity to other learning styles like theorist and activist that can be explore more in the future.

7.4 Conclusion

Einstein quote above taught the researcher that success does not mean everything, be a person of value. To become a person of value, the researcher feels that she must value the surroundings – family, friends and also what was given to me in life. As a Muslim, the researcher is also responsible for her own actions and try not to take things for granted, learn from mistakes, always be humble as at the end, nothing is permanent and it is not ours to claim. So, the researcher believes in continuous learning and she is willing to learn new things every day.

The researcher hoped that from the completion of this research and also the completion of her MBA, she is able to spread and educate people no matter how little of Islamic finance and hoped that this research could get Ireland a step closer to becoming a “Centre of excellence” for Islamic finance.

Nothing is easy but my parents taught me that nothing is impossible.
Bibliography


Khan, O. (2009). *Ireland: Gateway to Europe and Beyond for Islamic Funds*. [Online]. Available at:


The Daily Business Post. (2012). *Islamic finance company Amanie to set up in Dublin*. [Online]. Available at:


Appendices
Sample e-mail requesting interview

Dear XXX,

My name is Noorizzati Aini, a student from Dublin Business School. Currently I am doing my Masters Dissertation on the development of Islamic finance in Ireland and I understand that your company have the same interest and are involved in this topic.

In this regard, I was wondering if you or your recommended colleagues could spend some time for an interview with me, probably for an hour or less.

I believe that your company plays a big role in the development of Islamic Finance in Ireland and together with your background on Ireland's financial system, it would be a big help for me to understand this topic. Therefore, I appreciate if you would consider meeting me for this purpose.

Looking forward to hear from you soon.

Best regards,

Noorizzati Aini Zainal Aalam
MBA in Finance, Dublin Business School
Interview Questions
by Noorizzati Aini Zainal Aalam

Introduction

1. Firstly, please could you introduce yourself?
2. How much do you know about Islamic finance/ do you yourself have any experience in Islamic Finance?
3. What is your company’s role in the development of IF in Ireland?
4. Why do you think the government is introducing Islamic finance in Ireland? / What is the objective? / What are the pro and cons?
5. How much do you think the professionals and the general public know about Islamic finance?
6. Why do you think people do or not know about it?

Research question 1: What is needed to be a ‘centre of excellence’ of Islamic finance?

1. What do you think are the essentials needed to establish an Islamic finance, especially for a non-Muslim country like Ireland?
2. How can Ireland be a center of excellence of Islamic finance?
3. Do you think there is any demand for Islamic finance product in Ireland?
4. Will Islamic finance affect the current financial system? If so, how will it affect the system?

Research question 2: What has been done to implement Islamic finance in Ireland?

1. Are you aware of the initiatives Ireland’s Central Bank has done to encourage the growth of Islamic finance? Can you name a few?
2. How is the public reaction to this initiative?
3. How does Ireland prepare itself and their professionals to Islamic Finance?
4. If we compare between the mature markets like Malaysia, Arab and the UK, what direction do you think Ireland is leaning towards to? Why do you think so?
5. How do you see the government’s approach different from other European countries like France and Luxemburg? / How can Ireland stay competitive?

Research question 3: What more can be done?

1. How do you see Islamic finance progressing in Ireland?
2. In your opinion, what else can be done?
3. What are the lessons Ireland can take from the mature markets?
4. Do you think Ireland banks would offer Islamic retail products in the future?
5. What other challenges do you think Ireland may face in establishing Islamic finance? How can the government manage these challenges?
## Coding 1

<table>
<thead>
<tr>
<th>Remarks</th>
<th>Open Coding</th>
<th>Axial Coding</th>
<th>Selective Coding</th>
<th>Core Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;We wouldn't have a huge knowledge of IF...I wouldn't have a huge knowledge of it if I haven't work here&quot;</td>
<td></td>
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<tr>
<td>One interviewee have formal education in Islamic studies</td>
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<td></td>
<td>Self-awareness</td>
</tr>
<tr>
<td>One interviewee learnt about IF through the media, past work experience and CDIF</td>
<td></td>
<td></td>
<td></td>
<td>Public</td>
</tr>
<tr>
<td>One interviewee believes that IF should be commercial, people involved should know what is needed to get projects and people who knows business</td>
<td></td>
<td></td>
<td></td>
<td>Professionals</td>
</tr>
<tr>
<td>&quot;I would think that professional firm have certainly most in their departments now that has special that each of them would have sections of IF or IF teams...&quot; One interviewee suggested that people who need to know about IF knows &quot;... we do have Islamic authorities in Ireland who can be members of boards of management...&quot;</td>
<td></td>
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<td></td>
<td>Islamic finance in Ireland</td>
</tr>
<tr>
<td>One interviewee suggests that there isn't enough to talk about &quot;...because they only limit their understanding of the word interest...&quot; &quot;...when they hear the word IF they tend to relate to what they seen on the screens...&quot;</td>
<td></td>
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<td></td>
<td>Reasons for unawareness</td>
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<tr>
<td>&quot;...so that it would open all different types of business&quot;</td>
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<td>&quot;...the IF could be a good way out of that recession&quot;</td>
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</table>

