

**KWAME NKURUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**COLLEGE OF ART AND SOCIAL SCIENCE**

**SCHOOL OF BUSINESS**

**KNUST**

**ASSESSING THE FEASIBILITY OF ISLAMIC BANKING IN GHANA- A**

**CASE STUDY IN ASHANTI REGION**

**BY**

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## DECLARATION

I hereby declare that this submission is my own work except for references which I have duly acknowledged towards the MBA degree and that to the best of my knowledge it contains neither materials previously published by another person nor materials which has been accepted for the award of any other degree.

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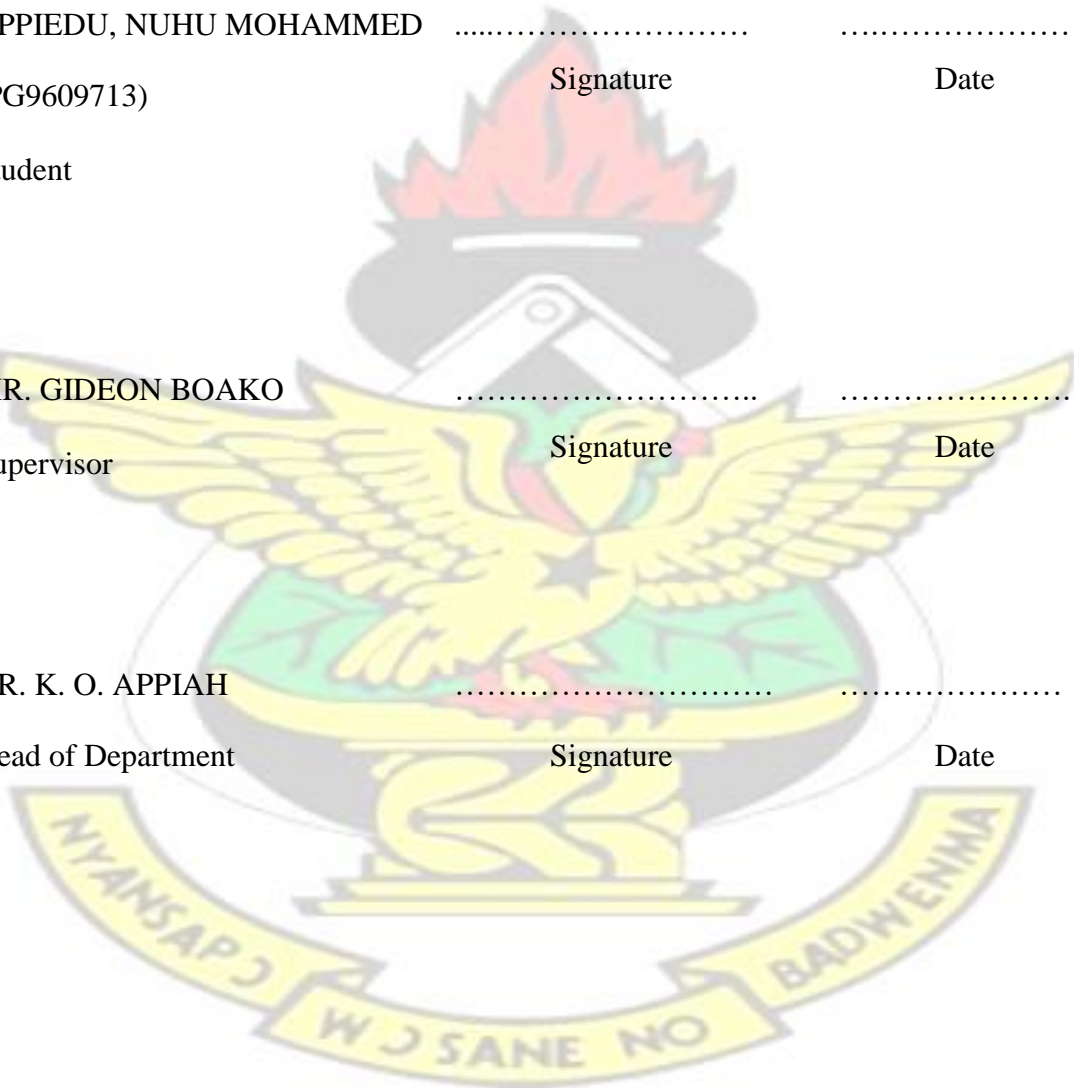
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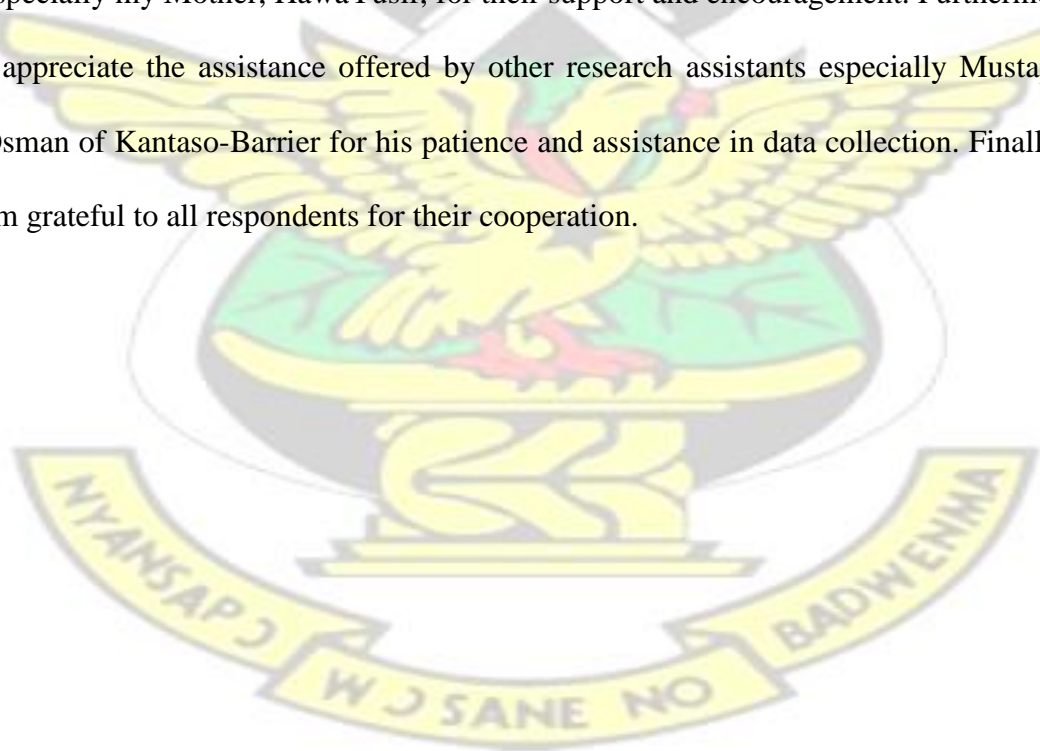
## DEDICATION

I dedicate the entire work to Allah (God) The Sublime and Almighty, for taking care of my life throughout my education, and to my dear parents, HawaYusif and Alhaj Nuhu Mohammed Appiedu for their advice, support, prayers and encouragement towards my success in education. Finally to my brothers and sisters: Lukman Nuhu Appiedu, Tawfiq Nuhu Appiedu, Imran Nuhu Appiedu, Huda Nuhu Appiedu, Amira Nuhu Appiedu and Hikma Nuhu Appiedu for their support and encouragement.



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## **ABSTRACT**

The banking industry in Ghana has been receiving heated debates as to whether the regulator of the Ghana Banking Industry should give the licence to the operation of Islamic banking in Ghana. It is upon this heated debate that this study sought to assess the feasibility of Islamic Banking in Ghana. The specific objectives that guided the study were to assess the knowledge and perceptions of Ghanaians regarding Islamic Banking, the indicators that make the adoption of Islamic Banking to be feasible and also the barriers to the feasibility of Islamic Banking in Ghana. Exploratory research design was employed to a sample of 200 respondents from the Kumasi Metropolis and other rural communities of the Ashanti Region for the study. The study reveals some interesting results for policy formulation, planning, and bridging the knowledge gap. On knowledge about Islamic Banking among the research population, the study revealed that the knowledge of the research population is very low even though majority of the respondents showed interest in doing business with an Interest free banking system by adhering to some of the principles and laws regulating interest free banking. The study also reveals among other things that Islamic banking would be feasible in the Ghanaian banking industry. However, the application of the Islamic shar'iah and the deposits of the depositors to the bank not earning predetermined interest rates were found to be the main challenges that would serve as barriers to the feasibility of Islamic



banking in Ghana. The study thus recommends that the regulator of the banking industry in Ghana should grant the licence to the operation of Islamic banking in the country while scholars and practitioners of the Islamic banking should also conduct series of studies and education that would be geared towards demystifying the concepts in the Shar'iah which governs the activities of Islamic banking.

