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Abstract

This paper explores the nature and extent of financial exclusion of Muslim community in Australia. Adopting a survey questionnaire method primary data has been used, and Queensland is the selected state for this exploratory case study. While nearly 3 billion people in the world face difficulties in accessing formal financial services and products, in Australian alone, approximately 3.1 million of the adult population are identified as being financially excluded. There is still a lack of information about financial exclusion according to ethnicity or religious group in Australia. The Muslims communities are financial excluded mainly due to their faith and religious beliefs, because Islam prohibits *Riba* (interest) which is widely practiced in conventional banking and finance operations. The level of awareness about the Islamic finance products and services in Australia is still limited. Also the lack of Islamic financial products and services is a contributory factor of financial exclusion. The introduction and wide spread offer of *Shariah*-compliant financial products and services by Islamic and conventional financial institutions can increase nationwide financial inclusion.

Keywords

Islamic Finance, Financial inclusion and Australia

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Abstract

This paper explores the nature and extent of financial exclusion of Muslim community in Australia. Adopting a survey questionnaire method primary data has been used, and Queensland is the selected state for this exploratory case study. While nearly 3 billion people in the world face difficulties in accessing formal financial services and products, in Australian alone, approximately 3.1 million of the adult population are identified as being financially excluded. There is still a lack of information about financial exclusion according to ethnicity or religious group in Australia. The Muslims communities are financial excluded mainly due to their faith and religious beliefs, because Islam prohibits *Riba* (interest) which is widely practiced in conventional banking and finance operations. The level of awareness about the Islamic finance products and services in Australia is still limited. Also the lack of Islamic financial products and services is a contributory factor of financial exclusion. The introduction and wide spread offer of *Shariah*-compliant financial products and services by Islamic and conventional financial institutions can increase nationwide financial inclusion.

***JEL classification**:* D10, D14, G20, M21, Y10.

***Keywords**:* Islamic Finance, Financial inclusion and Australia

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1. Introduction

A well-developed financial system is a pre-requisite for balanced economic growth in any country, as it serves some vital purposes: offering savings, credit, payment, and risk management products to people with a wide range of needs. Financial systems that allow broad access to its services, without price or non-price barriers to their use, are especially likely to benefit the disadvantaged groups in the society including the poor. Without inclusive financial systems, these groups of people must rely on their own limited savings to invest in their education or become entrepreneurs, and small enterprises must rely on their limited earnings to pursue promising growth opportunities. This can contribute to persistent income inequality and unwanted slower economic growth.

Nearly 3 billion people in the world faced the difficulties in accessing formal financial services which has caused them to experience a lack of financial inclusion (Kumar & Mishra 2011). In Australia too, approximately 15.6% of the adult population were fully or severely excluded from financial services in 2010 (Connolly, et al. 2011), which is really alarming. As a result, these people cannot contribute to the national and global economy at their optimum level. Furthermore, financial exclusion holds back its victims from progress and development by imprisoning them in a vicious cycle of social deprivation and poverty. Hence the study of financial inclusion/exclusion is very important for society because the consequences of financial exclusion is detrimental to the economy. Economic growth needs to be sufficiently inclusive so that the benefits can be shared among all, or else the growth process itself shall be jeopardised and derailed (Burkett & Drew 2008).

According to some commentators, faith-driven financial exclusion also exists in Australia (Burkett & Sheehan 2009; Pearce 2010). Therefore, Bhalla and Lapeyre (1997) suggest that research on social and financial exclusion can, and should, be done at different spatial scales: by individual or social groups including women, minorities, ethnic groups, etc. Connolly et el. (2011) recommended that further research be conducted on the barriers to financial inclusion faced by persons born overseas in particular from non-English speaking countries; this category of people would include the Muslim community that came to Australia for various reasons. Therefore, this study will focus on the issue of financial exclusion faced by the Muslim community in Queensland, Australia and explore the role of Islamic finance in improving the financial inclusion of this community. The lack of studies, particularly in Australia, on this vital topic is the main motivation force for this research which will definitely contribute to the research gap in the literature.

The rest of the paper is organised as follows: section 2 provides an overview of financial exclusion; section 3 outlines the financial exclusion in Australia; section 4 briefly explains the causes of financial exclusion; section 5 narrates the methodology and data. Section 6 presents and analyses the survey findings; and section 7 concludes the paper.