**Self-awareness**

- 2/3 interviewee does not have much knowledge or experience of IF

**Public**

- All interviewee states that the public would not have a huge knowledge of IF

**Professionals**

- All interviewee states that professional firms knows about IF

**Reasons for unawareness**

- Small Muslim population
- Not enough activity in the media (no coverage)
- Terms
- Islamic phobia

**Motives**

- Equivalent treatment
- Marketing Ireland
- Job opportunities
- Refresh the Irish economy
<table>
<thead>
<tr>
<th>Remarks</th>
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<tbody>
<tr>
<td>&quot;Well, I think for IF to come to Ireland people giving? they have to make sure that there is a possibility if sharia compliant banking facilities. Otherwise why would they bring this money...&quot;</td>
</tr>
<tr>
<td>One interviewee suggested that if the government starts and show it to the private sectors, it will provide initiatives and people will follow but added that nothing is being done now</td>
</tr>
<tr>
<td>&quot;...when they see Muslim colleagues working then they will be confident about it. But the fact is if you go to any of these bank you won’t see Muslims work in there. So, they feel it is not their area... ignorance usually raises fear and this fear of not based on just premises but just fear that is based on ignorance...&quot;</td>
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| "...if you are to introduce another system they need good source of knowledge..."

<table>
<thead>
<tr>
<th>Remarks</th>
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</thead>
<tbody>
<tr>
<td>&quot;Well I can say that at this point we have no evidence for demand... I think there is just from this perspective here it hasn't been communicated to us&quot;</td>
</tr>
<tr>
<td>One interviewee stated it can be done but the current market, banks have other things on their shelves now that they are not giving away. Hence, why would they introduce more products</td>
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</tbody>
</table>

<table>
<thead>
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<th>Remarks</th>
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<tbody>
<tr>
<td>&quot;One interviewee suggested that if the government starts and show it to the private sectors, it will provide initiatives and people will follow but added that nothing is being done now</td>
</tr>
<tr>
<td>One interviewee suggested that if the government starts and show it to the private sectors, it will provide initiatives and people will follow but added that nothing is being done now</td>
</tr>
<tr>
<td>One interviewee suggested that there is no demand on the retail market but huge funds for the wholesale market</td>
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<table>
<thead>
<tr>
<th>Remarks</th>
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<tbody>
<tr>
<td>&quot;One interviewer suggested that demand for product=retail, demand for capital=wholesale</td>
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</table>

<p>| Coding 2 | Remarks |
|----------------------------------|
| Open Coding | Axial Coding | Selective Coding | Core Category |
| &quot;Well, I think for IF to come to Ireland people giving? they have to make sure that there is a possibility if sharia compliant banking facilities. Otherwise why would they bring this money...&quot; | Sharia compliant banking facilities | | |
| One interviewee suggested that if the government starts and show it to the private sectors, it will provide initiatives and people will follow but added that nothing is being done now | Government to start its own project first | | |
| &quot;...when they see Muslim colleagues working then they will be confident about it. But the fact is if you go to any of these bank you won’t see Muslims work in there. So, they feel it is not their area... ignorance usually raises fear and this fear of not based on just premises but just fear that is based on ignorance...&quot; | Staff training | | |
| &quot;...if you are to introduce another system they need good source of knowledge...&quot; | Muslims involvement in the process | | |
| &quot;...let people study it at schools, let people student like we have let people study at also at law schools. So, when people know about it then they will feel comfortable and this will encourages Islamic investment&quot; | Islamic enlightenment | | |
| &quot;So, if we want to bring this money here then we have to build confidence about it, self-esteem is very important&quot; | Create confidence | | |
| &quot;Well I can say that at this point we have no evidence for demand... I think there is just from this perspective here it hasn't been communicated to us&quot; | | | Demand |
| One interviewee stated it can be done but the current market, banks have other things on their shelves now that they are not giving away. Hence, why would they introduce more products | | | |</p>
<table>
<thead>
<tr>
<th>400 potential buyers for Islamic mortgages</th>
<th>2/3 said no</th>
<th>Affect to the current financial system</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;...one type of approach doesn't have an advantage over the other&quot;</td>
<td>2/3 said that it would create competition</td>
<td>2/3 said no</td>
</tr>
<tr>
<td>&quot;...if they do it they will be pioneer they will have the biggest number of customer but I also said that they won’t be on their own for long... once people do it and people see that it is viable they will be copying this... it will also help because it will refresh the atmosphere so Muslim and non-Muslim will benefit from that... but currently there isn’t any&quot;</td>
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### Coding 3