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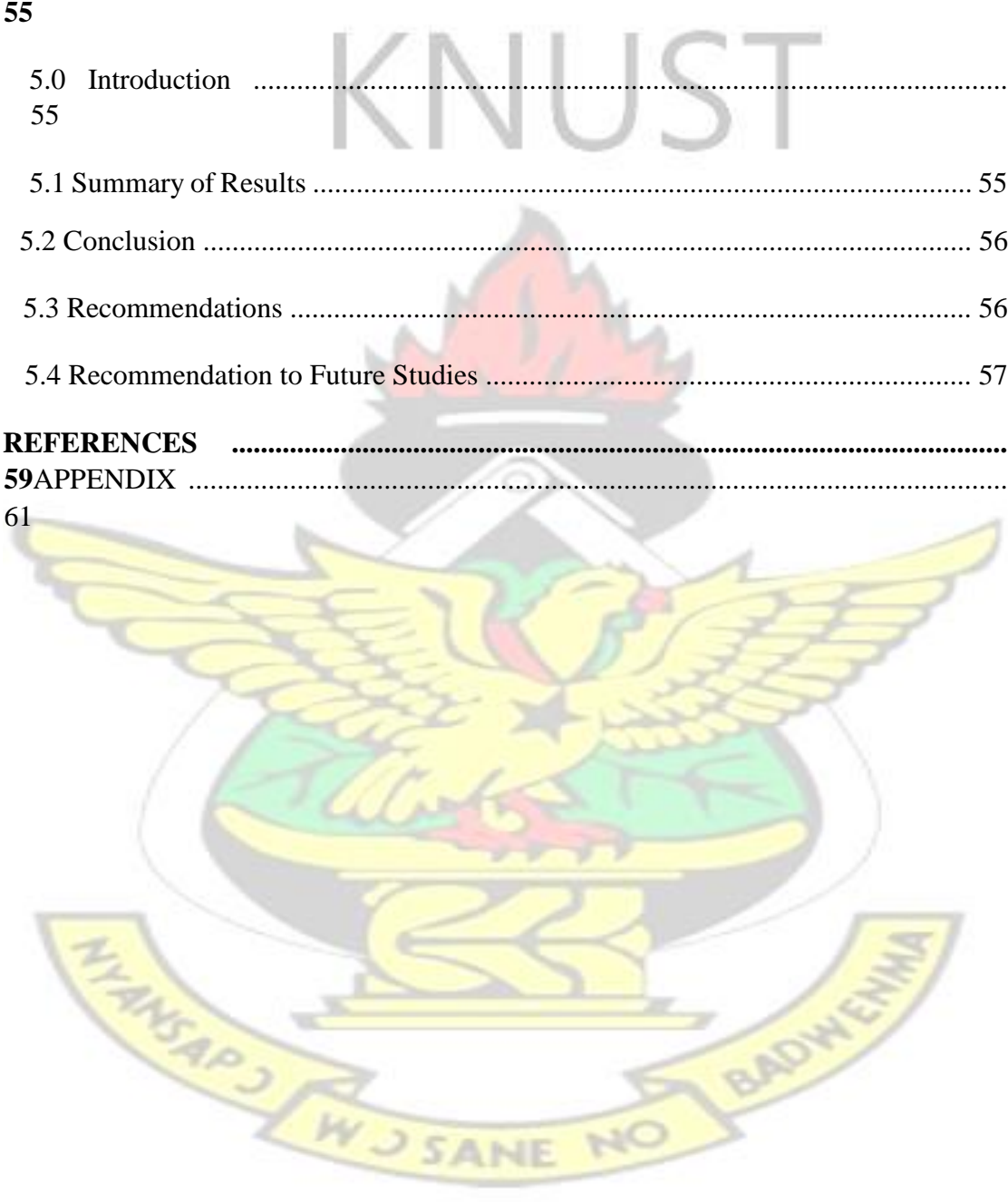
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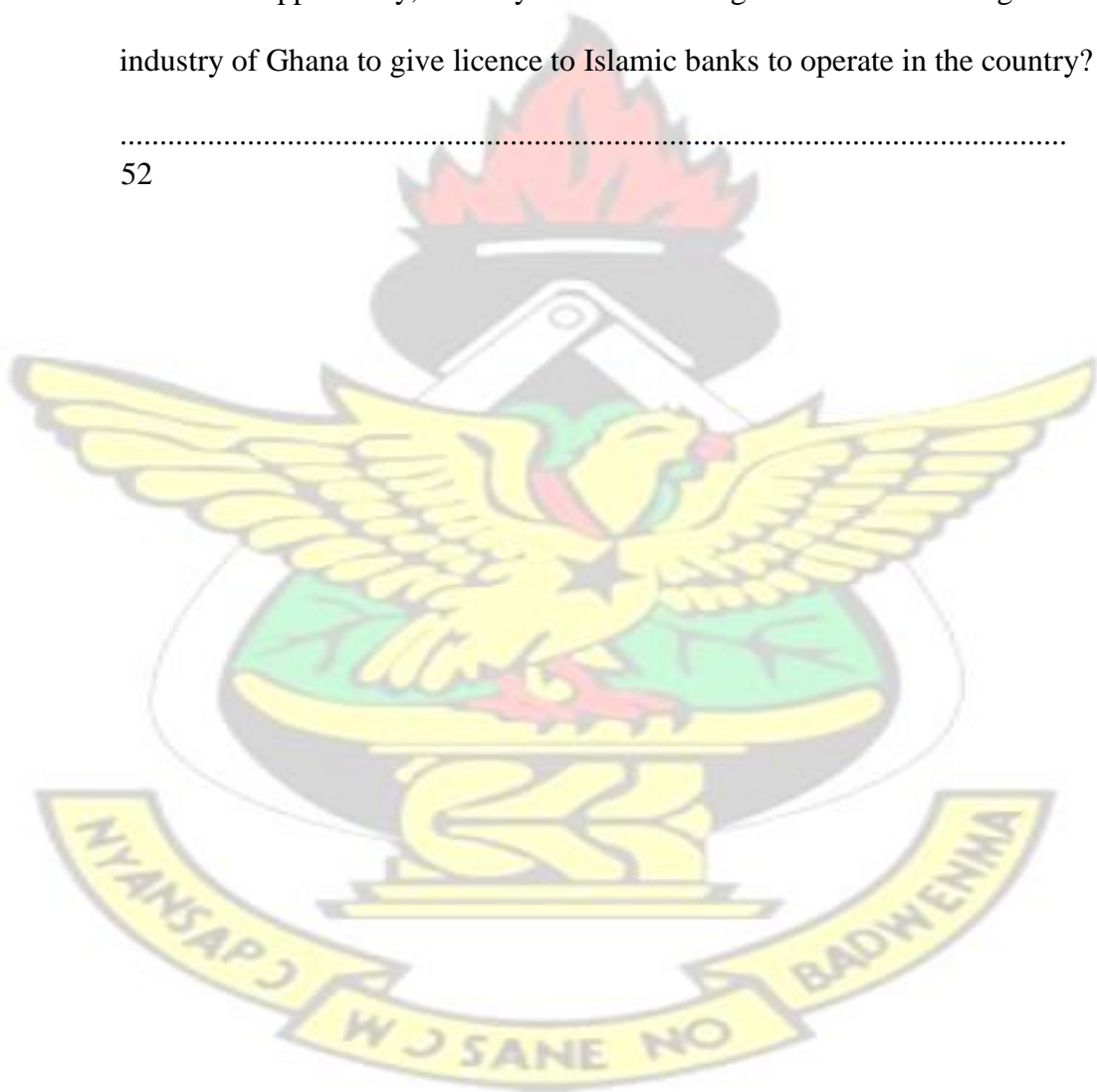
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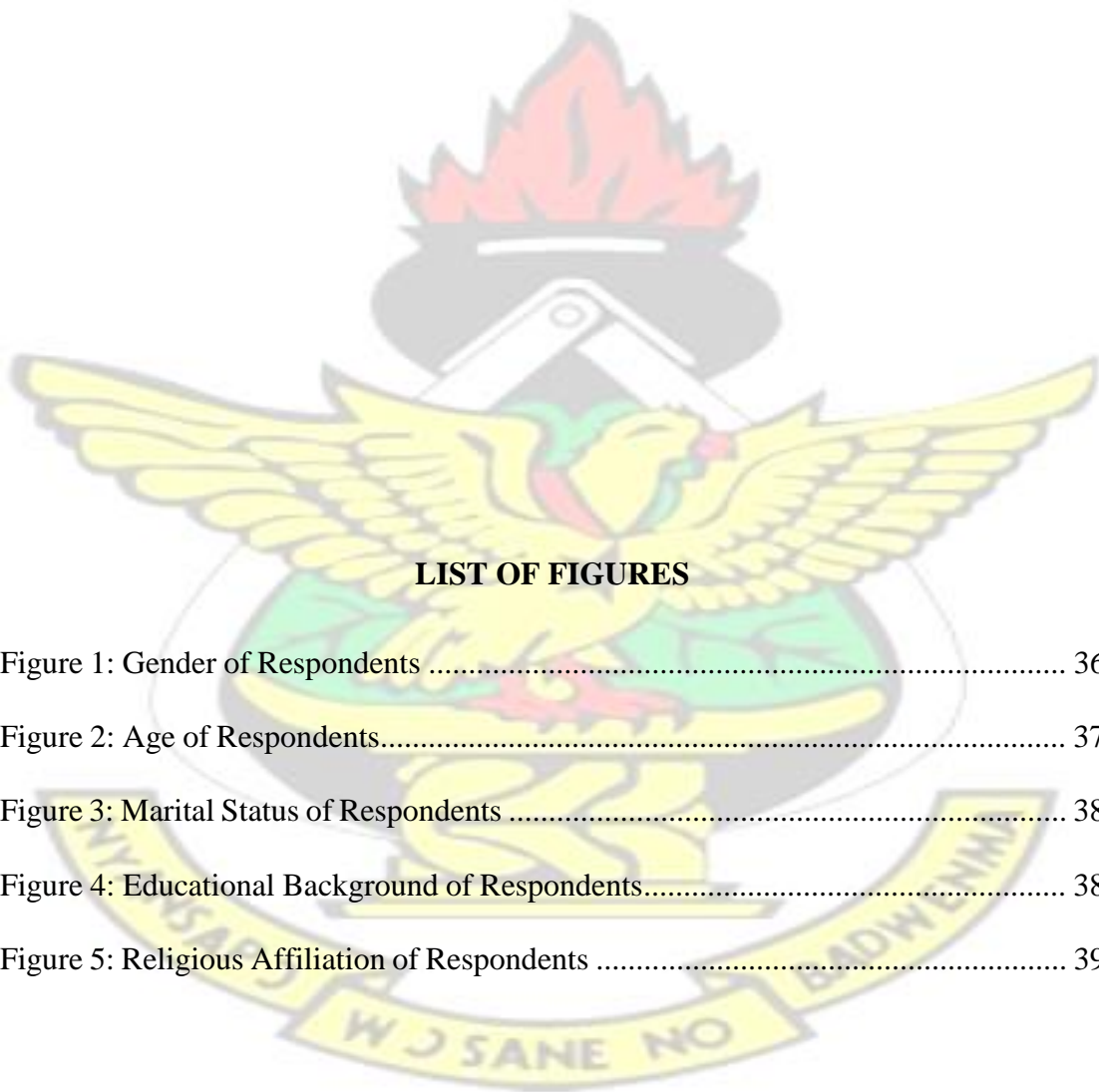
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## CHAPTER ONE INTRODUCTION

### 1.1 Background of the study

Ever since the Europeans introduced banking to the then Gold Coast in the late 1890s, the banking industry has gone through major transformational changes. Services of the sector have also seen massive changes from merely the issuance of coins for the purposes of trading and also paying of salaries to the Colonial Government Officials and troops who were stationed at the Colony during the late 1890s (Buckle et al, 1999) to the versatile and numerous banking services provided by modern day banking. These versatile and numerous services provided by banks generally could be said to be an intermediating function between savers and borrowers. Thus from the perspective of a saver or a creditor to the bank, the bank performs the following functions; safe keeping of the savers credit by reducing risks for their deposit and administer the accounts of the customers reliably, securely and confidentially. For the borrower or the debtor to the bank, he or she expects the bank to offer them credits at an affordable price. Thus the bank makes credits available to the borrower or the debtor.

In modern day banking, one of the most relevant functions of any financial institution and most importantly banks is the capital formation or the provision of funds for investment. Ghana and other developing countries require a higher rate in terms of capital formation or investment to create, sustain and supplement high economic and labour force growth in relation to technological progress. However, in developed economies like United States (US): technological development and innovation (redirected to high growth in total factor productivity) spearhead growth. Countries with larger financial systems have a tendency to develop faster than others (King & Levine, 1993) because of the influence of banks in performing a fundamental



economic role as financial intermediaries and as facilitators of payments. Additionally, banks also aid to encourage savings and distribute resources efficiently and also in order to allow for diversification of risk; they monitor various managers and exert control (Levine, 1997). However, even in a world of obvious capital mobility, there is the confirmation that domestic savings and investment rates are highly connected which makes domestic saving and financial development major drivers of domestic growth.

