

## **Choice Criteria for Islamic Mortgages: A case study of the British Muslim Households**

**Mohammed Elkhatim Tameme**

*Department of Economics and Finance , College of Business Administration , Taibah University,  
Kingdom of Saudi Arabia .*

**Abstract.** This paper investigates the choice criteria for the Islamic mortgages among the British Muslims who are seeking Islamic home financing. This research deems to establish a specific rank of choice criteria for Islamic Mortgages. Furthermore, these choice criteria will also be ranked according to the selected factors such as ethnicity and kind of tenures to find the main marketing implications. This study employed quantitative survey technique by using primary data collected from the Muslim Communities living in East London by self administered questionnaires and analyzed using frequencies, independent samples t-test and ANOVA test. The result suggest that “the deposit required by the bank” is the most important choice criteria and “the reputation of the bank” is the least important choice criteria. Moreover, there are no significant differences between renters and homeowners regarding the effects of the main criteria encouraging them to choose their Islamic home loan from different Islamic mortgage providers available in the market. The results of the survey are only applicable to the UK Muslims. The findings will be of interest to the Islamic mortgages providers to learn and plan attractive packages of Islamic mortgages that meet the British Muslims needs. Academically this study contributes to exiting literature of the UK experience of Islamic finance by providing an empirical study of choice criteria of Islamic mortgages which is not previously studied.

**Keywords:** Islamic Finance, Islamic Banking, Home Financing, Marketing ,Customer Behaviour, Great Britain, Islam

## 1. Introduction

The traditional world of finance, dominated by commercial interest-based banking, could raise potentially troublesome theological issues for Muslims. However, Islamic finance has thrived in the new world, with its prohibition of interest income (*Riba*), financial innovation and blurring of distinctions between Islamic banking and other areas of conventional finance. The prohibition of interest (and the concomitant rise of fees as a major source of revenue for financial institutions) has allowed Islamic bankers to side-step the controversial issue of *riba*. Deregulation has fostered the creation of tailor-made Islamic products.

Until the 1970s financial institutions were able to sell only a narrow range of financial products. With the lifting of constraints on products that could be devised to suit every need, religious or otherwise, Islamic products could be created. From small beginnings in the mid-1970s, Islamic banks today offer a wide range of products: from basic *Shari'a*-compliant retail products, to insurance, mortgages, investment instruments and large-scale project financing. Although Islamic banking remains rooted in the Muslim world, *Shari'a*-compliant products are increasingly on offer in Europe and North America. The industry has been supported at product level by central banks. Following the lead of Malaysia's Islamic Central Bank (Bank Negara) in 2001, the Bahrain Monetary Agency introduced its own *Shari'a*-compliant government bills (a three-month paper known as *sukuk al-Salam*) in an effort to meet Islamic banks' short-term liquidity needs. So far Islamic finance is flourishing in Europe and many major European banks perceive it as a profitable opportunity to generate new business rather than as a threat to existing business.

Islamic finance is about widening choice and in particular about providing non-interest-based finance alternatives (Wilson, 2007). Islamic financial products are available in the UK from a number of high street banks which offer current accounts and mortgages tailored for Muslims. The UK is home to the first wholly *Shari'a*-compliant retail bank in the West, the Islamic Bank of Britain (re branded AI-Rayan Bank), which was authorized by the Financial Service Authority (FSA) in 2004. The Council of Mortgage Lenders (CML, 2003) has concluded that Muslims are the fastest growing community in the UK and as such, emerge as a key yet untargeted market for financial products and services. Datamonitor (2005) quantifies the value of the UK Islamic mortgage market at £164 million; growing at an average annual rate of 68.1 percent since 2000, in comparison with the total mortgage market's average growth of 16.2 percent. A working party, comprising of practitioners and representatives of the Muslim Council of Britain (MCB) and Union of Muslim Organisations (UMO) has been formed with the blessing of the Governor of the Bank of England. This party has prepared a report on the issues of concern and has met several of the officials, regulators, departments and ministries to work out acceptable solutions. The Islamic mortgage market began to take off and more lenders entered the market after the labour government abolished Stamp Duty which had seriously hampered the market.