<table>
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<tr>
<th>Remarks</th>
<th>Open Coding</th>
<th>Axial Coding</th>
<th>Selective Coding</th>
<th>Core Category</th>
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</thead>
<tbody>
<tr>
<td>All interviewee agreed that they see very slow to no progress of IF</td>
<td>Current progress</td>
<td></td>
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<tr>
<td>One interviewee commented that unlike Malaysia, its Central Bank is in sync with the rest of its financial institution</td>
<td>Initiatives by the government</td>
<td></td>
<td></td>
<td>Islamic finance in Ireland</td>
</tr>
<tr>
<td>&quot;we have approach to the banks before recession and we talked to the... them about the ummm market for houses for Muslim... they were not very flexible about it. So, we said maybe they need to be addressed in a different language so (we) invited bankers from the UK who deals Muslims and we invited representative from the very ? financial institutions in Ireland to a seminar...&quot;</td>
<td>Seminar and talks on IF</td>
<td>Initiatives by other parties</td>
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<tr>
<td>&quot;...I have heard of a number of Muslim speakers they're specialist in banking. They do come to Ireland and they do give talks to Irish economist...&quot;</td>
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<tr>
<td>Grants to people who wants to do CDIF</td>
<td>Finance</td>
<td></td>
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<tr>
<td>&quot;They come to us here and they've asked for advice... a few people will have a number of ideas. They're not bankers but it will be private companies doing in certain Islamic or Sharia compliant products for Muslims in Ireland...&quot;</td>
<td>Provide IF advisory and consultation services</td>
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<tr>
<td>One interviewee stated that there are companies providing IF services where they bring capital to investible companies to finance projects in Ireland</td>
<td>Provide IF services</td>
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<td></td>
<td>Compiling list of 400 potential buyers</td>
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<td></td>
<td>Education - CDIF, degree, diploma</td>
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<tr>
<td>Remarks</td>
<td>Open Coding</td>
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<tr>
<td>Exempted taxes on income derived from Islamic products, Ireland - No</td>
<td>Malaysia</td>
<td></td>
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<tr>
<td>One interviewee commented that unlike Malaysia, its Central Bank is in sync with the rest of its financial institution</td>
<td>UK</td>
<td></td>
<td></td>
<td>Mature markets</td>
</tr>
<tr>
<td>One interviewee suggested that UK has more Muslims and since it is a global centre for finance the UK market appeals to other people especially to the Middle Eastern countries compared to Dublin</td>
<td></td>
<td></td>
<td></td>
<td>Comparison to other Islamic financial markets</td>
</tr>
<tr>
<td>One interviewee suggests that people does not care about religion, they wants a fair and transparent deal that is value for money. People in the west are very secular, so IF have to make their products attractive. If IF products like mortgages uses Islamic terms, people will get confuse since they have knowledge about it. This is where Malaysia comes in, they bring everybody in which reflects it as a good deal and it is marketable</td>
<td></td>
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<td></td>
<td>Islamic finance in Ireland</td>
</tr>
<tr>
<td>&quot;I think we did look at the French legislation... it seems to us to be more broadly the same except that we don’t have anything in particular any special legislation for the mortgages and for the retail...&quot;</td>
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<tr>
<td>One interviewee suggested that Ireland has the most advanced legislation compared to other European countries. It treats IF in a neutral manner hence making sure it does not create any tax leakage. They are looking at the substance over form approach where it focuses on what you are trying to achieve and tax accordingly, rather than making a new tax regime for IF. However, he noted that nobody is using it</td>
<td></td>
<td></td>
<td>Legislation (European market (Luxemburg and France))</td>
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<tr>
<td>Stamp duty problems from the UK market</td>
<td>Lessons from the mature markets</td>
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<tr>
<td>Staff training</td>
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<tr>
<td>Make it as attractive to everybody</td>
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<tr>
<td>Government to show the lead</td>
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<tr>
<td>Abuse of legislation</td>
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</table>

One interviewee suggested the importance of communication that first experience does matter. The Malaysian government or its banks never forced anyone but let the people make their own mind. They focused on the wholesale first with lots of publicity but it took Malaysia a long time to do that (20+ years).