Loans and credits that are secured from the banks or other financial institutions usually come at a fee which is referred to as interest. Thus, for banks to grow and stay in operation, the money that is lent out to debtors of the banks comes at a cost which is the interest. In developing countries such as Ghana, interest on loans and credit lent to people and business organisations are extremely high; as high as 25.6% in 2013 (BOG, 2014). However, in developed economies where inflation is very low and currency depreciation is also low, interest rates are very low, 0.5% for the United Kingdom and 3.3% for the United States of America in the year 2013 (World Bank, 2014). Therefore, doing business or embarking on any project in developing countries such as Ghana is very challenging considering the high interest rates on loans for business and projects as compared to developed countries like the United Kingdom and the United States of America with a near zero interest rate.

However in most of the Islamic countries, firms and individuals who want to secure loans have the options of either securing loans from banks that may require interest on the principal borrowed or banks that may operate an interest free banking services and hence giving out loans without any predetermined or fixed interest rates. Thus in this respect, banking may be classified under two broad categories. These two

classifications are interest banking which is also known as conventional banking and interest-free banking which is also known as Islamic banking.

For conventional banking which is being operated in all the economies of the world with the exception of Iran, Pakistan and Sudan (Chong and Liu, 2009), when one contracts a loan, one is made to pay a predetermined fixed rate interest on the loan.

Islamic banking is basically banking established on the dictates and the principles of the Shari'ah and is thus restricted to Islamic acceptable transactions, which reject those trades involving pork, alcohol, gambling-maysir (games of chance involving money), bayu al-gharar (speculative trading or trading in risk), engaging in only ethical and moral purchasing (Botiş, 2013). According to Beck, Demirguc and Merrouche (2010), the products of Islamic banking include transaction that is in congruence with the dictates of the Holy Qu'ran. This is because, charging of interest payments (riba) is prohibited in the Holy Qur'an as only products (goods and services) are allowed to carry a price. The Qu'ran sees money as a form of wealth and hence its primary function is to be used as a medium of exchange. Therefore, with money being a medium of exchange, no price / interest (riba) should be charged for money. Therefore the basic rule in lending as prescribed by the Holy Qu'ran is thus; return an equal amount (Saeed, 2008). According to Saeed, (2008), the Holy Qu'ran prohibits all forms of interest. Interest based transactions are seen as 'unjust' or a risk on the borrower.

From the above, it could be seen that Islamic banking differs from the conventional in three broad aspects. The aspects are the absence of predetermined rate of interest, risk sharing and the avoidance of making loans for purposes deemed unethical by the shari'ah. Thus, since the Qu'ran forbade interest (riba) at any predetermined or fixed rate paid on loans, in Islamic banking, loans contracted do not attract any interest. The

Qu'ran rather encourages profit/loss sharing (PLS) arrangements, the buying and resale of goods and services and the provision of services for free (Beck, Demircuc&Merrouche, 2010). Islam according to (Khan,2006), the Holy Qur'an allows only one kind of loan and that being Qard-al-Hasna (a good loan) in which case the moneylender charges no interest or supplementary amount over any money lent, in fact even any associated or indirect benefits are also forbidden.

Another significant characteristic is the pass-through of risk between the depositor and the borrower. Unlike a debtor and a creditor relationship in the conventional banking, in Islamic banking, the connection between the debtor and the creditor (bank) is referred to as the contract of Mudaraba. A Mudaraba contract is a partnership agreement in which one partner is the investor (dormant partner) and the other being the fund manager (active partner) who manages the investor's investment in an economic activity. The active partner (often an entrepreneur) has the competence in applying the capital and other factors of production into an economic activity. Both parties therefore agree in advance to a profit and loss sharing (PLS) ratio. In Arabic language, investor is called RAB AL MAL (owner of capital/money), and the fund manager is called the MUDARIB. Thus the MUDARIB manages the enterprise in which the RAB AL MAL provides funds for running and financing the enterprise.

The final feature that distinguishes conventional banking from Islamic banking is that, in Islamic banking, there is the avoidance of contracting loans for the purposes of transactions deemed unethical or unscrupulous by the Shari'ah. Therefore activities such as securing loans for the productions and sales of alcoholic products, gambling, selling of pork and activities involving pornography are seen as impermissible (haram) in the Islamic Holy Qu'ran (krom, 2013).

Also, when it comes to mortgage financing, the term used in Islamic banking is Ijara. Ijara is a lease arrangement that is widely used for home mortgages. In Ijara, the bank purchases the property and leases it to a customer for periodic payments that covers rent and payment on principal. The rent varies with varying rental market conditions and the lessee has the option of owning the property at the expiration of the lease. Although Ijara is also not an interest-based transaction, the rent on the leased asset is based on conventional interest rates, often the interbank rate as reported by Penzer, Alwang and Al-Sudairi (2009), when Single-Purpose vehicles bought by corporate companies through Ijara are calculated at the London Interbank Offered Rate (LIBOR) on the remaining unpaid acquisition cost and the stream of monthly payments is not dissimilar to that found in amortization tables of conventional home mortgages (El-Gamal, 2006).

Ijara should not be based on conventional interest rates or LIBOR since Islam has totally prohibited all forms of interest and its associated transactions. It is therefore appropriate to base the rental payments on the aggregation of the price incurred by the lessor for the acquisition of the assets to be leased and a reasonable rate of return in a mutual consent.

Islamic banks, for instance, are obligated to set good measures to differentiate decent customers from unscrupulous ones because they have more to lose than interest based banks.

Dwelling on this background, this study seeks to assess the feasibility of Islamic Banking in Ghana.

## **1.2 Statement of the Problem**

Ghana, just like any other developing country is faced with lots of economic challenges. Notable among them is high interest rates which serve as a deterrent for most businesses in accessing loans for their business. Not only businesses are affected by the high level



interest rates charged by the conventional banks, individuals who want to secure some personal loans for projects such as buying a house and other assets are also affected in Ghana. While developed nations such as the United States of America, United Kingdom, and China recorded average yearly interest rates of 3.3%, 0.5% and 6.0% respectively, developing countries such as the Gambia, DR Congo and Nigeria recorded a yearly interest rate of 28.0%, 19.4% and 16.7% respectively (World Bank, 2014). For that same period, Ghana recorded a lending interest rate of 25.6%. This therefore shows that the cost involved in securing loan from conventional banks in Ghana is relatively high just like any other developing country (BOG, 2014).

Another important issue is that, though Islamic banking is not restricted to adherents of the Islamic faiths, Ghana as a country is dominated by Christians who constitute 71.2% of the total population, followed by the adherents of the Islamic faith who constitute 17.6%, 5.2% being adherents of the African Traditional Religion and 5.3% who claim no affiliation to any religion (Ghana Statistical Service, 2012). With the concept of Islamic banking, will a country with a minority of Muslims be willing to embrace the concept of Islamic Banking.

Despite the need for Islamic banking to offer better low cost borrowing opportunities to interested parties, studies exploring the feasibility of Islamic banking in Ghana are virtually non-existent. As the banking act is underway for amendment to inculcate Islamic banking in our country, there is the need to assess how feasible the new banking system will be accepted by all.

### **1.3 Purpose of the Study**

The main purpose of the study is to assess the feasibility of Islamic banking in Ghana.



Specifically, the study seeks to find out the following;

1. The knowledge of Ghanaians regarding Islamic banking.
2. The perception of Ghanaians regarding Islamic Banking.
3. Indicators that make the adoption of Islamic Banking Feasible
4. The barriers to the feasibility of Islamic Banking in Ghana.

#### **1.4 Research Questions**

In order to have the requisite answers to this study, the following research questions will be posed to guide the study:

1. What is the knowledge level of Ghanaians on Islamic Banking?
2. What are the perceptions of Ghanaians on Islamic Banking?
3. What indicators make the adoption of Islamic Banking feasible in Ghana?
4. What indicators serve as barriers to the feasibility of Islamic Banking in Ghana?

#### **1.5 Significance of the Study**

The findings of the study will contribute immensely to research and policy. In terms of research, since there is little or no research about the feasibility of Islamic banking in the Ghanaian banking industry, the findings of the study will contribute to academia by providing the grounds on which subsequent or future studies about the subject matter of this study could be built.

With regards to policy, the findings of the study will seek to provide policy makers and stakeholders of financial industries with empirical information on the relative importance of Islamic banking in the economic development of Ghana. By realizing the challenges encountered by businesses in securing loans from the conventional banks at high interest rates, policy makers and stakeholders' would be well informed on practical

strategies that could help to alleviate these challenges encountered by business in order to maximize their operations for advancement in their economic contribution to Ghana's development.

### **1.6 Scope of the Study**

The scope of the study shall cover some selected bank officials and entrepreneurs', the Muslim and Christian communities, urban and the rural areas of the Ashanti Region of Ghana. It is a cosmopolitan region and thus has almost all calibre of people there, to establish a fair representation of residents in the Ashanti region on which the research could be generalised for the entire population.

### **1.7 Organisation of the Study**

The study was grouped under five chapters. Chapter one comprised the background of the study, statement of the problem, purpose of the study, research questions, significance of the study as well as scope of the study.

Chapter two constituted the literature review by providing theories related to the construct under study. And review of related studies to the topic under study shall also be made available here.

Chapter three shall constitute the methodology by providing the research design, population, sample size, sampling technique, materials for data collections, procedure involved in data collection as well as ethical considerations guiding the study.

Chapter four of the study shall constitute the analysis of data gathered for the study by using the Statistical Package for Social Sciences (SPSS). Data shall be analysed and interpreted with respect to the purpose and objectives of the study. Appropriate graphs and tables shall be used to depict percentages where and when necessary.

Chapter five shall constitute the summary of the findings, conclusion and recommendations for the study as well as recommendations for further studies.

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## CHAPTER TWO LITERATURE REVIEW

### 2.0 Introduction

This chapter of the study looks at theoretical underpinnings of the subject matter under study and as well the review of related literature that has been conducted on the subject matter under study. It is however worthy to note that, Islamic banking did not start with any laid down theory, rules and regulations. Problems that resulted as a result of the practical implementations rather called for scholars and professionals in Islamic law and Islamic finance to deliberate, bring forth and modify the modus operandi of Islamic banking.

### 2.1 Shari'ah

The guiding principle of Islamic Finance is to provide banking and financial services which are Shari'ah compliant (Institute of Islamic Banking and Insurance, IIBI). According to IIBI, "the Shari'ah is a framework of Islamic Jurisprudence derived from the primary sources: The Qur'an and the teachings of the Prophet Muhammad (peace and blessing be upon him (pbuh)) known as the Sunnah." In addition to the main sources of the Shari'ah, there is a dynamic secondary source of common law rulings, comparative analogy (Qiyaas) and scholarly interpretations (Ijmaa) referred to as Fatwa's. These fatwas are the results of human interpretation of the Shari' ah, of its texts, or its principles, or a combination of the two; they are not the word of God or teachings of the Prophet Muhammad. The secondary sources are usually used when solutions to problems cannot be found in the primary sources of the Shari'ah. In such situations, the reasoning of an Islamic Scholar becomes plausible so far as they remain in line with the fundamental teachings of the Holy Qu'ran and Sunnah.



According to Alasrag (2011), “what *Shari’ah* compliant financing (SCF) seeks to do is to shape financial practices and accompanying legal instruments that conform to Islamic law.”