Many people have argued that Muslims have taken advantage of existing conventional products and are unlikely to abandon them for the new *Shari'a*-compliant products. However, anecdotal evidence suggests that many people would switch to *Shari'a*-compliant products if they were properly structured and competitively priced. Certainly, new buyers would seriously explore these facilities. As the range and scope of these products grows, the whole saving and borrowing pattern of UK Muslims is likely to change, and as the volume of financing increases the underlying ethical base of Islamic financial products would begin to make its mark on the market. At that point, many non-Muslims would also be attracted to these products. In time, these products could provide a valuable bridge between different communities and interest groups in the UK.

The rest of this paper organizes as follows; a review of relevant literature; followed by the research methodology, presentation of the findings and discussions from the survey and finally the conclusion.

## 2. Literature review

There are few studies on the UK experience of Islamic finance most of the literature available concentrated on the supply side aspects. With the exception of few studies on the demand of the financial services that discussed briefly the British Muslims customers' bank choice criteria, there is no attempt made with regard to the Islamic mortgages main choice criteria. Dar (2002) argues that UK Muslims have shown strong desire for Islamic mortgages, but it is not a simple matter to infer from that an effective demand for any Islamic financial product rather that there is a need to study the structure of demand for Islamic finance in the UK at a grassroots level. Dar (2004) also found in another later study that while there is no huge demand for Islamic finance at present in UK, it is certainly growing and expected to further increase if correct marketing measures are adopted. Matthews *et al.* (2003) examines some micro economic and financial aspects of Islamic House finance. The system of Islamic mortgages is compared to the conventional system using illustration from banking practices in the United Kingdom. According to Matthews *et al.* (2003) the core differences between the two systems are found to be that equity ownership is shared under an Islamic system where as this is not the case under a conventional system. Tameme and Ahmed (2009) evaluate the demand for Islamic Mortgages in UK, they study its perception among the UK Muslims and they provide an empirical assessment of these perceptions. Also, their study analyses how Muslim characteristics, overall environment affect the preferences of the Islamic mortgage product. Wilson (2006) examines the experience of Islamic banking in the United Kingdom since 1980, focusing on wholesale operations and retail consumer finance products. Wilson (2006) concluded that the UK government is determined to create a level-playing field for *shariah* compliant products and encouraging more competition in the market for Islamic financial services, reducing prices and margins, and make Islamic products more affordable.

Numerous earlier studies have examined the choice criteria in bank selection identify the factors influencing the choice of bank without specifying a particular product. For example Devlin and Gerrard (2004) revealed that the influence of recommendations is the most important choice criteria and the location of the bank is the least important factor, whereas the reputation of the bank reserved its degree of importance in the consumers mind. The other factors which increased in importance in the consumers mind are the wide product rang the offering of incentives, the interest rate paid and the relevant fees and charges. Kennington *et al.* (1996) studied the factors influencing customer choice of banks in Poland; they found that the bank's image, stability and continuity, the service-charge policy, the competitiveness of rates, and quick, polite and friendly service are the most important factors in explaining how customers choose banks. They also showed that the area of service with respect to time, efficiency, and pleasant treatment, is critical for Poles and this is where the banks should be focusing their strategies. Elliot *et al.* (1996) examined the North American bank customers in the USA and they found that most customers place a higher value on lower prices and higher transaction speeds than they do on personalised service, and they are willing to accept lower service levels in exchange for price breaks.

There are also a number of studies on bank choice criteria in the context of religious and ethnic culture. For example Tan and Chua (1986) in their Singapore study showed that the social factor namely the advice from family and friends is more important than the reputation of the bank, opening hours, speed of service, courteous personnel, location, and interest rates, in motivating customers bank choices. Erol and El-Bdour (1989) in their study on Jordan showed that interpersonal contact and individual effort influence bank customers, whereas Kaynak *et al.* (1991) in their study on Turkey found that customers prefer friendly employees, close branch locations to their homes, fast and efficient service, availability of credit and financial services counselling. Furthermore, they showed that choice criteria differ according to customers' age, in other words the pensioners preferred bank locations close to their home, although the young customers interested in the diversity of service. Almossawi (2001) found that parking space near the bank; friendliness of bank personnel and the availability of ATM machines are factors affecting the bank selection in Bahrain.

