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# Usage of Islamic Banking and Financial Services by United States Muslims

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Organized by: [ECO-ENA, Inc.](#),  
Canada

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What is a mainline Protestant Christian marketing professor from the United States doing at a Canadian Islamic finance and economics conference?

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Zinser, B. A. (2014). Retail Islamic Financial Services in  
North America: The (Upper) Michigan Connection.  
*Journal of Developmental Entrepreneurship*,

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Zinser, B. A. (2015). *Determinants of United States Muslims' intentions to use retail Islamic banking and financial services: An application of the theory of planned behavior* (Doctoral dissertation, ANDERSON UNIVERSITY).

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# Islamic Banking and Financial Services in the United States

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- Arose in the mid-1980s
  - Amana Funds
  - American Finance House-LARIBA of Pasadena, California began offering *Shariah*-compliant small business and home financing.
    - 2001 LARIBA received approval for financing from the Federal Home Loan Mortgage Corporation.
  - HSBC Amanah in New York
  - Guidance Financial in the nation's capital
  - Devon Bank in Chicago
  - University Bank in Ann Arbor, MI.

# Usage of Islamic Banking and Financial Services by United States Muslims

- DinarStandard, a New York based specialized market research and advisory firm which focuses on the Muslim market, released a study on the U.S. Muslim market in 2011 and updated it in 2014/15.





# Usage of Islamic Banking and Financial Services by United States Muslims

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- 2011 Study Reported:
  - majority (81%) of U.S. Muslims comply with Islamic restrictions regarding *halal* food
  - equal majority of U.S. Muslims do *not* use *Shariah*-compliant Islamic financial services

# Usage of Islamic Banking and Financial Services by United States Muslims

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- 2014-2015 study reported:
  - vast majority of respondents adhered to consuming Halal food (93%)
  - an equally vast number (85%) said they do not use Islamic finance



# Muslims in the United States

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- As a matter of policy, the U.S. Census Bureau does not ask individuals their religion
- Pew Research Center demographers estimated that there were about 2.75 million Muslims of all ages living in the United States in 2011
- DinarStandard (2011, 2015) study team estimated:
  - U.S. Muslim population was between 5.8 million and 6.7 million
  - 1.7 million to 2 million households
  - annual growth rate at 6% compared to the U.S. population less than 1%.

# Usage of Islamic Banking and Financial Services by United States Muslims

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# Methodology

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- **Population of Interest**
  - U.S. Muslims who are defined as individuals who identify as being Muslim, e.g., a believer in or follower of Islam,
  - reside in the United States, and
  - between the ages of 18 and 54.

# Sampling Plan

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- Proportion of individuals who meet the definition of a U.S. Muslim within the general population of the United States is very low
- Traditional sampling strategies would not yield an adequate number of participants
- *Qualtrics*, provided a set of participants who met the definition of the population of interest
  - sample contained participants across the United States and from a variety of ethnic backgrounds (e.g., Arabs, South Asians, African Americans, etc.).
- Two hundred fifty-one valid surveys were obtained



# Questionnaire Development

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- A short description of the term “Islamic banking and financial services” was provided to ensure that all respondents had a common understanding of how the term was used in the questionnaire.
- Items assessing previous experiences with Islamic banking and financial services were developed by the investigator.
- asked to indicate whether they had ever used Islamic banking and financial services products. If yes,
  - asked to specify the Islamic banking and financial services products that they had purchased and or were currently using.

# Islamic Banking and Financial Services Products

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- Respondents were provided the following product choices and definitions in the questionnaire:
  - *murabaha* (Home financing product similar to an installment sale.)
  - *musharaka* (Home financing product similar to a co-partnership.)
  - *ijara* (Home financing product similar to rent to own.)
  - *sukuk* (Investment product similar to a bond.)
  - *takaful* (Similar to an insurance policy.)
  - *Shariah* compliant mutual funds

# Questionnaire Development

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- **Demographic Information**
  - Age
  - Gender
  - Marital status
  - Race
  - Citizenship status
  - Education level
  - Annual household income
  - Geographical location.

# Web Questionnaire Pretest

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- Muslim Student Association (MSA) of a medium-sized technological university - 26 complete online surveys
- Members of an Islamic mosque/center in the Upper Midwest – 9 complete online surveys
- Some minor modifications were made to a few questions primarily to clarify participants' understanding of the intent of the question's syntax



# The Results

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Data collected Fall 2014

*Flow of Participants through each Stage of Elimination in Qualtrics' Panel Management*

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Total individuals contacted by <i>Qualtrics</i>	426	
Less those who did not identify as being Muslim	26	6.1 %
Less those who did not reside in the United States	7	1.6 %
Less those who were not between 18 and 54 years old	5	1.2%
Less those who did not consent	16	3.8%
Less those who did not answer or answered first attention trap question incorrectly.	96	22.5%
Less those who did not answer or answered second attention trap question incorrectly.	25	5.9%
Final Sample	n =251	58.9%

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## *Sample Demographic Analysis*

Variable	N	Percentage
Gender		
Male	120	47.8
Female	131	52.2
Marital Status		
Married	176	70.1
Divorced	5	2.0
Separated	3	1.2
Never	66	26.3

## *Sample Demographic Analysis*

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### Age Category

18-29 years old	109	43.4
30-39 years old	99	39.4
40-54 years old	43	17.1

### Citizenship Status

U.S. Citizen	191	76.1
U.S. Permanent	53	21.2
Other	7	2.8



## *Sample Demographic Analysis*

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### Race

White	116	46.2
Black	33	13.1
Hispanic	4	1.6
Asian	66	26.3
Other/mixed	32	12.7

## *Sample Demographic Analysis*

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### Household Income

Less than	49	19.5
\$30,000 -	45	17.9
\$50,000 -	96	38.2
\$75,000 -	31	12.4
Greater than	30	12.0

## *Sample Demographic Analysis*

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### Highest Level of

Graduate Study	41	16.3
College	112	44.6
Some College	70	27.9
High School	25	10
Not a High	3	1.2

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# Geographical Distribution

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- Thirty-eight states were represented in the sample with the highest number of respondents coming from states with high Muslim populations: California followed by, in descending order, Florida, Texas, New York, Michigan, Illinois, New Jersey, Indiana, Georgia, and Pennsylvania.



# Usage of Islamic Banking and Financial Services by United States Muslims

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- 47% or 119 of total respondents (n=251) indicated having experience with or use of Islamic banking and financial services
- Margin of error for the study is plus or minus 6.19%
- These results provide evidence that usage of these products and services is much higher than the DinarStandard studies have reported

# *Most Popular Islamic Banking and Financial Services*

Islamic Banking and Financial Service	Responses	Incident % of Respondents
<i>Murabaha</i>	65	54.6
<i>Musharaka</i>	48	40.3
<i>Ijara</i>	43	36.1
<i>Sukuk</i>	31	26.1
<i>Takaful</i>	32	26.9
Mutual Funds	32	26.9
Other	4	3.4

# Thank You

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