2. An overview of financial exclusion

According to a European Commission (EC) report, the term financial exclusion was first used in 1993 by geographers who were concerned about limited physical access to banking services due to bank branch closures. Throughout the 1990s there was a growing body of research relating to the difficulties faced by particular sections of societies in gaining access to modern payment instruments, banking services, consumer credit and insurance. There was also concern about some people lacking savings of any kind (EC 2008). The term became prominent in the UK in the late 1990s during the debates around poverty and social exclusion (Blake and de Jong, 2008).

Subsequent research studies adopted this "in and out" approach but explored other causes which explained access difficulties (Devlin 2005; Kempson 2001; Sinclair 2001). The study emphasised that difficulties of access could also be explained by condition exclusion (e.g. requirements to access financial products are inappropriate), price exclusion (e.g. services are costly), marketing exclusion (e.g. information about new products is not displayed to non-desirable customers), self-exclusion (e.g. people do not access financial products because of fear or distrust of banks or because they have already been refused).

The EC defines financial exclusion as a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong (EC 2008). Although the term 'normal social life' does not explicitly explain how far financial inclusion policies should go, and the fact that financial exclusion has been expressly incorporated in its poverty and social exclusion agenda, the EC's definition represents a step ahead of the more restricted focus on individual 'accession' to the mainstream financial system.

In another study, it was highlighted that financial exclusion is attributable to an intersection of migrant status with several disadvantages such as gender, ethnic and racial inequalities, as well as immigration status and labour market position (Datta 2009). It was also reported that Muslim communities may have faced financial disadvantages because of their faith and religious belief which can make them financially excluded from the mainstream financial systems (Pearson 2008).

In the UK, where financial inclusion has been part of the policy agenda for more than a decade (Kempson & Whyley 1999), some 1.75 million adults still lack access to a transaction account (Taskforce 2010). Increasing access to the mainstream system through a bank account was one of the primary tasks of the financial inclusion strategy initiated in 2004 which targeted access to banking services, affordable credit and face-to-face financial advice. These initiatives were complemented by policies designed to stimulate asset building.

Sinclair (2013) discussed financial inclusion in Britain and compared key features of financial exclusion evident from European analyses. The research identified agreement among British stakeholders over several aspects of financial exclusion, in particular continuing problems of access to mainstream banking services for low income customers and a lack of appropriate and affordable credit provision. Areas of controversy included whether or not banks denied services to lower-income customers or were withdrawing from deprived communities, and the necessity for further regulation of mainstream financial services.

In a study on financial exclusion in Canada, the author defined financial exclusion as the situation faced by people who have no relationship or insufficient relationship with the mainstream financial institutions to meet all their financial service needs (Buckland 2012). A policy research working paper published by the World Bank in 2012 reveals that Mexico is far behind in financial depth and inclusion by both international and regional standards. It was reported that only 27.4% of adults had an account at a formal financial institution (Demirgüç-Kunt & Klapper 2012), just below Bolivia's 28.0%; a country with a GDP per capita one fifth that of Mexico (Cull et al. 2013). Hence, the report is in conformity with the view that financial exclusion is indeed a global issue.

Levels of financial exclusion vary between developed and the developing countries; however various studies have confirmed that it is the same group of people who are always financially excluded. The mostly cited financially-excluded groups include the long-term unemployed or those with unstable work patterns, the elderly with no or few assets, lone parents who cannot work due to family commitments, people without educational qualifications and the financially illiterate, ethnic minorities and immigrants where community influence leads to financial exclusion, driven by cultural and religious factors, people who live in deprived neighbourhoods with high levels of crime and people with a history of bad debt.

3. Financial exclusion in Australia

The concept of financial exclusion in Australia should be looked at differently from other contexts (Howell & Wilson, 2005; Chant Link & Associate, 2004, Burkett & Drew, 2008). For example, in the United States and the United Kingdom, many people do not have a bank account and are therefore referred to as 'unbanked'. Therefore, the definition of financial exclusion in these countries focuses on ownership of financial products, particularly bank accounts. In Australia, however, the number of people having no basic financial products is less than 1 per cent of the total population (Chant Link & Associates, 2004), primarily because the government pays Centrelink and other financial benefits through bank accounts.