As far as the customer choice criteria in the mortgage market is concern Ford and Jones (2001) provide a summary of previous research findings, according to which customers choose their mortgage provider considering their previous experience with the provider, the advice of intermediaries and the reputation of the bank. Devlin (2002) investigates the main choice criteria of the mortgages providers in the UK financial market. His main findings are that professional advice is the most common choice criterion. Additionally, interest rates, loan availability, and previous relationship with the bank, are considered to be important factors in selecting mortgage provider. Conversely, service quality was found to be the least important choice criterion. Also his study found that the importance of these choice criteria differs with respect to customers' demographic profiles. Hamid and Masood

(2011) presented their work on the consumer selection criteria for Islamic home financing and uses number of independent variables. Based on the responses of 200 Islamic bank customers, they found the price, Sharia rules, product flexibility, bank reputation, fast service and the product terms and conditions are the most significant factors of consumer acceptance of the Islamic home mortgage facility. Tameme and Asutay (2012) their work indicate that wider social factors and lifestyle choices may be increasing the demand for Islamic mortgages. They also argue that there is scope in the UK to expand the market for Islamic products and services to non-Muslims as well if effective and sound marketing strategies are implemented. Amin *et al.* (2013) discovered an integrative approach that is valid in the case of Islamic home financing. Their paper results, however, have not supported the effect of compatibility on attitude towards Islamic home financing preference and it is also reported that attitude does not mediate for the relationship between compatibility and the Islamic home financing adoption. It is very difficult to compare these studies since they are mostly employed different choice criteria.

### 3. Research Methodology

Data from an area of East London, which fairly represents the Muslim community in UK (see Table 1), is used to answer the research questions. The principal method used to gather primary data in responding to the research questions is a questionnaire survey of Muslim households in East London. The survey questions are of nominal and ordinal data. Therefore non-parametric procedures are best suited to this data. From a total of 350 questionnaires distributed, 270 were returned, of which 250 were fully completed, thereby yielding a response rate of about 77 percent. No extra efforts were carried out in order to increase the number of respondents. Non-probability, convenience sampling was implemented. This sampling method is cost-effective and facilitates the survey being conducted quickly and easily (Zikmund, 2000). The respondents were given the following four factors; the deposit required (the advance payment), the choice of mortgage products available, the financing amount allowed and the reputation of the bank as a mortgage provider. The respondents were asked to place their choice in rank from one to five using five to indicate the most important choice and one the least important. To investigate whether there are any differences between the ethnic groups in the degree of importance of the main criteria encouraging them to choose their Islamic home financing, the analysis of variance (ANOVA) test was used for this purpose. Also the SPSS T-test has been used to study the difference of the main criteria encouraging selecting Islamic mortgage between the two tenure groups (homeowners and renters). Like any other research projects, this research has its limitations. These are: The data collection method was limited to the survey questionnaire without including other methods, for example focus groups and semi-structured interviews. It would have been more beneficial if more respondents were surveyed. However, due to a limitation of the resources, budget and time, this was not possible. This study will be on main choice criteria for Islamic mortgages in the

United Kingdom only. The measures introduced in this study could be refined and made more robust. This will be the subject of later studies.

**Table 1. The demographic profile of the respondents**

	<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>
<b>Gender</b>	Male	202	80.8
	Female	48	19.2
<b>Age</b>	25 and under	51	20.4
	26 – 35	80	32.0
	36 – 45	71	28.4
	46 – 55	32	12.8
	56 – 65	15	6.0
	66 and +	1	0.4
<b>Marital Status</b>	Married	138	55.2
	Single	97	38.8
	Other with children	11	4.4
	Other without children	4	1.6
<b>Ethnic Origin</b>	White	12	4.8
	Indian	11	4.4
	Pakistani	17	6.8
	Bangladeshi	81	32.4
	Black	42	16.8
	Arab	59	23.6
	Mixed	8	3.2
<b>Qualification</b>	Other	20	8.0
	No formal qualification	19	7.6
	GCSE/ O levels	42	16.8
	A levels	56	22.4
	Professional qualifications	24	9.6
	BA or B.Sc.	63	25.2
<b>Income per year</b>	MA or PhD	46	18.4
	10k and under	95	38.0
	11k - 20k	78	31.2
	21k - 30k	49	19.6
	31k - 40k	24	9.6
	Over 41k	4	1.6
	<b>Total</b>	<b>250</b>	<b>100.0</b>

#### 4. Findings and Discussions

The respondents were given the following four factors; the deposit required, the choice of mortgage available, the lend amount allowed and the reputation of the bank as a mortgage provider. The respondents were asked to place their choice in rank from one to five using five to indicate the most important choice and one the least important. The results have been presented and discussed as follows:

### ***Deposits Required***

The Table 2 shows that the significance of chi square goodness of-fit test is lower than 0.05 therefore the null hypothesis will be rejected. Thus, the differences between the options given to the respondents are not attributed to chance. Hence, the observations fit well and reflect the data. Also the table shows that 31 percent of the respondents rank the deposit required by the bank as the most important factor in their choice of Islamic home loan and 12 percent ranked it as the second most important factor. Nonetheless, 21 percent ranked it as unimportant factor for their choice.