"...if they send members of their staff to these countries and have them for training courses in these Islamic countries and to see how they work in their Islamic products over there and let them see how much profit they're achieving... so they need practical lessons maybe..."

"...because Ireland does not have a history of colonisation, they have not occupied any of the Muslim countries."

"...the fact that there is a number of embassies very recently open in Ireland..."

"...they've been approximately from 62 different backgrounds... Ireland has a very good reputation in these countries..."
<table>
<thead>
<tr>
<th>Remarks</th>
<th>Open Coding</th>
<th>Axial Coding</th>
<th>Selective Coding</th>
<th>Core Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>One interviewer stated that there was no request at the moment &quot;Well I can say that at this point we have no evidence for demand... I think there is just from this perspective here it hasn’t been communicated to us&quot;</td>
<td></td>
<td>Mortgages and leasing transactions legislation</td>
<td>Future plans</td>
<td></td>
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<tr>
<td>One interviewee said that in 10 years, he does not see any and suggested that it can be done quickly but the problems are the banks/shelf products</td>
<td>Invite foreign banks to open in Ireland *can remove Irish banks issue of shelf products</td>
<td></td>
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<tr>
<td>&quot;...that might make a difference to other investor here...&quot;</td>
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<tr>
<td>&quot;... if the state takes serious steps in creating opportunities for IF and providing sharia compliant products in Ireland, I think maybe that could be right way to do it...&quot;</td>
<td>Government to play an important role</td>
<td></td>
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<tr>
<td>One interviewee suggested that there is tax legislation but nobody is using it</td>
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<tr>
<td>&quot;...people need to have a neutral perception of Muslim organizations and they have to grow over prejudging Islamic institutions&quot;</td>
<td>Remove prejudice on Islamic institutions</td>
<td></td>
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<tr>
<td>One interviewee suggested that it can be done if history could be brought up, it can bring sense of belonging. The British and French are struggling to connect this. It is important to not take IF as a religious product</td>
<td></td>
<td>Suggestions</td>
<td></td>
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<tr>
<td>&quot;...if they do it they will be pioneer they will have the biggest number of customer but I also said that they won’t be on their own for long... once people do it and people see that it is viable they will be copying this... it will also help because it will refresh the atmosphere so Muslim and non-Muslim will benefit from that... but currently there isn’t any&quot;</td>
<td>Someone to start introducing Islamic products</td>
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</table>
"I think we need a massive revolution in this regard... well, I understand that there are people at the moment doing degree in IF but this is not enough... IF has to be an essential part of the crucial courses..."

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<tr>
<th>Revolution on IF education</th>
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"so it's really means that you're looking at bringing business from abroad but I think Ireland is really good at that... that's been our forte really hence you know bringing on domestic financing industry etc into the country and acting as a hope for that kind of industry..."

<table>
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<tr>
<th>Small Muslim population</th>
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</table>

One interviewee suggested that IF products like sukuk are expensive to issue hence it is more appealing to large companies. However, Middle Eastern countries like Oman doesn't buy sukuk from countries lower than A credit rating, hence they do not buy from Ireland who is BBB (at the point of the interview)

<table>
<thead>
<tr>
<th>Current state of economy</th>
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<table>
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<tr>
<th>Challenges</th>
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One interviewee suggested that tax legislation and treaties enables but no action

<table>
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<tr>
<th>General perception</th>
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<th>Scepticism</th>
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"we decided it's not necessarily important for us to understand sharia finance sharia law..." - tax perspective

"...you can't mix them because they are based on different theories..."
The Learning Styles Questionnaire (Honey & Mumford 1986)


This questionnaire is designed to find out your preferred learning style(s). Over the years you have probably developed learning 'habits' that help you benefit more from some experiences than from others. Since you are probably unaware of this, this questionnaire will help you pinpoint your learning preferences so that you are in a better position to select learning experiences that suit your style.