The earlier definition of financial exclusion in Australia was developed by Connolly & Hajaj (2001) who stated that: "it is a lack of access to financial services by individuals or communities due to their geographic location, economic situation or any other 'anomalous' social conditions which prevents people from fully participating in the economic and social structures of mainstream communities".

In a report by Chant Link & Associates (commissioned by ANZ), a new definition of financial exclusion was developed:

Financial exclusion is a lack of access by certain consumers to appropriate, low cost, fair and safe financial products and services from mainstream providers. Financial exclusion becomes of more concern in the community when it applies to lower income customers and/or those in financial hardship. Financial exclusion is observable at individual, family, or household level, but can also be heavily concentrated in suburbs or regions, and sometimes among ethnic minorities in a suburb or region. Financial exclusion can also apply to individual small businesses, NFPs [not for profits] and other community enterprise organisations (Chant Link & Associates 2004).

The above definition represents a significant shift in understanding financial exclusion in Australia, suggesting that it is broader than merely the ownership of products. In particular, the definition makes a connection between the lack of access to appropriate products and the negative impacts for people on low incomes or in financial hardship. It is also significant that the definition implies that mainstream providers should make appropriate products available to address financial exclusion. It can be argued that access to the mainstream financial system, its products and services is fundamental for individuals to participate in a modern market economy like Australia.

In May 2011, The Centre for Social Impact (CSI), published Australian first report on measurement of financial exclusion. According to the report, around 15.6% or 2,650,000 of the adult population in Australia were either fully excluded or severely excluded from financial services in 2010. This figure comprised 0.8% of adults who were fully excluded (they had no financial services products) and 14.8% of adults who were severely excluded (they only had one key financial services product (Connolly et al. 2011). The report also suggested that there was a need to conduct further research on the barriers to financial inclusion faced by persons born overseas, in particular from non-English speaking countries; this category of people would include the Muslim community that came to Australia (Connolly et al. 2011). They may have faced financial disadvantages because of their faith and religious beliefs, which in turn, makes them financially excluded from the mainstream financial systems (Pearson 2008). In another study, it was reported that there was a lack of financial systems in Australia to meet the needs of the Muslim community who have particular beliefs about the charging of interest (Burkett & Sheehan 2009). Muslims in Australia are a minority religious group. According to Census 2011 (ABS 2011), 476,300 people, or 2.25% of the total Australian population were Muslims. This made Muslims the fourth largest religious grouping, after all forms of Christianity (64%), no religion (22.9%) and Buddhism (2.5%).

The second report release by CSI in May 2012 shows that there was an increase in the level of financial exclusion in Australia. It found that 16.1% of the adult population in Australia were severely excluded and 1.1% was fully excluded. In real terms, 192,000 people were fully excluded and a further 2,803,000 people were severely excluded from access to financial services, making a total of 2,995,000 Australian adults (Connolly et al. 2012).

In June 2013, CSI published the third report on financial exclusion in Australia repeating the main measurement of the extent of financial exclusion and using the data for the 2012 calendar year. It is found that around 17.7% of the adult population in Australia were either fully excluded or severely excluded from financial services in 2012. Out of this figure, 1.1% of adults were fully excluded (they had no financial services products) and 16.6% of adults who were severely excluded (they only had one financial services product). Clearly it is an increase from the previous report, which identified 17.2% of the population as being either fully excluded or severely excluded in the 2011 data (Connolly, C. 2013).

In April 2014, the fourth report on measurement of financial exclusion in Australia was released where it was revealed that more than three million people (16.9% of the adult population in Australia) were either fully excluded or severely excluded from financial services in 2013. Out of this figure 1% of adults were fully excluded (they had no financial services products) and 15.9% of adults were severely excluded (they had only one financial services product) (Connolly, C. 2014).

The above statistics show an increasing trend in the number and proportion of adults who are either fully excluded or severely excluded from access to financial services. Hence, financial exclusion remained an important issue in Australia.