Unlike Conventional banks that charge fixed rates on money that is lend out as interest, the *Shari’ah* forbade practices such as interest (usury or *riba* in Islam) on loans that are given out to people. The *Shari’ah* has also prescribed some transactions that are permissible and some transactions are not permissible under this operation which include; gambling, insecurity or ambiguity relating to subject matter, terms and conditions, speculation, undue enrichment, corruption and unfair trade practices, dealing with alcohol, arms and ammunition, pork, pornography and any other connections, products (goods and services) which are not compliant with the principles of Islamic commercial jurisprudence. These would protect both the financier and the customers from indulging in riskiest transactions and advocate for the healthiest business towards contributing to real economic growth of the country. Thus in effect, Islamic banking may differ from the conventional banking in two broad features which are; the determination of predetermine interest rate and securing of loans for activities that are deemed unethical by the *Shari’ah*.

### **2.1.1 Interest (Riba) and Profit and Loss Sharing (PLS)**

Conventional banks or interest based banks charge a predetermined fixed rate on the principal that is lend out to its customers as interest. However, such a practice is not permissible by the *Shari’ah* and is thus forbidden in the Islamic jurisprudence and rather proposes profit and loss sharing by the parties involved in the process of securing the loan. The Qur’an refers to interest as a usury or *riba*. The Holy Qur’an and the Sunnah



cautioned those “haves” not to exploit “have nots” and enjoin the believers to treat everyone with justice and fairness.

According to Institute of Islamic Banking, “riba best translated today as the charging of any interest, meaning money earned on the lending out of money itself. The prohibition on paying or receiving fixed interest is based on the Islamic tenet that money is only a medium of exchange, a way of defining the value of a thing; it has no value in itself, and therefore should not be allowed to give rise to more money, via fixed interest payments, simply by being put in a bank or lent to someone else.” Islam places much emphasis on the knowledge and effort put in place by a person in order to venture into a particular business than the money used to finance the business. This is because, money is regarded merely as a medium of exchange and not an asset (Institute of Islamic Banking).

The Noble Qur’an pronounced the prohibition of riba in four different chapters (i.e. 2:275, 276 and 278; 3:130; 4:161; 30:39). The Quran says: “Those who eat riba (usury) will not stand (on the Day of Resurrection) except like the standing of a person beaten by *Shaytan*(Satan) leading him to insanity (Aliyu, 2014). That is because they say: "Trading is only like riba whereas Allah has permitted trading and forbidden riba (Aliyu, 2014). So whosoever receives an admonition from his Lord and stops eating riba shall not be punished for the past; his case is for Allah (to judge); but whoever returns (to riba), such are the dwellers of the Fire - they will abide therein.” (2: 275). Allah removed His blessing from usury, and will keep purifying and increasing His blessing on the deeds of charity as says: “Allah will destroy riba and will give increase for sadaqat (deeds of charity, alms, etc.) (Aliyu, 2014). And Allah likes not the disbelievers, sinners.” (2:276). Allah makes it clear in the conjunction verse(s) on riba

that those eating riba are not doing the righteous deeds and to them fear and grieve would remain until they keep away from it, as mentioned: “Truly those who believe, and do deeds of righteousness, and perform *Al-salat* (*Iqamatu-assalat* (*establish regular prayers*)), and give zakat (obligatory charity), they will have their reward with their Lord. On them shall be no fear, nor shall they grieve.”(2:277).

In the same chapter of the Noble Quran, Allah says: “O you who believe! Be afraid of Allah and give up what remains (due to you) from riba (usury) (from now onward), if you are (really) believers. And if you do not do it, then take a notice of war from Allah and His Messenger but if you repent, you shall have your capital sums. Deal not unjustly (by asking more than your capital sums), and you shall not be dealt with unjustly (by receiving less than your capital sums).” (2:278-279) In the next verse Allah provides the lasting solution to creditors on debtors that are in hardest condition and are willing to pay back the debt as: “And if the debtor is in a hard time (has no money), then grant him time till it is easy for him to repay, but if you remit it by way of charity, that is better for you if you did but know.”(2:280) Allah is the all knower of each and every thing; between those who really intend to settle debt and have not, and those who decline intentionally while they have the means. Allah warned us to settle our debt here (present world) or else we shall account for what we earned hereafter: “And be afraid of the Day when you shall be brought back to Allah. Then every person shall be paid what he earned, and they shall not be dealt with unjustly.”(2:281).

In the subsequent chapter, Allah enjoins us not to eat usury doubled and multiplied (3:130): “O you who believe! Eat not *Riba*(usury) doubled and multiplied, but fear Allah that you may be successful.” In the case of riba, the Quran does not only say it is a sin but it says: Allah and His prophet Muhammad (peace be upon him (pbuh)) will wage a war against the devourers of usury. Showing how grievous this sin really is.

Prophet Muhammad (pbuh) classified it among the seven major sins (Volume 8, Book 82, no. 840 of SahihBukhari), reported by Abu Hurairah: The Prophet said, "Avoid the seven great destructive sins." They asked, "O Allah's Apostle! What are they?" He said, "To join partners in worship with Allah; to practice sorcery; to kill the life which Allah has forbidden except for a just cause (according to Islamic law); to eat up usury (riba), to eat up the property of an orphan; to give one's back to the enemy and fleeing from the battle field at the time of fighting and to accuse chaste women who never even think of anything touching chastity and are good believers." It is not only the payment and acceptance of interest that is prohibited, but there is another tradition of the prophet which says: "Abdullah ibnMas'ud (May Allah be pleased with him) reported that the Messenger of Allah (pbuh) cursed the one who accepted usury, the one who paid it, the witness to it, and the one who recorded it.

*(Sunan Abu Daawud: Book 22, no. 3327).*

Thus according to the quotations above from the Qur'an and sunnah, usury (riba) was classified as one of the major sins that one can ever commit. As a result, the Prophet Mohammed has cursed already people who may in one way or the other be engaged in the practices of usury. That is; people who may accept usury, people who may pay usury, people who may be witnesses in the giving and receipt of usury and even those people who may record the transaction that may involve usury.

Since the Shari'ah prohibits interest or riba, one may ask, then what is the basis of profit for banks operating under Islamic banking because majority of the profit for banks under Conventional banking are out of the profit charged on loans. Unlike Conventional banks which may see a debt-financing whereby a debtor borrows the capital from the bank (creditor/capital owner) and invest it in his business. In Islamic banking, the

Islamic law proposes a Profit or Loss Sharing contract which is known as the contract of Mudarabah. In the Contract of Madurabah, the two persons collaborate with each other on the basis of partnership, there the capital-owner provides the capital whereas the other party puts in his entrepreneurial abilities in to the business. Thus, the capital-owner does not involve his or herself into the day-to-day activities of the business. After the end of the period, the capital owner will get back his capital together with the pre-agreed share of the profit. Therefore, the interest being charged by the conventional banks is being compensated for by the profit that is being shared by the capital-owner and the manager of the capital. Before the beginning of the project for which one may contract a loan from an Islamic bank, a contract is signed which also contains the proportion in which the total profits of the venture are to be distributed between the two parties (the capital-owner and the manager).

On the contrary, should a loss be incurred in the business, the financier bears all the loss and the principal or the capital of the capital-owner is reduced by the amount of the loss. According to Institute of Islamic banking, it is the risk of loss that entitles the investor to a share in the profits. The manager may not bear any financial loss, because he has lost time and his work has been wasted. This therefore implies that, Madurabah which is the foundation of contemporary day Islamic banking operates on two-tier basis (IIBI). The first tier refers to the depositors who may put their cash into the bank's account and agree to share profit with it. In this case, the depositors are the providers of the capital and the bank functions as the manager of the funds. The second tier entails businesspersons who may seek capital from the banks for their businesses on the condition that profits accruing from their venture will be shared between them and the bank in a mutually agreed ratio and that any loss will be borne only by the bank. Thus the banks serve as the provider of the capital in the second tier. It is from the profits



earned by the banks at the second tier that they may share to their capital-owners in the tier one.

However, according to Andrew (2009), The Qur'an refers to the term Riba numerous times but no definition is available and no comprehensive explanation is given in the practices of the Prophet (pbuh). Islamic Scholars don't know why, but they believe there are two probable reasons for this. "Firstly, verses containing riba were revealed towards the end of Prophet Mohammed's (PBUH) life and there may simply not have been enough time for the issue to be raised and explained" (Andrews, 2009).

"Secondly and perhaps more likely, the concept was so well known (like Usury is for us today), that no explanation was needed so everyone knew and agreed that riba was wrong" (Andrews, 2009). This has therefore resulted in lots of doctrinal debates among scholars of Islamic finance and has thus become one of the discussions in Islamic banking for a while. Thus the debate was about whether bank interest was riba or not Tahir (2007). Therefore, the advocates of the status quo differentiated between the bank interest and riba prohibited in the Qur'an and the Sunnah (Tahir, 2007). Thus according to Tahir (2007), this prompted the Shari'ah Appellate Bench of the Supreme Court of Pakistan to give its verdict on the 23<sup>rd</sup> of December, 1999 on the debate that has been going on among scholars of Islamic banking. The verdict as recorded by Tahir (2007) is as follows:

"Any amount, big or small, over the principal, in the contract of loan or debt is riba prohibited by the Holy Qur'an, regardless of whether the loan is taken for the purpose of consumption or for some production activity." The Holy Prophet (pbuh) has also labelled the following transactions as usury:.



- i. A barter transaction between two weighable or measurable commodities of the same kind, where the quantity on both sides is not equal, or where delivery from any one side is deferred.
- ii. A barter transaction between different weighable or measurable commodities where delivery from one side is deferred.
- iii. A transaction of money for money of the same denomination where the quantity on both sides is not equal, either in a spot transaction or in a transaction based on deferred payment

According to Tahir (2007), the three categories are termed in the Islamic Jurisprudence as *riba al-Sunnah* because that prohibition has been established by the Sunnah of the Holy Prophet Muhammad. Along with the *riba al-Qur'an* (*riba* as prohibited by the Qur'an), these four types of the transactions are termed as *riba* in the literature of the Noble Qur'an and the Sunnah of Prophet Muhammad (Tahir, 2007).

According to Tahir (2007), it is also worthy to note that while the preoccupation with the definition of the term *riba* was dominant, in the year 1999, the International Institute of Islamic Economics (IIIE), Islamabad, with the Blueprint of Islamic Financial System, that the emphasis of Islamic banking should focus on the permissible forms of transactions and development of the Islamic alternatives. This approach however by the IIIE did not receive the needed attention among the scholars of Islamic banking (Tahir, 2007). Thus according to Tahir (2007), all these issues are due to the fact that Islamic banking did not start with a well-defined working model, and this has created a lot of space for the experimentation with the ideas.

### **2.1.2 Permissible and Non-permissible transactions**

Unlike in the Conventional banking system whereby people can secure loans for whatever transaction or business they intend doing with the loan, banks operating under Islamic banking system are thus prevented from granting loans to businesses that may be prohibited by the Shari'ah law that governs the activities of Islamic banking. There are basically two types of prohibitions under the Shari'ah law. The first type of prohibitions is the prohibition of *Maysir* (game of chance/gambling) and the prohibition of *Gharar* (uncertainty/ambiguity). The second type of businesses prohibited by the Shari'ah is the prohibition of *Haram* (illegal).