There is no time limit to this questionnaire. It will probably take you 10-15 minutes. The accuracy of the results depends on how honest you can be. There are no right or wrong answers.

If you agree with a statement more than you disagree with it put a tick by it (□). If you disagree more than you agree put a cross by it (X). Be sure to mark each statement with a tick or a cross.

1 I have strong beliefs about what is right and wrong, good and bad.

2 I often act without considering the possible consequences.

3 I tend to solve problems using a step-by-step approach.

4 I believe that formal procedures and policies restrict people.

5 I have a reputation for saying what I think, simply and directly.

6 I often find that actions based on feelings are as sound as those based on careful thought and analysis.

7 I like the sort of work where I have time for thorough preparation and implementation.

8 I regularly question people about their basic assumptions.

9 What matters most is whether something works in practice.

10 I actively seek out new experiences.

11 When I hear about a new idea or approach I immediately start working out how to apply it in practice.

12 I am keen on self discipline such as watching my diet, taking regular exercise, sticking to a fixed routine, etc.

13 I take pride in doing a thorough job.
14 I get on best with logical, analytical people and less well with spontaneous, 'irrational' people.

15 I take care over the interpretation of data available to me and avoid jumping to conclusions.

16 I like to reach a decision carefully after weighing up many alternatives.

17 I'm attracted more to novel, unusual ideas than to practical ones.

18 I don't like disorganised things and prefer to fit things into a coherent pattern.

19 I accept and stick to laid down procedures and policies so long as I regard them as an efficient way of getting the job done.

20 I like to relate my actions to a general principle.

21 In discussions I like to get straight to the point.

22 I tend to have distant, rather formal relationships with people at work.

23 I thrive on the challenge of tackling something new and different.

24 I enjoy fun loving, spontaneous people.

25 I pay meticulous attention to detail before coming to a conclusion.

26 I find it difficult to produce ideas on impulse.

27 I believe in coming to the point immediately.

28 I am careful not to jump to conclusions too quickly.

29 I prefer to have as many sources of information as possible - the more data to think over the better.

30 Flippant people who don't take things seriously enough usually irritate me.

31 I listen to other people's points of view before putting my own forward.

32 I tend to be open about how I'm feeling.

33 In discussions I enjoy watching the manoeuvrings of the other participants.

34 I prefer to respond to events on a spontaneous, flexible basis rather than to plan things out in advance.

35 I tend to be attracted to techniques such as network analysis, flow charts branching programmes, contingency planning, etc.

36 It worries me if I have to rush out a piece of work to meet a tight deadline.

37 I tend to judge people's ideas on their practical merits.

38 Quiet, thoughtful people tend to make me feel uneasy.
39 I often get irritated by people who want to rush things.

40 It is more important to enjoy the present moment than to think about the past or future.

41 I think that decisions based on a thorough analysis of all the information are sounder than those based on intuition.

42 I tend to be a perfectionist.

43 In discussions I usually produce lots of spontaneous ideas.

44 In meetings I put forward practical realistic ideas.

45 More often than not, rules are there to be broken.

46 I prefer to stand back from a situation and consider all the perspectives.

47 I can often see inconsistencies and weaknesses in other people's arguments.

48 On balance I talk more than I listen.

49 I can often see better, more practical ways to get things done.

50 I think written reports should be short and to the point.

51 I believe that rational, logical thinking should win the day.

52 I tend to discuss specific things with people rather than engaging in social discussion.

53 I like people who approach things realistically rather than theoretically.

54 In discussions I get impatient with irrelevancies and digressions.

55 If I have a report to write I tend to produce lots of drafts before settling on the final version.

56 I am keen to try things out to see if they work in practice.

57 I am keen to reach answers via a logical approach.

58 I enjoy being the one that talks a lot.

59 In discussions I often find I am the realist, keeping people to the point and avoiding wild speculations.

60 I like to ponder many alternatives before making up my mind.

61 In discussions with people I often find I am the most dispassionate and objective.

62 In discussions I'm more likely to adopt a 'low profile' than to take the lead and do most of the talking.

63 I like to be able to relate current actions to a longer term picture.
64 When things go wrong I am happy to shrug it off and 'put it down to experience'.