4. Causes of financial exclusion

There are various reasons for financial exclusion. Early commentators asserted that mainstream financial institutions view people with low incomes and from certain disadvantaged social groups as representing too high a risk, and avoided geographical areas where these groups of population live (Leyshon & Thrift 1995; Leyshon et al. 1998). There is now a growing body of research identifying a much wider range of other factors restricting access to, and appropriate use of, financial services:

- Geographical exclusion, e.g. resulting from branch closures;
- Condition exclusion, e.g. the failure to qualify due to the minimum deposit required, poor credit history or identity requirements;
- Price exclusion, e.g. the relative cost of financial products and services such as unauthorised overdrafts;
- Marketing exclusion, i.e. less profitable groups of customers are not targeted by providers and so they are unaware of the financial services available.

There may also be a complex set of overlapping barriers causing financial exclusion for individuals; it is a dynamic process with no single explanation (Mitton 2008). Different groups will have a different balance of capabilities and access issues because of their divergent situations. For example, migrant communities share characteristics with other financially excluded groups in the community, such as people with low incomes, whilst retaining unique characteristics that compound their exclusion, such as language difficulties and the financial practices in their own countries (Datta 2007). For the purpose of this study, three factors have been identified as the causes of financial exclusion. These factors include societal, supply and demand, and a discussion of each factor is detailed below:

Societal Factors

Societal factors exclude certain social groups and individuals from financial services (Aalbers 2011). For example, with liberalisation of financial markets, more sophisticated and varied financial products are being created, which increase financial inclusion of the well off with an adverse effect for the lower income group who are still trapped in their vicious cycle of social deprivation and poverty. On the other hand, with the tighter rules of financial transactions to combat financial crimes, such as money laundering, certain group of people are facing problems with accessing certain financial services and products in some countries. Similarly, tremendous technological advancements (internet, phone banking, etc.) are creating some levels of financial exclusion, as the older generation find it difficult to cope with the higher dependency on technology (Anderloni et al. 2006; Atkinson and Kempson 2006; Kempson 2001).

There are cultural and psychological barriers to financial services too when the less well-off group or individual feels that financial services are "not for people like us" (Collard et al. 2001; Kempson 2001; Mitton 2008). A major portion of this type of financial exclusion is fuelled by religious and cultural motives and is recognised across the board as one of the most difficult and prevalent deterrents holding back the unbanked communities (Buckland 2003; Mcdonnell & Westbury 2002). The indigenous populations of Australia and Canada are prevented from using banking services due to psychological and cultural barriers. Similarly, Collard et al. (2001) noted that Pakistani and Bangladeshi communities in Britain are excluded from banking, as transactions can cause them to become inadvertently overdrawn and thus incurring interest, which is forbidden (*haram)* under *Shariah* law.

Supply Factors

Supply factors are the most obvious and common reasons for financial exclusion (Kempson et al. 2004; Saunders 2011) which occurs as a result of the financial institutions' failure and/or hesitance to offer suitable and affordable financial products to the less well-off, whose financial services needs are quite different from the needs of their counterparts (Pearson 2008). Major supply factors of financial exclusion are bank refusals, identity requirements, unfavourable terms and conditions, bank charges, geographical remoteness and technological advancements. Generally the supply factors can be grouped as follows:

1. Access exclusion: Access barriers such as geographical and physical exclusion of people living in disadvantaged neighbourhoods (Collard et al. 2001; Kempson 2001). Questions about access to and use of financial services are, therefore, numerous.

2. Condition exclusion: Certain conditions play roles for financial exclusion. These are requirement of minimum deposit for opening certain accounts, credit history checks and required income threshold due to their low income (Howell & Wilson 2005) and identity requirements (McDonald 2009; Pearson 2008).

3. Price exclusion: Higher bank charges which act as a deterrent for the people of low income group (Burkett & Sheehan 2009).

Demand Factors

These are the cultural and psychological factors that deter some people from accessing financial products and services. For instance, less educated people may not have confidence in banks and seek other means of handling their finances (Anderloni 2008; Barry 1998). Also, elderly people generally prefer traditional ways of managing their finances as they feel uncomfortable using modern technology, such as the Internet. Some might be concerned of losing their money too if the banks go bankrupt as witnessed in some parts of the world, including some Western countries (Wilson 2006).