### **2.1.3 Prohibition of Maysir**

Under the prohibition of Maysir, any economic transaction entered into should be free from ambiguity, risk and speculation. Parties to the contract should have perfect knowledge and understanding of what is intended to be exchanged as a result of their transactions. Also, the parties are not allowed to predetermine a definite profit. This is based on the rule of 'uncertain gains' which, on a strict interpretation, does not even allow an undertaking from the customer to repay the borrowed principal plus an amount to take into account inflation. The basis behind the prohibition is the desire to safeguard the weak from manipulation. Therefore, options, futures and forward foreign exchange contracts are considered contrary to Islamic banking transactions because rates are determined by interest differentials.

Earning a profit from speculation is not allowed in Islam. This makes gambling a prohibition under Shari'ah. This is because, generally, the Shari'ah prohibits any kind of arrangements that involves speculations. However, there are instances whereby the

Shari'ah allows some level of speculations in commercial dealings. In the Shari'ah, speculations are allowed based on its degree and on the grounds that such speculations are not used to realize any gain. Sometimes, it can be difficult to distinguish between prohibited speculation and legitimate speculation in the Shari'ah. For instance, in a situation whereby an investor is supposed to make an investment in a company, even though the primary aim of the investor is to make some kind of gain on the investment, there is still some sort of commercial speculation in this kind of venture. However, what becomes permissible in this kind of speculation is the intention of the investor. If the investor seeks to make some quick money out of the investment because of the current financial situation of the company, then that kind of speculation becomes non-permissible. However, if the intention of the investor is to use his equity investment to help the business to grow and later get a share of the profit share in the future, then that kind of speculative intention is permissible.

#### **2.1.4 Prohibition of Gharar**

In Arabic language, the word Gharar has no universally accepted definition. However, its general meaning is: hazard, deceit, chance or risk (khatar), definite & incalculable uncertainty.

Another good translation of Gharar is "risk" or "uncertainty". The literal meaning of the term Gharar according to Qadi `Iyad is: "that which has a pleasant appearance and a hated essence". Professor Mustafa Al Zarqa' defined Gharar as a sale of probable items whose existence or characteristics are not certain, due to the risky nature which makes the trade similar to gambling. Technically, Gharar can be defined as an element of risk that is unpredictable and has no measurable probability; fictitious sales; or the sale of a thing whose consequence is unknown; or a sale involving risk in which one does not

know whether it will be materialised or not, such as a fish in the sea or an animal in the bush. In recent terms Gharar may denote a sale of an item with unclear and ambiguous terms (e.g. sale of a car without giving full details of its model, type, either manual or automatic, etc.).

While the prohibition of interest is absolute, some degree of Gharar is acceptable in the Islamic framework. Only conditions of excessive Gharar need to be avoided. There are many Hadiths forbidding Gharar sales, and specific instances thereof.

Many conventional examples of Gharar were provided explicitly in the Hadith. They include the sale of fish in the water, animals in the bush, birds in the sky, an unborn calf in its mother's womb, un-ripened fruits on the tree, etc. (UKessays).

All such cases comprise the sale and purchase of an item which may or may not exist. In such circumstances, to mention but a few, the animal in the bush may never be caught, the calf may be still born. In all such cases, it is in the best interest of the exchanging parties to be very specific about what is being sold and for what amount.

“The Prophet (pbuh) has forbidden the purchase of the unborn animal in its mother's womb, the sale of the milk in the udder without measurement, the purchase of spoils of war prior to their distribution, the purchase of charities prior to their receipt, and the purchase of the catch of a diver. “The last prohibition in this Hadith pertains to a person paying a fixed price for whatever a diver may catch on his next dive. In this case, he does not know what he is paying for (UKessays). On the other hand, paying a fixed amount to hire the services of a diver for a fixed period of time (where whatever he catches belongs to the buyer) is acceptable. In this case the object of sale (the diver's labour for say one hour) is well defined. In many cases, Gharar can be eliminated from contracts by carefully stating the object of sale and the price to eliminate ambiguities



(UKessays).The other set of relevant contracts which are rendered unacceptable because of Gharar are forwards, futures, options, and other derivative instruments. Forwards and futures involve Gharar since the underlying asset or object of the sale may not even exist at the time the trade is to be completed.

One of the key prerequisites under the shari'ah is the certainty or accuracy of terms involved in a particular business transaction. According to the shari'ah, there must not be any kind of uncertainty or inaccuracy about the terms involved in any business transaction. In a classic instance, in a contract which involves the trade of assets, the terms and conditions outlining the sale of assets should be clearly and distinctly stated. Therefore, the assets should be clearly described, the price of the asset must also be clearly stated, together with the time for conveying the assets to the buyer. In much more the same way, in a leasing contract, there is the need to define clearly the assets which are to be leased out, the period of the lease as well as the rent payable under the lease. Dwelling on the principles of the Shari'ah, conventional insurance contracts are also not permissible just for the principled reason that, there is no certainty as to when a claim will be paid since there is no guarantee of when an incident will happen which requires the insurance to be paid.

The key examples of *Ghararin* modern day Islamic Banking include the following:

- i. Giving a customer an advice to purchase shares of a company that is subject of a takeover bid on the premise of expected share value increase.
- ii. Purchasing an item where the price is to be specified in the future.
- iii. Engaging in a transaction where the specifications of the contract are unknown or uncertain.



### 2.1.5 Prohibition of Haram

It is incumbent on all Muslims not to get themselves engaged or derive benefits from any undertakings which has been forbidden under the Shari'ah. In this regard, Muslims are prohibited from involving themselves in unscrupulous activities such as casinos, alcoholic beverages, and pornography and pork products. Islamic Banks are therefore forbidden to provide finance to individuals who seek to engage in any of the aforementioned business activities. "However, a very stern interpretation of these principles would mean that Muslims would only be able to invest in a very restricted number of businesses internationally" (Elasrag, 2014). For instance, it would not be acceptable for Muslims to finance a hotel that serve alcohol, a company which also manufactures pork products as part of its product line or any business that lends or borrows money at interest (Elasrag, 2014). Elasrag (2014) argues that, "in light of the practical considerations of international commerce and in order to enable Muslim investors to participate in it, a number of prominent *Shari'ah*scholars have advanced the view that it is permissible for Muslims to invest in businesses or companies which are not entirely *Shari'ah*compliant so long as certain conditions are met". Elasrag (2014) gives some of these conditions (among other things):

- (a) The primary business activity must be approved under *Shari'ah*;
- (b) Any income incurred from the non-permissible activities should form a minute percentage of the overall income of the company or business. Thus the percentage should range from 5% to 20%.

### 2.1.6 The Governance structure of Islamic Banking

Due to the compliance with the Shari'ah law, governance structures of Islamic and conventional banks are slightly different based on the fact that Islamic Banks operates

according to the Shari'ah. Ideally, an additional body is part of the governance structure which has no counterpart in conventional banks. In addition, the Islamic bank is subject to an extra layer of governance since the appropriateness of its investment and financing must be in strict conformity with Islamic law. For this reason, Islamic banks employ an individual Shari'ah Advisor and/or Board. Governance structures are quite different under Islamic banking because the institution must obey a different set of rules - those of the Holy Qur'an and the traditions of the prophet (pbuh) - by providing Islamically-acceptable financing products. These profit and loss sharing methods, imply a distinct relationships than under interest-based borrowing and lending. According to Ismail (2011),

Ismail (2011) gave two major differences from the conventional framework. Firstly, an Islamic establishment must serve God and thus Islamic banks are serving God and thus it must develop a unique corporate culture, the main purpose of which is to create a collective morality and spirituality which, when combined with the production of goods and services, sustains the growth and advancement of the Islamic way of life.

To quote Janahi (1995) cited in Ismail (2011):

'Islamic banks have a major responsibility to shoulder ....all the staff of such banks and customers dealing with them must be reformed Islamically and act within the framework of an Islamic formula, so that any person approaching an Islamic bank should be given the impression that he is entering a sacred place to perform a religious ritual, that is the use and employment of capital for what is acceptable and satisfactory to God.'

These structures are visualized in the following conceptual framework of corporate governance for Islamic bank. Central to such a framework is the Shariah Committee

(SC) and the internal controls which support it. According to Ismail (2011), “the SC is vital for two reasons. First, those who deal with an Islamic bank require assurance that it is transacting with Islamic law and second, some Islamic scholars argue that strict adherence to Islamic principles will act as a counter to the incentive problems outlined above”. The argument is that the Islamic moral code will prevent Muslims from behaving in ways which are ethically unsound, so minimising the transaction costs arising from incentive issues (Ismail, 2011). In effect, Islamic religious ideology acts as its own incentive mechanism to reduce the inefficiency that arises from asymmetric information and moral hazard (Ismail, 2011).

According to IIBI, “the day-to-day application of Shari’ah by the Shari’ah Supervisory Boards is two-fold. First, in the increasingly complex and sophisticated world of modern finance they endeavours to answer the question on whether or not proposals for new transactions or products conform to the Shari’ah. Second, they act to a large extent in an investigatory role in reviewing the operations of the financial institution to ensure that they comply with the Shari’ah.”

The board play the role of giving approval to banking and other financial products offered by Islamic banks. They must also check if these financial products comply with the Shari’ah and subsequent verification that of the operations and activities of the financial institutions have complied with the Shari’ah principles (a form of post Shari’ah audit). The Shari’ah Supervisory Board is obligated to issue independent certificate of Shari’ah compliance (Institute of Islamic Banking and Insurance).

## 2.2 Review of Related Studies

Upon the review of the relevant literature that has been conducted on the Islamic banking, one major work done by Aliyu (2014) in which he proposed a conceptual framework for non-interest banks in Nigeria. This work is relevant for this study because, Ghana shares similar socioeconomic and political history with Nigeria and thus the work could also be relevant in the Ghanaian banking industry and the economy as a whole. In his work, Aliyu (2014), proposed a six element Islamic Banking Framework. The six elements proposed by Aliyu (2014) are: Structure, Functions, Capacities, Islamic Moral Economic Mode, Banking Business and Accountability.

According to Aliyu (2014), the Structure of Islamic Banking entails the relationship between players, institution and elements. Conventionally, the overall goal of maintaining good relationship with customers is to attract new clients and to retain the existing ones in business. Banking transactions in Islam are settled out of contracts/transactions which are allowed by the *Shari'ah* principles as evidenced in the Noble *Qur'an*, the *Sunnah* and other sources of Islamic jurisprudence. Thus, bankercustomer relationship in this concept is beyond the simple “debtor-creditor” relationship that ends on particular worldly transactions alone, rather “partnership/investor entrepreneur” relationship between the two or more parties which have double benefits. “It has to be in accordance with the guiding principles of Islamic practices with the aim of achieving the goal of present world as well as hereafter (Q28:77)” (Aliyu, 2014). According to Aliyu, (2014), “this could be through the key Islamic economics principles of justice, equity, and fairness without taking undue advantage on those who are in difficulty (Dakhallah and Miniaoui, 2011)”.



Similarly, mutual respect and loyalty to clients, honesty, integrity and moral value reservations are other virtues of Islamic mode of transactions.