**Table 2. Main criteria encouraging choosing Islamic mortgages**

	<b>Importance</b>	<b>Frequency</b>	<b>Percent</b>
Deposits required <i>Chi-sq. 24.680 df.4 Asymp.Sig. .000</i>	1.least important	52	20.8
	2.less important	40	16.0
	3.important	51	20.4
	4.very important	30	12.0
	5. Most important	77	30.8
	Total	250	100.0

When raising Islamic housing loans, retail clients are required to make a deposit of 10-20 percent of the total property value. Recently, it has been possible to raise a deposit-free housing loan in the general conventional mortgage market under partially changed loan terms, as banks may require a life insurance policy of the borrower, a larger number of guarantors and/or larger mortgage amount. This kind of mortgage is called a 100 percent mortgage where 100 percent of the value of the property to be purchased is borrowed. Generally, the higher the deposit that is placed on a property, the better the mortgage terms; for example, a deposit of 10 percent or more facilitates access to lower interest loan, flexible lower repayments and even a shorter mortgage term. Conversely, the 100 percent mortgage is very costly due to higher interest being charged, the borrower possibly being tied into a mortgage deal with heavy early redemption penalties and **possibly getting into negative equity if the property value falls rather than rising**. For many first time borrowers a 100 percent mortgage is the only option, but due to the “credit crunch” 100 percent mortgages are very few. Borrowers will be charged a “higher lending charge” (HLC) premium than if they put some of their own money towards the purchase price.

### ***Choice of Mortgages Available***

The significance of chi square goodness-of-fit test is lower than 0.05 therefore the null hypothesis will be rejected. Thus, the differences between the options given to the respondents are not attributed to chance. Hence, the observations fit well and reflect the data. The table also shows that the majority of respondents (almost 26 percent) rank the choice of mortgages available as not important at all, while only 16 percent of them rank it as most important and 13 percent as very important.

**Table 3. Main criteria encouraging the choice of Islamic mortgages**

	<b>Importance</b>	<b>Frequency</b>	<b>Percent</b>
Choice of mortgage available <i>Chi-sq. 15.320 df: 4 Asymp.Sig .004</i>	1.least important	64	25.6
	2.less important	48	19.2
	3.important	64	25.6
	4.very important	33	13.2
	5. most important	41	16.4
	Total	250	100.0

There are three types of mortgage models and a range of mortgage deals on offer by Islamic mortgage providers. These include buying a first home, moving home and remortgaging from conventional mortgage to Islamic mortgage and are on offer by nearly all the Islamic mortgage providers. There are also a number of Islamic mortgages available for those interested in investment properties and buy-to-lets offered by all major Islamic mortgage providers except HSBC Amanah. Alburaq as a whole sale Islamic mortgage providers offers a unique deal called "Portfolio Builder" that helped many clients who owns a number of properties to benefit from the Islamic mortgage based portfolio. However, recent trends showed slight drop in the range of mortgage offered by the UK mortgage. It suggests that due to the credit crunch the number of different mortgage deals has dropped from 15,599 mortgage deals to just 5725 (cited by JST Financial News on 31 March 2008). Over recent months more and more conventional mortgage lenders have been taking various deals off the shelves, such as 100 percent mortgages and other special mortgage types.

### ***The Finance Amount Allowed***

Choosing a mortgage from an Islamic mortgage provider that was prepared to finance the required amount also featured highly on the list of choice criteria. This is perhaps indicative of the real or expected difficulties that customers may face in securing a mortgage. The significance of chi square goodness-of-fit test is lower than 0.05 therefore the null hypothesis will be rejected. Thus, the differences between the options given to the respondents are not attributed to chance. Hence, the observations fit well and reflect the data. The table no.4 shows that almost 21 percent of respondents rank the most important reason for choosing the mortgage provider is finding an Islamic mortgage provider that is prepared to lend the required amount. On the other hand 13 percent rank that as very important and only 10 percent rank this criterion as not important.