Even some middle aged group of people may be also concerned about using modern technology to manage their finances, such as internet banking, due to the fear of financial loss through on-line identity theft or some other type of fraud such as internet hacking. Mitton (2008) reports that this is a justifiable concern for many and is thought to be one of the demand-related factors that stop people from demanding certain financial products and services.

The above three factors are the most common causes of financial exclusion; but people may also voluntarily exclude themselves from the financial services for religious or cultural reasons, even though they do have access and can afford the services (Dermiguc-Kunt et al, 2008). The lack of *Shariah*-compliant products is the major reason behind the broad financial exclusion that exists among various Muslim communities in many parts of the world (Mohieldin 2011; Pearce 2010). This refers to financial products and services that comply with the principles of Islamic law (*Shariah*) as Muslims are prohibited from accessing any finance involving the payment and receipt of interest (*Riba*). We particularly investigate this issue in this research.

5. Methodology and Data

In this paper we have developed following four hypotheses that will be examined:

1. The Muslims in Queensland are financially excluded from the mainstream financial system in Australia
2. Muslims in Queensland prefer Islamic finance to conventional finance under normal circumstances.
3. Increased access to Islamic finance products and services will improve the level of financial inclusion of the Muslims in Queensland, Australia.
4. The higher level of financial inclusion will improve the socio-economic status of the Muslim in Queensland, Australia.

To address and test the above hypotheses we have collected primary data based on survey questionnaires which enables us to understand the experiences, views, the attitudes and the access of Australian Muslims to the *Shariah*-compliant financial products on offer. We have employed a representative sample of the population under study. For instance, the Muslim community are categorised according to ethnicity and a sample is randomly selected from each ethnic group to make it as representative as possible.

Despite some limitations, survey questionnaires have many advantages over other methods of data collection. If properly designed and implemented, surveys can be an efficient and accurate means of determining information about a given population. Results can be provided relatively quickly and, depending on the sample size and methodology chosen, they are relatively inexpensive. Robson (2007) furnished the list of advantages associated with the use of survey questionnaires which include:

1. They provide a relatively simple and straightforward approach to the study of attitudes, values, beliefs and motives. This is very important in our study as the research involves extracting information on all the described variables
2. They may be adapted to collect generalisable information from almost any human population
3. A high amount of data standardisation is achieved.

Our research population is the Muslim community in Queensland, which are made up of various communities with distinct characteristics in terms of culture, language, socio-economic profiles and their level of integration and exposure to the Australian financial system. The choice of stratified random sampling is therefore deemed most appropriate in this regard.

The sample respondents were chosen from two major mosques in Brisbane and one in Toowoomba. Apart from that, the survey was also conducted at the 2013 *Eid* Fest in Brisbane which is one of the major events conducted annually by the Muslim community in conjunction with the *Eidul Fitri* celebrations.

The above venues were chosen for their obvious relevance to the research objectives. The target sample would be highly probable to these places. However, each respondent had to be selected randomly to ensure that each had an equal chance of being included in the survey questionnaire. The researchers were well aware of the importance of the process, the approach and the etiquette of conducting survey questionnaires to reduce subjectivity and personal bias.

The questionnaire was devised with the objective of finding reliable and reasonably accurate answers to test the hypotheses. The questionnaire consists of 29 questions and it has been divided into four main parts with specific questions for different objectives.

6. Survey findings and analysis

i. Respondents' demographic and socio-economic status

We have distributed 400 survey questionnaires at three mosques and the 2013 *Eid* celebration-Festival mentioned above, and received only 251 responses to the survey. Therefore, the response rate could technically be calculated as 62.75% of the projected sample size (251÷400×100).

Table 1 below indicates that the majority of respondents who participated in this study were between the age of 41 and 50. It is further clear that those respondents aged above 41 represented 78% of all respondents which gives some crucial information about the age concentration of our sample.

Table 1: Respondents' age group

Age Group	Count	Percentage
18 – 30 years	21	8.4
31 – 40 years	33	13.1
41 – 50 years	102	40.6
51 – 60 years	85	33.9
Above 60 years	10	4.0
Total	**251**	**100**

Most of the respondents that participated are male, with 244 participants or 97.2 per cent from the total of 251. This was not surprising because the survey was conducted at three mosques after *Juma'ah* or Friday prayers which are mandatory for the men. Nevertheless, there are small percentage of the respondents are female.