Thus, in Islamic banking, banks are obliged not to conduct business with entities or persons who may fail to properly identify themselves in the 'Know Your Customer (KYC)'. Thus, other players including investors, regulators and community members apart from customers should have functional relationship from the management of Islamic bank without any segregation.

For the functions of Islamic banks, Aliyu (2014) asserts that well-functioning structure of Islamic bank must pay particular attention to spiritual, social and economic goals attainment coupled with sustainability measures. These functions of Islamic Banking "are realized through maintaining good governance and resource management via compliance with the regulations and proper supervision by regulators" (Aliyu, 2014).

With regards to the capacities of Islamic Banking, Aliyu (2014) outlines capacities in terms of sound human resources and infrastructural facilities are enormous and essential to Islamic banking operations. Due to the peculiarities in concepts and different ideologies of Islamic banking from the well-known and well-defined conventional banking, Daud, Yussof and Abideen (2011) and Sanusi (2011) all cited in Aliyu (2014) foresee the manpower development through training and retraining as prerequisite for proper operations of Islamic banks. In this regards Aliyu (2014) asserts that knowledge of wealth management in Islam are essential to the major segment of Islamic bank staff. Aliyu (2014) therefore proposed capacity building through multi-media campaign awareness to general populace is to reduce financial exclusion in the economy of the country.



For the Islamic Moral Economic Mode being the fourth element in the framework proposed by Aliyu (2014), asserts that “sustainable economic development through future societal values would transform the forthcoming generations to better” (Aliyu, 2012 cited in Aliyu, 2014). Ahmad, Kashif-ur-Rehman and Humayoun (2011) cited in Aliyu (2014) suggest that, “Islamic banking is desirable because it promotes cooperation and mutual benefit oriented behaviour among different stakeholders with the assurance of a welfare oriented society”. Islamic moral economy mode (justice, fairness and equity) therefore is emphasizing on the moral virtues that are spiritually guided in economic activities through faith and moral ethical values of Islam (Nor and Asutay, 2011 cited in Aliyu, 2014). According to Aliyu (2014), “submission to the uniqueness of Allah by acting in accordance to His guidance and regulations is the main aim of creating humans” and thus whatever we do must give reverence to God. Aliyu (2014) asserts that “Islamic banks are on the Qur’an and Sunnah morals and ethical values through being fair, righteous, transparent, goodness, benevolence and social justice”.

According to Aliyu (2014), banking business under the teachings of Islam has been misinterpreted ignorantly in the less-educated communities. Sanusi (2011) cited in Aliyu (2014) viewed that, “there are a lot of misperceptions about Islamic banking in Nigeria, and with the ethno-religious diversity of Nigeria, it makes it imperative to create mass awareness and acceptance. This is in view of the fact that religion has become a volatile issue over the years. Misinterpretation of the concept might jeopardize its success”. It is therefore the responsibility of Islamic Banks to promote its products and services via marketing campaign in any economy where it operates and most importantly in countries where there are a lot of religious diversities such as

Nigeria and even Ghana. Islamic banking has to offer a wide range of products and services commensurate with other Islamic financial institutions in the world. Islamic mode of financing is able to provide source of finance to the needs of major real productive sectors of the economy. According to Aliyu (2014) the “quality of banking services depends on improving three elements: banking professionalism, knowledge of clients and establishing personal rapport with them (Kahf, 2004)”. Thus Islamic bankers should show professionalism in their work, have the knowledge of their work which will help them impart this knowledge to their clients and also try to establish personal rapport with their clients. Therefore conducive atmosphere/environment for employees to work, compensation and motivation would certainly improve qualitative services in the system (Aliyu, 2014). Islamic banks are generally governed by the conventional regulatory frameworks as well as Shari’a and Islamic accounting standard in operations (Izhar and Asutay, 2010 cited in Aliyu 2014). Aliyu (2014) asserted that “it is intuitively clear that Islamic banks are on a partnership relationship with their customers and investment orientated in transactions. Commitment from both parties has to be in place to achieve targeted results. Thus, trading and participation in profitable contracts that is pleasing the creator (Allah) is one of the goals of establishing Islamic Banks”.

The final element of the framework proposed by Aliyu (2014) is Accountability. According to Aliyu (2014), Accountability is the operational strategy to ensure that goals are achieved within an organisation. Aliyu (2014) therefore asserts that, monitoring, evaluation and research are of paramount importance for sustaining Islamic banking operations. Shordt (2000) cited in Aliyu (2014) considers monitoring and evaluation as “... checking, collection and analysis of information (either current or past) about project development for decision making and improving performance”.

“Evaluation can be considered as a step in appraising past investment information in order to make decisions on the continuations of a particular financing and improve its performance” (Aliyu, 2014). These information according to Aliyu (2014) include; financial, environmental, political, social, market, economic and technical among others. In Islamic mode of finance, every transaction must be recorded with witnesses (referees) as distinctively mentioned in the Quran (2:282-283), (Aliyu, 2014). These recording in the banking process therefore help in monitoring and evaluations and as well aid the research. Aliyu (2014) reported that “research to Islamic banking is necessary in order to hedge against any systematic and unsystematic risk within the operational environment. Therefore, verifications and proper documentations according to Aliyu (2014) would not end on the customers alone rather products and the scene of the business have to be researching on. Research and development according to Aliyu (2014) is a transformational means to innovations, creativity and productivity in the Islamic banking industry. Complexities of the recent world order through globalization and technological advancement instincts the need of research on every organization. Research to Islamic banking is necessary in order to hedge against any systematic and unsystematic risk within the operational environment which could be undertaking with respect to politics, economy, products, markets, degree of concentration in the markets, strengths and weakness, opportunities and threats. Aliyu (2014) ended by emphasising that research in Islamic banking “helps in identifying and prioritizing needs, so as to improve the financial services of the industry”. Research would provide necessary measures in protecting the system from any external shocks (Aliyu, 2014).

In conclusion, the framework’s structure, functions, capacities and accountability are the basic pillars of the Islamic Banking which support the entire banking businesses through Islamic moral economic mode. Islamic banking business has modalities that

are different from conventional banking apart from Shari'ah compliance which include; "Profit- and loss-sharing partnership methods or transactions with a predictable rate of return." (International Trade Centre, 2009 cited in Aliyu, 2014).

In Ghana, the debate for the regulator of the banking industry to grant access for the introduction of Islamic Banking into the Ghanaian economy is on the ascendancy.

Notable among the personalities calling for the regulator to regularise Islamic Banking into the Ghanaian economy is the Director General of the Global Institute of Islamic Banking, Insurance and Consultancy (GIIBIC), (Peacefmonline, 2014). According to the Director, Islamic Banking if regularised, would bring a lot of the non-banking population of Ghana to the banking sector, as well as help stabilise the economy. The Director of GIIBIC asserted that some banks and financial institutions were already practising the system but did so quietly because the Central Bank had not regulated it yet in Ghana. The Director thus mentioned some banks such as the Access Bank, Salam Capital and Wenchi Rural Banks and other financial service providers that are already offering services that are related to Islamic Banking even though the regulator has not yet regularise it in Ghana. Among the professionals in the banking industry that have called for the regularisation of Islamic Banking in Ghana is the Managing Director of Zenith Bank Ghana Limited (Effah, 2012).

On the contrary, PCW (2014) reported that, bank executives did not perceive Islamic banking as a competitive variable in the Ghanaian banking industry, which would have a game changing impact on the banking industry in Ghana over a time frame of five years. PWC (2014) further reported that "bank executives noted that they expect Islamic banking to spur conventional banks to more creativity in product design and value proposition leading to higher rates of customer acquisition or banking penetration.



Corroborating earlier observations, bank executives seem to believe that Islamic banking will introduce the least impact and create the minimum growth potential for industry balance sheet, revenue and costs”. PWC (2014) therefore called for more study required to develop a viable proposition for Islamic banking in Ghana because the industry does not have enough information to develop the Islamic banking industry.





## **CHAPTER THREE METHODOLOGY**

### **3.0 Introduction**

This chapter presents the methodological concerns used in conducting this research and provides a justification for steps taken. This chapter entails research design, study population, sampling and sampling technique, data collection sources, instruments to be used for the study as well as ethical considerations to be adhered to during the data collection process.

### **3.1 Research Design**

Worgu (1991) defines a research design as a plan that outlines how data is to be gathered for an assessment or evaluation that includes identifying the data gathering method(s), the instruments to be used, how the instruments will be administered, and how the information will be organized and analyzed. Research design offers the glue that holds the research project together (Trochim, 2006). A design is used to structure the research, to show how all of the major parts of the research project work together to try to address the central research questions. In this study the exploratory survey research design method shall be used. The exploration of research design is mainly used in new phenomena which help the researcher to better understand and test the feasibility of a more extensive study, or determine the best methods to be used in a subsequent study. The exploratory design method is justified for this study because the concept of the construct under study is not known in the Ghanaian banking industry. This will thus help to know how feasible the construct would be when it is introduced in the Ghanaian banking industry. This method was adopted because of the ability of a careful probability sampling to provide a group of respondents whose characteristics reflect that of the target population.

### **3.2 Population**

The target population is the entire group a researcher is interested in; the group about which the researcher wishes to draw conclusions. Sanrantakos (1997) therefore defines a research population as a well-defined collection of individuals or objects known to have similar characteristics. All individuals or objects within a certain population usually have a common, binding characteristic or trait. In this study, the target population comprised of some selected bankers and all individuals aged above 18years who are engaged in any productive activity in one way or the other in the Kumasi Metropolis (urban) and the rural areas of Ashanti Region.

### **3.3 Sample Size**

According to Webster (1985), a sample is a finite part of a statistical population whose properties are studied to gain information about the whole. It is essential that the study has an adequate sample size. This is necessary to ensure that the study has a good chance of detecting a statistically significant result if this is the true effect and also to ensure that adequate resources are allocated. A total sample of two hundred (200) respondents was considered for the study. The sample shall be carefully selected so as to represent all sectors of the target population.

### **3.4 Sampling Techniques**

A simple random sampling method was employed in selecting the responded for the study. This was to ensure that each member of the target population stands the chance of being selected for the study.

### **3.5 Data Sources**

Both primary and secondary sources of data were used for this study. According to Malhotra & Birks (2007), “Primary data is a data originated by the researcher for the specific purpose of addressing the research problem.” It is what the researcher originally collects from the sample or target population. In this study the primary data used are those responses from the questionnaire items. “Secondary data are data collected for some purpose other than the problem at hand (Malhotra & Birks, 2007 p. 94). Secondary data for this study shall be published online articles in refereed journals.

### **3.6 Instruments for Data Collection**

A carefully structured questionnaire was employed by the researcher in respect to the aims and objectives of the study that are meant to answer the research questions. Since there is no standardized questionnaire that can measure the constructs under study, the researcher carefully designed a questionnaire that measured the construct with respect to the aims and objectives that also aided in answering the research questions.

### **3.7 Ethical Considerations**

During the data collection process the researcher ensured that data was collected taking into consideration ethical issues such as informed consent, anonymity and confidentiality.

In terms of informed consent, the researcher verbally explained the purpose of the study to respondents and allowed them to decide whether they wanted to participate in the study or not.