**Table 4. Main criteria encouraging the choice of Islamic mortgages**

	<b>Importance</b>	<b>Frequency</b>	<b>Percent</b>
The financing amount allowed <i>Chi-sq: 39.800 df:4 Asymp.Sig: .000</i>	1.least important	24	9.6
	2.less important	61	24.4
	3.important	80	32.0
	4.very important	33	13.2
	5. most important	52	20.8
	Total	250	100.0



Without further information or data regarding the comparison of shopping carried out by customers between the different Islamic mortgage providers, interpretation of such findings is somewhat problematic. It may be that this is indicative of a significant percentage of the market struggling to get finance and being in danger of suffering financial exclusion. Otherwise, it may well be the case that clients choose the first provider that accepts them as a customer and give the matter little further thought.

### ***The Reputation of the Bank as a Mortgage Provider***

It is interesting to discover that the least important choice criterion is the reputation of the bank as a mortgage provider. As presented in table 8.14 below 18 percent of respondents rank the reputation of the bank as a mortgage provider as the least important choice criterion in contrast with 17.6 percent who rate it as most important and 14 percent who rate it as very important. The significance of chi square goodness-of-fit test is lower than 0.05 so the null hypothesis will be rejected. Therefore, the differences between the options given to the respondents are not attributed to chance. Hence, the observations fit well and reflect the data.

**Table 5. Main criteria encouraging choosing Islamic mortgages**

	<b>Importance</b>	<b>Frequency</b>	<b>Percent</b>
The reputation of the Bank as a mortgage provider <i>Chi-sq: 17.320 df: 4 Asymp.Sig: .002</i>	1.least important	45	18.0
	2.less important	52	20.8
	3.important	74	29.6
	4.very important	35	14.0
	5. most important	44	17.6
	Total	250	100.0

Given the emphasis that many banks and financial services organizations put on service quality and the huge cost that is incurred in advertising, it is surprising to find out how relatively unimportant such criteria are to the Muslim households in general.

Earlier studies which focused on banking in general found that reputation and service quality factors were important choice criteria. Furthermore, a previous study by Skinner and Ford (2000) found that the reputation of the bank was potentially important in motivating choice in the mortgage market. Hence, such findings may indicate that the mortgage market is different from banking and financial services in general. The interpretation of this finding may be that the reputation of the bank will dominate as a choice criterion when there is a lack of information about specific product criteria that can be searched for to understand and evaluate it before purchasing. Conversely, in the mortgage market this is not the case where such factors such as minimum deposit, payment terms and lending limits to the customers are searchable.

### ***Factors Influencing the Main Choice Criteria Encouraging the Choice of an Islamic Mortgage***

This section extends the analysis to focus on potential differences in the importance of choice criteria in the Islamic mortgage market with respect to ethnicity and kind of tenures factors. Hence, it intends to answer the following research question: *Does importance of the choice criteria vary with respect to the ethnicity and kind of tenures factors and if so, what are the main marketing implications?*

In order to investigate whether there are any differences between the ethnic groups in the degree of importance of the main criteria encouraging them to choose their Islamic home loan, the analysis of variance (ANOVA) test was used for this investigation and the result is presented in Table 6.

**Table 6. ANOVA comparison between ethnic groups in their differences in the main criteria encouraging them to choose their Islamic home loan**

		<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
<b>Deposits required</b>	Between Groups	4.378	1.930	.066
	Within Groups	2.268		
<b>Choice of mortgage available</b>	Between Groups	3.452	1.809	.086
	Within Groups	1.909		
<b>The lend amount</b>	Between Groups	1.834	1.162	.326
	Within Groups	1.579		
<b>The reputation of the Bank as a mortgage provider</b>	Between Groups	6.054	3.670	.001
	Within Groups	1.650		

The above result shows that there are no significant differences between the ethnic groups in the degree of importance of the main three criteria encouraging them to take out an Islamic home loan. These three criteria: are the deposit required, the choice of mortgage available and the lend amount, since their significances are greater than 0.05. In contrast, there are significant differences between the respondent groups in terms of their assessments of the degree of the importance of the reputation of the bank as a mortgage provider with a significance value of 0.001. Hence, the respondents, regardless of their ethnic background and kind of tenure, have assessed the main criteria that encourage them to take out an Islamic mortgage without differences, while the result shows that there are differences between the respondents groups in their ranking of the importance of the reputation of the bank as a mortgage provider. Table 7 below presents these main differences.