Table 2: Respondents' Gender

Type of Gender	Count	Percentage
Male	244	97.2
Female	7	2.8
Total	**251**	**100**

Table 3 depicts qualification of respondents. Out of 251 respondents, 6.0% holds a diploma, 63.7% with bachelor degree, 25.9% having Master degree and only 2% possess a PhD degree. Hence, the sample is dominated by the respondents with middle level of education background. It is quite interesting here because the result shows that the Muslims in Queensland are quite well educated.

Table 3: Respondents' Education Level

Type of Education	Count	Percentage
Diploma	15	6.0
Degree	160	63.7
Master	65	25.9
PhD	4	1.6
Others	7	2.8
Total	**251**	**100**

Table 4 shows that 72.6 percent of the respondents are employed while another 13.9 percent are self-employed. Students that participated in this survey were just 13.1 percent.

Table 4: Respondents' Occupation

Type of Occupation	Count	Percentage
Employed	182	72.6
Self-employed	35	13.9
Student	33	13.1
Retired	0	0
Others	1	.4
Total	**251**	**100**

Table 5 provides the information about the respondents' country of origin. It indicates that Bangladeshi, Middle East countries and Northern Eastern countries' Muslims are dominant in the sample areas.

Table 5: Respondents' country of origin

Country	Count	Percentage
Australia	5	2.0
Bangladesh	126	50.2
India	17	6.8
Indonesia	11	4.4
Malaysia	7	2.8
Middle East countries	34	13.4
Northern Africa countries	29	11.6
Pakistan	18	7.2
Singapore	3	1.2
Others	1	.4
Total	**251**	**100**

Table 6 shows the length of stay in Australia of the respondents. It is evident that more than half of the sample population (53.4%) have been in Australia for more than 6 years.

Table 6: Respondents' length of stay in Australia

Length of Stay	Count	Percentage
Less than 3 years	33	13.1
3 years to 6 years	84	33.5
Above 6 years	134	53.4
Total	**251**	**100**

From the Table 7 below, we can see that majority of the respondents' (89.4%) had an estimated monthly income below or equal to $5,000. As such, we can safely say that the populations of Muslims in Queensland (MIQ) are quite stable in terms of their monthly income. Under normal circumstances, bankers will take these criteria as one of the most important aspects in assessing their potential borrowers. This implies that majority of MIQ should be able to apply for credit facilities from conventional banks but refrain from doing so due to religious factors that will be revealed from the results shortly.

Table 7: Respondents' estimated monthly income

Range of Income	Count	Percentage
Less than $3,000	71	28.4
$3,001 to $5,000	153	61.0
$5,001 to $7,000	23	9.2
$7,001 to $9,000	4	1.6
More than $9,000	0	0
Total	**251**	**100**

ii. Respondents' status on access to finance

Now we will look at the overall access that the sample respondents had to conventional finance We will particularly look at:

1. Respondents' access to conventional accounts such as current, savings and investment accounts, and
2. Respondents' access to conventional home finance through loans and financing.

Table 8 depicts the respondents' access to formal conventional bank accounts. As the table shows, out of the 251 people who participated in the study, 249 respondents (99.2%) said that they had a savings account, the most basic banking product but essential for everyone. Only 2 (.8%) respondents had a current account. It is interesting to see from the table that none of the participants have investment account. However it can be understood because investment products requires a certain level of financial literacy and sophistication such as an appreciation of the tax benefits involved in such a scheme and so on. Further reasons may be that MIQ's income has somehow restricted their ability to invest.

Table 8: Respondents' access to formal conventional bank accounts

Type of Account	Count	Percentage
Savings	249	99.2
Current Account (Cheque)	2	.8
Investments account	0	0
Others	0	0
Total	**251**	**100**

This research considered the level of access that the Muslims in Queensland have to the most commonly used forms of major conventional finance, which is the backbone of the Australian financial system. Interestingly, it is clear from the information in Table 9 that 204 of the 251 respondents (81.2%) who participated in this study, said they did not have any of the above products and less than 7% said they had home loans, while less than 5% had car loans. Only one (.4%) participant had a personal loan.