65 I tend to reject wild, spontaneous ideas as being impractical.

66 It's best to think carefully before taking action.

67 On balance I do the listening rather than the talking.

68 I tend to be tough on people who find it difficult to adopt a logical approach.

69 Most times I believe the end justifies the means.

70 I don't mind hurting people's feelings so long as the job gets done.

71 I find the formality of having specific objectives and plans stifling.

72 I'm usually one of the people who puts life into a party.

73 I do whatever is expedient to get the job done.

74 I quickly get bored with methodical, detailed work.

75 I am keen on exploring the basic assumptions, principles and theories underpinning things and events.

76 I'm always interested to find out what people think.

77 I like meetings to be run on methodical lines, sticking to laid down agenda, etc.

78 I steer clear of subjective or ambiguous topics.

79 I enjoy the drama and excitement of a crisis situation.

80 People often find me insensitive to their feelings.
Scoring and Interpreting the LSQ

The LSQ is scored by awarding one point for each item ticked. There are no points for crossed items. Simply indicate on the lists below which items were ticked.

|   | 2  | 4  | 6  | 10 | 17 | 23 | 24 | 32 | 34 | 38 | 40 | 43 | 45 | 48 | 58 | 64 | 71 | 72 | 74 | 79 |
|   | 7 | 13| 15| 16| 25| 28| 29| 31| 33| 36| 39| 41| 46| 52| 55| 60| 62| 66| 67| 76|
|   |   | 3 | 8 | 12| 14| 18| 20| 22| 26| 30| 42| 47| 51| 57| 61| 63| 68| 75| 77| 78|
|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
|   | 5 |   |   | 11| 21| 27| 35| 37| 44| 49| 50| 53| 54| 56| 59| 65| 69| 70| 73| 80|   |

<table>
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<tr>
<th>Totals</th>
<th>Activist</th>
<th>Reflector</th>
<th>Theorist</th>
<th>Pragmatist</th>
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Activists
Activists involve themselves fully and without bias in new experiences. They enjoy the here and now and are happy to be dominated by immediate experiences. They are open-minded, not sceptical, and this tends to make them enthusiastic about anything new. Their philosophy is 'I'll try anything once'. They dash in where angels fear to tread. They tend to throw caution to the wind. Their days are filled with activity. They revel in short term crisis fire fighting. They tackle problems by brainstorming. As soon as the excitement from one activity has died down they are busy looking for the next. They tend to thrive on the challenge of new experiences but are bored with implementation and longer term consolidation. They are gregarious people constantly involving themselves with others but, in doing so, they hog the limelight. They are the life and soul of the party and seek to centre all activities around themselves.

Reflectors
Reflectors like to stand back to ponder experiences and observe them from many different perspectives. They collect data, both first hand and from others, and prefer to chew it over thoroughly before coming to any conclusion. The thorough collection and analysis of data about experiences and events is what counts so they tend to postpone reaching definitive conclusions for as long as possible. Their philosophy is to be cautious, to leave no stone unturned. 'Look before you leap'; 'Sleep on it'. They are thoughtful people who like to consider all possible angles and implications before making a move. They prefer to take a back seat in meetings and discussions. They enjoy observing other people in action. They listen to others and get the drift of the discussion before making their own points. They tend to adopt a low profile and have a slightly distant, tolerant, unruffled air about them. When they act it is part of a wide picture which includes the past as well as the present and others' observations as well as their own.

Theorists
Theorists adapt and integrate observations into complex but logically sound theories. They think problems through in a vertical, step-by-step logical way. They assimilate disparate facts into coherent theories. They like to analyse and synthesise. They are keen on basic assumptions, principles, theories, models and systems thinking. Their philosophy prizes rationality and logic. 'If it's logical it's good'. Questions they frequently ask are, "Does it make sense?" "How does this fit with that?" "What are the basic assumptions?" They tend to be detached, analytical and dedicated to rational objectivity rather than anything subjective or ambiguous. Their approach to problems is consistently logical. This is their 'mental set' and they rigidly reject anything that doesn't fit with it. They prefer to maximise certainty and feel uncomfortable with subjective judgements, lateral thinking and anything flippant. 7
**Pragmatists**

Pragmatists are keen to try out ideas, theories and techniques to see if they work in practice. They positively search out new ideas and take the first opportunity to experiment with applications. They are the sort of people who return from courses brimming with new ideas that they want to try out in practice. They like to get on with things and act quickly and confidently on ideas that attract them. They don't like 'beating about the bush' and tend to be impatient with ruminating and open-ended discussions. They are essentially practical, down to earth people who like making practical decisions and solving problems. They respond to problems and opportunities 'as a challenge'. Their philosophy is 'There is always a better way' and 'If it works it's good'.

**REFERENCE**