As indicated by the main differences in table 7 the reputation of the bank as a mortgage provider encourages more customers within the Black community to choose their Islamic home loan provider than in the White, Pakistani, Bangladeshi, and mixed communities. Likewise the respondents from the Arab community are more encouraged by this factor than the White, Bangladeshi, and Mixed communities to choose their Islamic mortgage provider according to the reputation of the bank as a mortgage provider. Lastly the Indian ethnic groups are more encouraged by this factor to select their Islamic home loan provider than the mixed groups.

Such a finding will potentially have important implications for the marketing of Islamic mortgages, although an explanation not immediately apparent. It is an area where further, more tailored research is required to produce a more complete understanding.

**Table 7. The main differences of the reputation of the bank**

(I) Ethnic Origin	(J) Ethnic Origin	Mean Difference (I-J)	Sig.
White	Indian	-.94697	.079
	Pakistani	-.17157	.723
	Bangladeshi	-.20062	.614
	Black	-1.01190(*)	.017
	Arab	-.82062(*)	.045
	Mixed	.66667	.257
	Other	-.58333	.215
Indian	White	.94697	.079
	Pakistani	.77540	.120
	Bangladeshi	.74635	.072
	Black	-.06494	.881
	Arab	.12635	.765
	Mixed	1.61364(*)	.007
Pakistani	White	.17157	.723
	Indian	-.77540	.120
	Bangladeshi	-.02905	.933
	Black	-.84034(*)	.024
	Arab	-.64905	.068
	Mixed	.83824	.129
	Other	-.41176	.332
Bangladeshi	White	.20062	.614
	Indian	-.74635	.072
	Pakistani	.02905	.933
	Black	-.81129(*)	.001
	Arab	-.62000(*)	.005
	Mixed	.86728	.070
	Other	-.38272	.234
	Mixed	1.67857(*)	.001
Other	.42857	.221	

Table 7. contd.

(I) Ethnic Origin	(J) Ethnic Origin	Mean Difference (I-J)	Sig.
<b>Black</b>	White	1.01190(*)	.017
	Indian	.06494	.881
	Pakistani	.84034(*)	.024
	Bangladeshi	.81129(*)	.001
	Arab	.19128	.461
<b>Arab</b>	White	.82062(*)	.045
	Indian	-.12635	.765
	Pakistani	.64905	.068
	Bangladeshi	.62000(*)	.005
	Black	-.19128	.461
	Mixed	1.48729(*)	.002
	Other	.23729	.476
<b>Mixed</b>	White	-.66667	.257
	Indian	-1.61364(*)	.007
	Pakistani	-.83824	.129
	Bangladeshi	-.86728	.070
	Black	-1.67857(*)	.001
	Arab	-1.48729(*)	.002
<b>Other</b>	Other	-1.25000(*)	.021
	White	.58333	.215
	Indian	-.36364	.451
	Pakistani	.41176	.332
	Bangladeshi	.38272	.234
	Black	-.42857	.221
	Arab	-.23729	.476
Mixed	1.25000(*)	.021	

To study the difference of the main criteria encouraging selecting Islamic mortgage between the two tenure groups (homeowners and renters), the SPSS T-test has been run and the results are presented in table 8 below. The results show that there are no significant differences between the renters and homeowners in terms of the effects of the main criteria encouraging them to choose their Islamic home loan from different Islamic mortgage providers available in the market. Specifically the effects of the following factors: the amount of the deposit required, the choice of the mortgage available, the lend amount permitted to the client and the reputation of the bank as a mortgage provider. Hence, the effects of the main criteria encourage the Muslim household to choose his Islamic home loan from a range of providers available in the market with different banks are similar in both groups, renters and homeowners, since their significances are above .05.