This clearly indicates that although most of the participants have basic bank accounts, such as savings account as the previous table indicates, most of them do not have access to the above-mentioned financial products. This may be due to the lending criteria or conditions imposed by the banks against their prospective borrowers.

Table 9: Respondents' having loans and financing

Type of Loan/Financing	Count	Percentage
Home Loan	16	6.4
Car Loan	11	4.4
Personal Loan	1	.4
Business Loan	0	0
Others	19	7.6
No loans/financing	204	81.2
Total	**251**	**100**

Table 10 describes the type of property occupied by respondents. It shows that majority of the respondents live in rented properties. Only 7.6% of respondents owned their properties. This could explain the level of financial exclusion among the Muslims in Queensland, especially regarding home loans which are the mainstream mode of financing home in Australia.

Table 10: Type of property occupied by respondents

Type of Property	Count	Percentage
Rented	224	89.2
Owned	19	7.6
Others	8	3.2
Total	**251**	**100**

The results presented above clearly show that the MIQ are not well served by the conventional financial system in Australia, because they are on the margins of accessing its services.

Now we will try to find out why MIQ do not have access to basic conventional financial products. Table 11 highlights some of the reasons.

Table 11: Reasons why Muslims in Queensland do not have access to conventional financial products

Reasons	Count	Percentage
I don't want to deal with interest	154	61.4
I don't need to borrow	58	23.0
I don't know how to apply	5	2.0
I have tried but not successful	5	2.0
Did not answer	29	11.6
Total	**251**	**100**

As can be seen above, the majority of the respondents (61.4%) avoided access to these products due to religious grounds. A much lower number (23%) gave a reason that they don't need to borrow. Only 2% said they don't know how to apply and another 2% said they have tried but were not successful.

The operations of conventional banking are based on a potentially disruptive element, and that element is *riba* or interest. Islam prohibits the acceptance and payment of *riba* or charged interest. A number of Muslim intellectuals are of the opinion that not only is the practice of *riba* immoral, but that it also hinders the growth of society (Haron &Azmi 2009). As such, it is not a surprise to see from the results above that majority of MIQ chose not to get involved with *riba* or interest as a matter of practising the teaching of Islam.

Now we will turn to the issue of respondents' awareness about the existence of Islamic finance in Australia. Table 12 reports the results.

Table 12: Respondents knowledge about the existence of Islamic finance in Australia

Answers	Count	Percentage
Yes	110	43.8
No	141	56.2
Total	**251**	**100**

It is seen that 110 of the 251 respondents (43.8%) knew about the existence of Islamic finance products and services in Australia. Meanwhile, 141 or 56.2% of the respondents' didn't know about the existence of Islamic finance products and services in Australia. From the results, it can be concluded that the level of awareness of the Muslims community in Queensland about Islamic finance products and services in Australia are still below a satisfactory level. Thus there is still room for improvement, by creating awareness campaigns and disseminating of information to the Muslim community in particular, and to the general public, about the existence of Islamic finance products and services in Australia.

Interestingly, none of the 251 respondents has any account with Islamic financial institutions (IFIs). The main reason is, as mentioned by 76.1% respondents, non-availability of IFIs in Queensland.

MIQs are very keen to have access to Islamic finance. This statement is supported by the results of the Table 13, where 99.2% or 249 respondents said "yes" to Islamic finance products as their future financing. These results are positive and should give a hint to the respective Islamic finance service providers (IFSPs) or even the conventional banks to tap into the opportunity for business expansion.

Table 13: Respondents' willingness to choose Islamic finance products for future financing

Answers	Count	Percentage
Yes	249	99.2
No	0	0
Did not answer	2	.8

Finally we will look for the Muslims' perception towards Islamic finance. Table 14 outlines the study results in this regard.