Anonymity was also maintained because; the researcher did not include any item on the questionnaire that exposed the identity of the respondents such as name, residential address, e-mail, phone number etc.

In terms of confidentiality, the researcher made sure that all data gathered was kept in safety and used for research purposes only.

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## CHAPTER FOUR DATA ANALYSIS AND PRESENTATION OF RESULTS

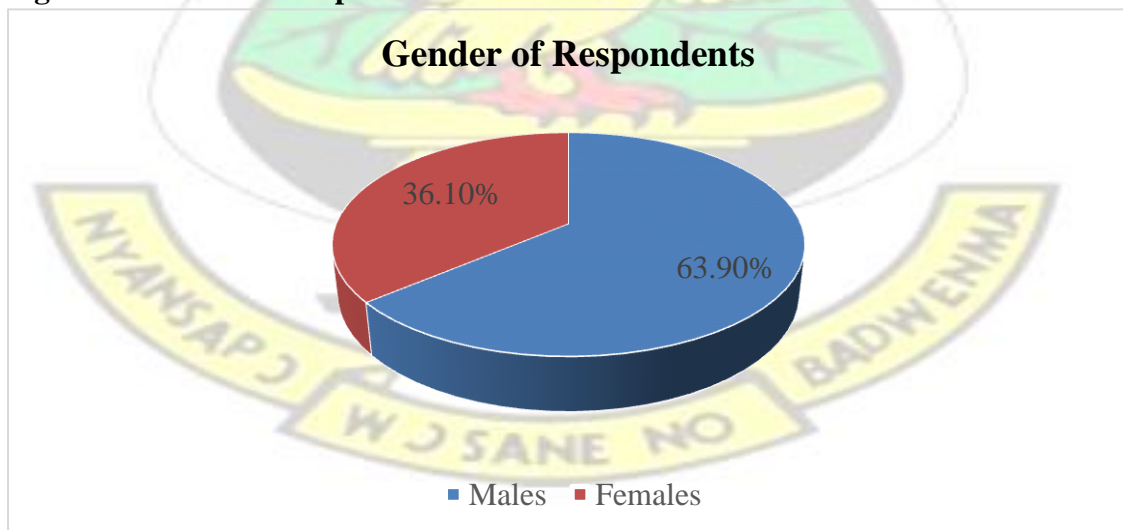
### 4.0 Introduction

This section of the study comprised of the data analysis and presentation of results. The researcher gathered relevant data from six communities in the Ashanti Region which includes the following: Asankare, Kantaaso-Barrier, Breku, Kumasi, Adanse and Asuboa. In all, out of two hundred and ten (210) questionnaires that were administered by the researcher with the help of other research assistants, two hundred and two (202) could be retrieved which gives a response rate of 96.2%. In this regard, data that was analysed for the study was based on a 96.2% response rate.

### 4.1: Demographic Data of Respondents

This section of the analysis sought to ascertain the distribution of the demographic data of respondents which included their gender, age, marital status, educational background, region and religious affiliation of respondents.

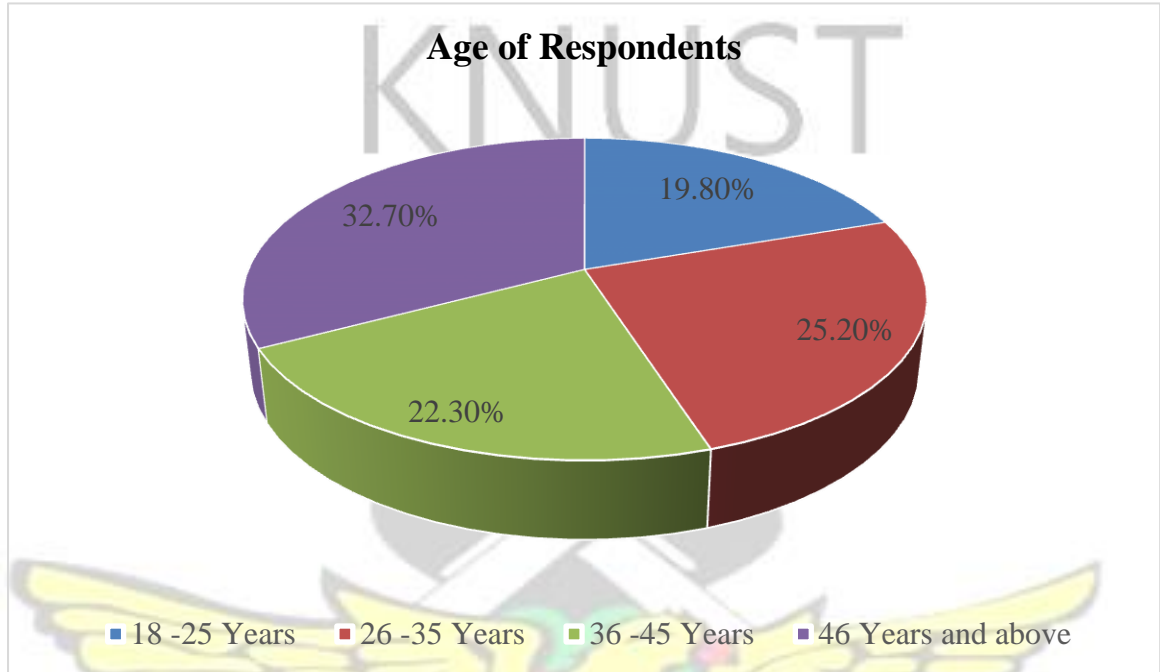
**Figure 1: Gender of Respondents**



*Source: Field data, 2015*

Figure 1 is the representation of gender used for the study. As per figure 1, majority of the respondents represented by 63.9% are males with the remaining minority of the respondents represented by 36.10% being females.

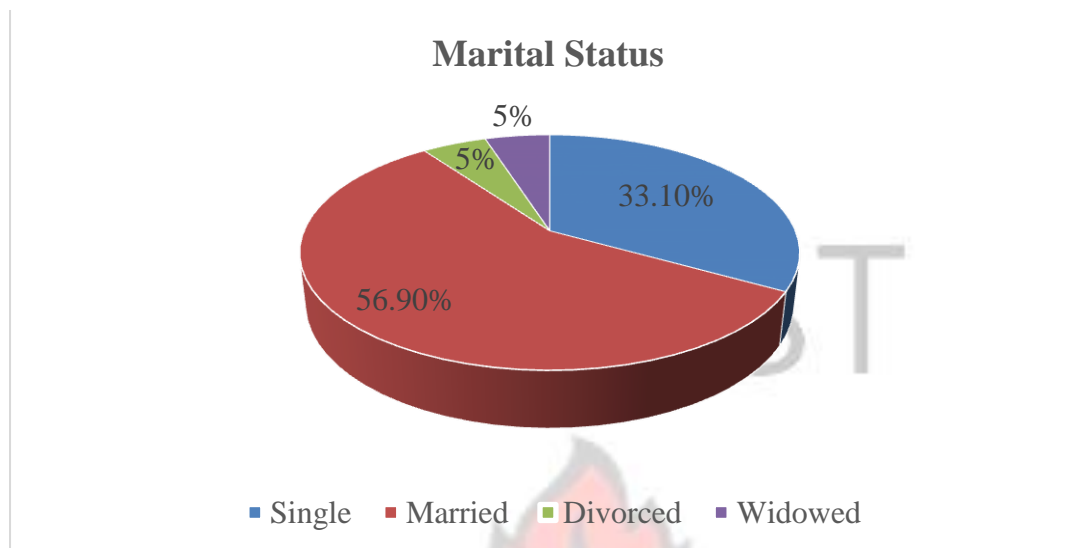
**Figure 2: Age of Respondents**



*Source: Field data, 2015*

Figure 2 represents the distribution of age used for the study. According to the figure, majority of the respondents were above 46 years as they constituted 32.7%. However, 22.3% of the respondents used for the study were aged between 36-45 years. On the other hand, 25.2% and 19.8% of the respondents used for the study were also aged between 26-35 Years and 18-25 Years respectively. Thus figure 2 gives the indication that all the respondents used for the study were adults (that is at least 18 years) who are legally allowed in engaging in banking activities. Hence the researcher is confident that, the respondents are eligible to provide their relevant information about the feasibility of Islamic Banking in Ghana.

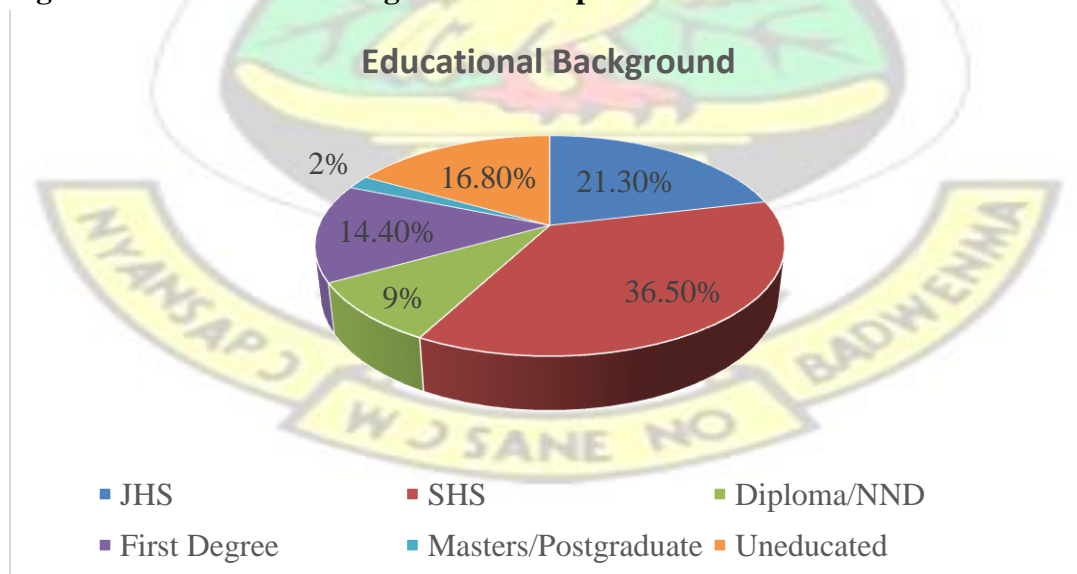
**Figure 3: Marital Status of Respondents**



*Source: Field data, 2015*

Figure 3 represents the marital status of the respondents used for the study. As per the figure, 33.1% of the respondents were Single at the point of the data collection while 56.9% constituting the majority were married at the point of the data collection. However, 5.0% of the respondents were Divorced and Widowed respectively.