**Table 8. T-Test main criteria encouraging selection of Islamic mortgages by homeowners and renters, independent sample test**

		Levene's Test for Equality of Variances		t-test for Equality of Means			
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
<b>Deposits required</b>	Equal variances assumed	.236	.627	.620	248	.536	.14035
	Equal variances not assumed			.633	102.403	.528	.14035
<b>Choice of mortgage available</b>	Equal variances assumed	.265	.607	.068	248	.946	.01404
	Equal variances not assumed			.069	101.483	.945	.01404
<b>The lend amount</b>	Equal variances assumed	.089	.765	1.210	248	.227	.22544
	Equal variances not assumed			1.263	106.499	.209	.22544
<b>The reputation of the Bank as a mortgage provider</b>	Equal variances assumed	.170	.681	.729	248	.467	.14386
	Equal variances not assumed			.736	100.609	.464	.14386

A new study in the US conducted by Experian Consumer Direct found that homeowners have higher credit scores and lower late payment rates than renters. Although the study did not give any explanation for this finding it is worth noting that homeowners generally have greater financial resources, higher levels of financial sophistication, and are more confident in handling debts than renters (Harney, 2006). This theory may in turn have implications for marketing Islamic mortgage products to homeowners.

## 5. Conclusion

As the discussion so far indicates the most important main choice criteria by which Muslims choose between different Islamic mortgage providers is the deposit required by the bank. While the least important main choice criteria by which Muslims choose between different Islamic mortgage providers is the reputation of the bank. The respondents, regardless of their ethnic background and kind of tenure, have assessed the main criteria that encourage them to take out Islamic mortgages

without differences, while the result shows that there are differences between the respondent groups in how they rank the importance of the reputation of the bank as a mortgage provider. The reputation of the bank as a mortgage provider encourages more customers within the Black and Arab community to choose their Islamic home loan provider than in the White, Pakistani, Bangladeshi, and Mixed communities. Such a finding will potentially have important implications for the marketing of Islamic mortgages, although an explanation is not immediately apparent. This is an area where further, more tailored research is required to produce a more complete understanding. Nonetheless, there are no significant differences between renters and homeowners regarding the effects of the main criteria encouraging them to choose their Islamic home loan from different Islamic mortgage providers available in the market.

### References:

- Almossawi, M. (2001). Bank selection criteria employed by college students in Bahrain: an empirical analysis. *International Journal of Bank Marketing*, 19(3), 115-125.
- Amin, H., Abdul-Rahim Abdul-Rahman, Dzuljastri A., (2013). An integrative approach for understanding Islamic home financing adoption in Malaysia. *International Journal of Bank Marketing*, 31(7), 544-573.
- Council for Mortgage Lenders (2003). *Barker review of housing supply: response by Council for Mortgage Lenders to HM Treasury and ODPM Review Team*. CML, London.
- Dar, H.A. (2002). Islamic house financing in the United Kingdom: Problems, challenges and prospects. *Review of Islamic Economics*, 12, 47-71.
- Dar, H.A. (2004). Demand for Islamic financial services in the UK: Chasing a Mirage? Discussion Papers Number 11–15, Economics Research Paper, no. 04-11 <http://hdl.handle.net/2134/335>. Accessed on 11/12/2006.
- Datamonitor, (2005) *UK Islamic Mortgages 2005*. London Datamonitor.
- Devlin, J.F. (2002). An analysis of choice criteria in the home loans market. *International Journal of Bank Marketing*, 20(5), 212-226.
- Devlin, J.F., and Gerrard, P. (2004). Choice criteria in retail banking: an analysis of trends. *Journal of Strategic Marketing*, 12(1), 13-27.
- Elliot, M.B., Shatto, D., and Singer, C. (1996). Three customer values are key to marketing success. *Journal of Retail Banking Services*, 18(1), 1-7.
- Erol, C., and El-Bdour, R. (1989). Attitude, behaviour and patronage factors of bank customers towards Islamic banks. *International Journal of Bank Marketing*, 7(6), 31-37.
- Ford, J., and Jones, A. (2001). Choosing a mortgage: a research review. *Financial Services Authority Consumer Research Paper No. 8*, London, available at: [www.fsa.gov.uk/pubs/consumer-research/crpr08.pdf](http://www.fsa.gov.uk/pubs/consumer-research/crpr08.pdf).
- Harney, K.R. (2006). Homeowners vs. renters: Who scores better? *Realty Time*, design publishing, USA. Available at: [http://realtytimes.com/rtpages/20060828\\_renterscore.htm](http://realtytimes.com/rtpages/20060828_renterscore.htm) Accessed 21/10/2008.