Table 14: Respondents' perception towards Islamic finance on offer in Australia

Statement	**Percent of agreement ***
Islamic financing are more expensive than conventional loan.	0
The availability of Islamic Finance products and services will enhance the Muslim community access and participation into Australia's financial systems.	79
By increasing access to Islamic Finance products and services, the socio-economic status of the Muslim community will be improved (e.g. potential to acquire a property, car or insurance will be higher)	80
There are Muslims in Australia who are not accessing banking and financial products in order to avoid *Riba* or interest/usury but will do so if they have an alternative that are *Shariah*-compliant.	41
The existing Islamic Finance products and services in Australia are very selective and limited.	44
Muslims in Australia should switch their banking (i.e. savings/investments) and financing (i.e. home/car) facilities to Islamic finance products and services regardless of costs or price.	90
Muslims in Australia should be given a choice to choose between Islamic insurance (also known as *Takaful*) or conventional insurance.	91

*** Agree or Strongly Agree**

It is obvious from the above table that majority of Muslims in Queensland don't believe that Islamic finance products are much more expensive than their conventional counterparts. Another interesting point portrayed by our table is that the Muslim community in Queensland would be more financially included if convincing, customer-driven and *Shariah*-compliant financial products were brought to the market.

Seventy nine per cent of the respondents believe that the availability of Islamic finance products and services will enhance the Muslim community access and participation into Australia's financial systems. The results had answered the research hypothesis three – increased access to Islamic finance products and services will improve the level of financial inclusion of MIQ. This was supported by the following statement "By increasing access to Islamic Finance products and services, the socio-economic status of the Muslim community will be improved (e.g. potential to acquire a property, car or insurance will be higher)"

Such response shows that if MIQ had proper Islamic finance products and services, they would buy more houses, start more businesses and would be more involved and active in the financial services market. This in turn will improve their economic status through acquiring of properties. With this result, we can conclude that hypothesis four: The higher level of financial inclusion will improve the socio-economic status of MIQ, has been answered in the affirmative. We have to understand the importance of credit facilities that act as a catalyst for people to acquire wealth. It is a very rare case that an average income worker can save his earnings every week/month and purchase a house on a cash term basis. Thus, the role of Islamic finance in tackling financial exclusion of MIQ is unquestionable.

7. Conclusion and Policy Implications

The conventional financial system in Australia does not meet the financial services needs of MIQ. While they did have basic bank accounts such as savings account, still they are either excluded or are on the margins of the conventional financial services market. They do not have home/car loans or personal and business loans. The level of awareness about the existing *Shariah*-compliant financial products is also relatively low among the Muslims.

Islamic finance products and services are not widely marketed in Australia. The current Islamic finance service providers (IFSPs) are operating in two major cities i.e. Sydney and Melbourne. Only very recently (after this survey), one IFSP commenced it operations in Brisbane.

Although most of the MIQ are gainfully employed, the percentage of them living in their own house is very low. The socio economic status of these communities can be improved when they can accumulate wealth by acquiring properties. Therefore, financial inclusion of Muslim communities by introducing and offering *Shariah*-compliant financial products and services are absolutely essential for the greater benefit of the Australian economy.

Therefore, based on the study results the following policy implications can be noted:

i. The Muslims constitute 2% of Australian population; they should not be excluded from financial products and services just because of religious belief. The government and the service providers should take necessary actions to introduce and offer *Shariah*-compliant financial products and services for Muslims and non-Muslims. The formulation and execution of regulations in this regard may be helpful. This will exploit the potential of Islamic finance instruments in order to increase the "financial inclusion".

ii. For a house financed by IFSP is subject to pay double stamp duty in Australia (except Victoria): at the time of buying and at the time of handover when the mortgage is over. However, under conventional finance, stamp duty is payable only once: at the buying time. The discriminatory regulation must be removed to facilitate the growth of Islamic finance products and services throughout the country.

iii. The institutions providing Islamic financial products should adjust their strategic and operational plans to reflect the reality on the ground. The growth of Islamic finance will depend to a large degree on whether financial institutions can develop sufficiently attractive financial products and services, which are competitive with conventional products in terms of pricing, transparency, processing time, and burden on the clients. At present all these IFSPs are providing investment facilities rather than retail banking facilities, which is not enough. In order to attract more clientele and thus to provide the twin engines of fulfilling communities' religious needs and economic development of the country through Islamic micro-financing investment and retail banking facilities must be integrated.

iv. Expanding the suite of Islamic finance products and services nationwide is another area that IFSPs can explore.

v. Finally, the current IFSPs should consider collaborating with *Shariah*-compliant mortgage brokers, possibly through a link with global wholesale banks such as HSBC and Citibank through their trans-national banking subsidiaries that are currently operating in Australia.

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