- Hamid, A. and Masood, O. (2011). Selection criteria for Islamic home financing : A case study of Pakistan. *Qualitative Research in Financial Markets*, 3(2), 117-130.
- JST Financial News (2008). *Debt Consolidation Risk of Recession Rising*. Available at: <http://www.jstfinancial.co.uk/papers/Debt-Consolidation/116/Risk-of-Recession-Rising>. Accessed 25/01/2009.
- Kaynak, E., Kucukemiroglu, O. and Odabasi, Y. (1991). Commercial bank selection in Turkey. *International Journal of Bank Marketing*, 9(4), 30-40.
- Kennington, C., Hill, J., and Rakowska, A. (1996). Customer selection criteria for banks in Poland. *International Journal of Bank Marketing*, 14(4), 12-21.
- Matthews, R., Tlemsani, I and Siddiqui, A.. (2003). Recent developments in the market for Islamic mortgages: Theory and practice. *Review of Islamic Economics*, 14, 49-68.
- Tameme, M., and Asutay, M., (2012). An empirical inquiry into marketing Islamic mortgages in the UK. *International Journal of Bank Marketing*, 30(3), 150 – 167.
- Skinner, C. and Ford, J. (2000). Planning, postponing or hesitating: understanding financial planning, Centre for Housing Policy, York.
- Tameme, M., and Ahmed (2009). Does Islamic Finance Meet the Mortgage Challenge in the West?: A Case Study on England. *Review of Islamic Economics*, 13(1), 175–198.
- Tan, C.T. and Chua, C. (1986). Intention, attitude and social influence in bank selection: A study in an Oriental culture. *International Journal of Bank Marketing*, 4(3), 43-54.
- Wilson, R. (2006). Islamic Banking in the United Kingdom, Federation of Bosnia and Herzegovina, Islamic Banking and Finance Lecture, Sarajevo.
- Wilson, R. (2007). Islamic finance in Europe, (RSCAS policy papers No. 2007/02). European University Institute, Florence.
- Zikmund, W.G. (2000). *Business research methods*, 6th edition, Harcourt College Publisher, Orlando, FL.

## معايير الاختيار للرهونات الإسلامية: دراسة حالة للعائلات البريطانية المسلمة

محمد الخاتم تميم

قسم الاقتصاد والتمويل، كلية إدارة الأعمال، جامعة طيبة، المملكة العربية السعودية

**ملخص البحث.** تبحث هذه الورقة معايير اختيار التمويل العقاري (الإسكاني) الإسلامي لدى المسلمين البريطانيين الباحثين عن التمويل العقاري. ويؤسس البحث لتصنيف معايير اختيار الرهن العقاري الإسلامي. كما يتم ترتيب معايير الاختيار ترتيباً تفضيلاً وفقاً لعوامل محددة كأصول العرقية ونوعية السكن للتعرف على متطلبات السوق. وقد استخدمت هذه الدراسة أسلوب المسح الكمي بتجميع البيانات الأولية من المجتمعات المسلمة التي تعيش في شرق لندن عن طريق الاستبيانات المدارة ذاتياً. وتم التحليل باستخدام الترددات، والعينات المستقلة لاختبار (t) واختبار (ANOVA). توحي نتائج البحث أن مقدم الدفع (العربون) المطلوب من البنك هو المعايير الأهم في قائمة الاختيار، وأن سمعة البنك وشهرته هي أقل المعايير التفضيلية. الدراسة تؤكد أيضاً أنه لا يوجد فرق جوهري بين المستأجرين والملاك فيما يخص المعايير الرئيسة مما يشجعهم لاختيار التمويل العقاري الإسلامي من مختلف مقدمي الرهن العقاري الإسلامي في السوق. نتائج المسح الإحصائي تنطبق فقط على مسلمي المملكة المتحدة. مخزجات البحث ذات أهمية للمؤسسات المالية التي تقدم الرهن العقاري الإسلامي للاستفادة والتخطيط لحزم خدمات الرهن العقاري الإسلامي التي تلي احتياجات المسلمين ببريطانيا. أكاديمياً تعتبر هذه الدراسة إضافة لأدبيات التمويل الإسلامي من واقع تجربة المملكة المتحدة بتقديمها دراسة عملية لمعايير اختيار التمويل العقاري الإسلامي، والتي لم يسبق دراستها من قبل.

**الكلمات المفتاحية:** تمويل إسلامي، مصرفية إسلامية، تمويل وحدات سكنية، تسويق، سلوك العملاء، بريطانيا العظمى، اسلام