**Figure 4: Educational Background of Respondents**

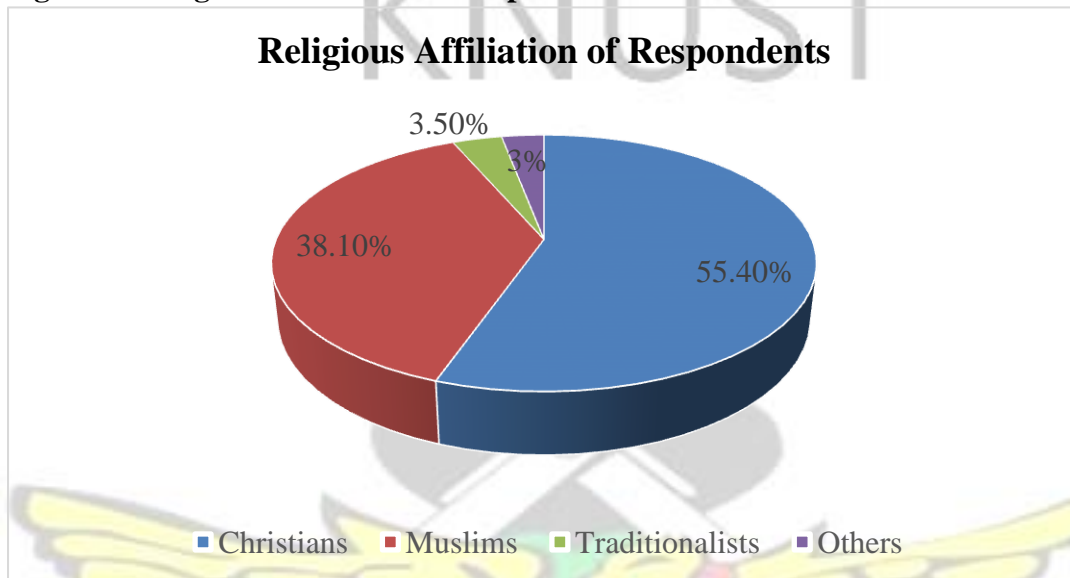


*Source: Field data, 2015*

Figure 4 represents the distribution of educational qualification/backgrounds among the respondents used for the study. As per the figure, 36.5%, 21.3% and 14.4% of the

respondents have had Senior Secondary School, Junior Secondary School and First degree education respectively. On the other hand, 9% and 2% also had Diploma/HND and Masters or Postgraduate Education respectively. However, 16.8% of the respondents had no formal education.

**Figure 5: Religious Affiliation of Respondents**



*Source: Field data, 2015*

Figure 5 represents the type of religion that the respondents adhere to. According to figure 5, 3.0% and 3.5% of the respondents were adherents of African Traditional Religion and other types of religion respectively. However it was found that majority of the respondents were Christians as they constituted 55.4%. On the other hand, 38.1% of the respondents were adherents of Islam.

#### **4.2 Perception of Respondents about Islamic Banking Table**

##### **1: Do you operate an account with any bank?**

Response	Frequency	Percent %
Yes	139	68.8
No	63	31.2



Total

202

100

*Source: Field data, 2015*

Table 1 assessed whether the participants used for the study operated any bank account with any bank. As per table 4.2, 68.8% of the respondents answered 'Yes' with the remaining 31.2% answering 'No'. The researcher can therefore conclude that majority of the respondents used for the study had bank account which indicates that the respondents for the study had some knowledge about the operations of banks.

#### 4.3 Assessing whether Respondents will access loan from an interest free bank

**Table 2: Respondents will access loan from an interest free bank**

No	Statement	Response					Total
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
A	I would prefer securing a loan from an interest free bank.	65.8	18.8	2.5	7.4	5.4	100.0
B	I would prefer to share to share my profit or loss with the bank	47.0	26.7	3.0	12.4	10.9	100.0
C	Would you like to work as a manager whiles someone becomes your partner by providing capital	50.0	33.7	5.0	5.9	5.4	100

*Source: Field data, 2015*

Table 2 assessed the willingness of the respondents to secure loans from an interest free (Islamic Bank) based on the premise given above.

Statement A, assessed whether the respondents would prefer securing loans from an interest free bank (Islamic bank). As per analysis from table 4.3, 65.8% and 18.8% of the respondents answered 'Strongly Agree' and 'Agree' respectively. However, 2.5%,

7.4% and 5.4% of the respondents answered 'Neutral', 'Disagree' and 'Strongly Disagree' respectively. This gives the indication that majority of the respondents would prefer to secure loans from an interest free bank.

Statement B also assessed whether the respondents would prefer sharing profit with the bank from which he or she may receive the interest free loan. As per the analyses from table 3, 47% and 26.7% of the respondents answered 'Strongly Agree' and 'Agree' respectively while 3.0% of the respondents also answered 'Neutral'.

However, 12.4% and 10.9% of the respondents answered 'Disagree' and 'Strongly Disagree'. This gives the indication that, majority of respondents would prefer sharing profit with the bank from which they may receive an interest free loan from.

Statement C from table 2 also assessed whether the respondents would prefer to be the manager while someone also contributes capital or funds (being a partner) without the capital or the finance provider taking part in the day to day administration of the business. As per the table, 50.0% and 33.7% of the respondents answered 'Strongly Agree' and 'Agree' respectively while 5.0% of the respondents also answered 'Neutral'. However, 5.9% and 5.4% of the respondents also answered 'Disagree' and 'Strongly Disagree' respectively.

**Table 3: Assessing things considered as Haram (forbidden)**

No	Statement	Response Strongly Agree	Percent	ANeutral	Disagree	Strongly Disagree	Total
D	You are required not to engage in the sales of pork	56.9	35.1	1.5	1.5	5.0	100.0
E	You are required not to engage in alcohol	55.9	37.6	1.5	1.5	3.5	100.0

F	You are required not to engage in pornography	68.8	27.2	-	1.5	2.5	100.0
G	You are required not to engage in uncertain or risky businesses	66.3	27.2	-	1.0	5.5	100.0

*Source: Field data, 2015*

Table 3 assessed the responses of the respondents on things that are considered as Haram (forbidden) by the shariah (law) and whose activities are forbidden by the Qu'ran and the Sunah (The Prophet Mohammed's (PBUH) traditions and sayings) which is the main law that governs the activities of Islamic Banking.

Statement D assessed the responses of the respondents on the statement 'you are not required to engage in the sale of pork'. As per analyses from table 4.4, 56.9% and 35.1% of the respondents answered 'Strongly Agree' and 'Agree' respectively while 1.5% of the respondents also answered 'Neutral'. Also, 1.5% and 3.5% of the respondents responded 'Disagree' and 'Strongly Disagree'.

Statement E assessed the responses of the respondents on the statement 'you are required not to engage in alcohol'. As per table 3, 55.9% and 37.6% of the respondents answered 'Strongly Agree' and 'Agree' respectively while 1.5% answered 'Neutral'. On the contrary, 1.5% and 3.5% of the respondents answered 'Disagree' and 'Strongly Disagree' respectively.

Statement F also assessed the responses of the respondents on the statement 'you are required not to engage in pornography'. As per table 3, 68.8% and 27.2% of the respondents answered 'Strongly Agree' and 'Agree' respectively. Also, 1.5% and 2.5% of the respondents responded 'Agree' and 'Strongly Agree' respectively.

Statement G also assessed the responses of the respondents about the statement ‘you are required not to engage in uncertain or risky businesses’. As per table 3, 66.3% and 27.2% answered ‘Strongly Agree’ and ‘Agree’ respectively while 1.0% and 5.5% of the respondents answered ‘Disagree’ and ‘Strongly Disagree’ respectively.

**Table 4: Would you prefer to share risk with the bank?**

Response	Frequency	Percent %
Strongly Disagree	23	11.4
Disagree	33	16.3
Neutral	5	2.5
Agree	80	39.6
Strongly Agree	61	30.2
Total	202	100.0

*Source: Field data, 2015*

Table 4 assessed whether the respondents are willing to share risk with the bank when they deposit their money in an interest free bank. As per the analysis from table 4, 30.2% and 39.6% of the respondents answered ‘Strongly Agree’ and ‘Agree’ respectively that they are willing to share risk with the bank should they deposit their money with the bank and the bank makes losses while 2.5% of the respondents answered ‘Neutral’. On the contrary, 16.3% and 11.4% of the respondents responded ‘Disagree’ and ‘Strongly Disagree’ respectively.

**Table 5: Would prefer to sharing profit with the bank than a predetermined interest?**

Response	Frequency	Percent %
Strongly Disagree	24	11.9
Disagree	10	5.0
Neutral	5	2.5
Agree	62	30.7
Strongly Agree	101	50.0



Total	202	100.0
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*Source: Field data, 2015*

Table 5 assessed the extent at which the respondents were willing to share profits of the bank on their deposits as opposed to predetermined interest as prevails in the conventional banks operating in the country. As per table 4.5.2, 50.0% and 30.7% of the respondents answered ‘Strongly Agree’ and ‘Agree’ respectively while 2.5% of the respondents answered ‘Neutral’. Also, 5.0% and 11.9% of the respondents answered ‘Disagree’ and ‘Strongly Disagree’ respectively.

**4.4 Knowledge of Respondents about Islamic Banking Table 6: Have you heard of Islamic banking before?**

Response	Frequency	Percent %
Yes	57	28.2
No	145	71.8
Total	202	100.0

*Source: Field data, 2015*

Table 4.6.1 assessed whether the respondents used for the study have prior knowledge about Islamic banking. As per analysis from table 6, 28.2% of the respondents are aware of Islamic banking while 71.8% of the respondents are not aware of Islamic banking. Therefore, from table 6, it could be concluded that majority of the respondents used for the study had no knowledge of Islamic Banking.

The respondents also gave the following as their understanding of Islamic banking:

- i. A bank established on the principles of Islam
- ii. A bank owned and managed by Muslims
- iii. A bank that does not charge interest but shares both profit and loss at an agreed ratio basis
- iv. A bank that helps both the poor and the rich

- v. A bank which gives loans without interest vi. A banking institution formed by the Islamic Religion with the aim of giving out loan on an interest free rate vii. A banking institution which offer interest free banking to its customers viii. A financial institution which is operated under the Shariah law ix. Bank that holds the principles of Islam but does not frown on customers who bank with them that are not Muslims
- x. Banking system that is governed by Islamic rules and regulations
- xi. Banking without interest xii. Islamic bank is a bank that implies with the rules on how to save your money in an Islamic way xiii. Islamic bank is the type of bank that seeks to support people in times of need.
- xiv. Islamic banking is a financial institution operating as normal banking but which is strongly govern by the rules of the Holy Qu'ran especially in the field of interest and others, where shariah law are observed strictly xv. It is a bank that does not charge interest for those who collect loans from them and do not also put interest on people who deposit money with them xvi. It is a bank that operates under the basis of the Islamic rules governing money lending and payments of loans to banks in regards to interest which is unaccepted in Islam. Hence no payment of interest and receiving of interest by the customers and the bank respectively

#### 4.5 Willingness of Respondents to Transact Business with an Islamic Bank

**Table 7: Would you prefer going for a loan from an Islamic bank where you would not be required to pay any interest?**

Response	Frequency	Percent %
Yes	177	87.6
No	25	12.4
Total	202	100.0

Source: Field data, 2015

Table 7 assessed whether the respondents would prefer going for a loan from an Islamic bank where they would not be required to pay any predetermined interest. As per table 7, 12.45% of the respondents indicated that they would not go for loan from an Islamic bank while 87.6% of the respondents also indicated that they would go for loans from an Islamic bank where they would not be required to pay any predetermined interest. As per table 4.6.2, it could be concluded majority of the respondents used for the study would go for loans from an Islamic bank when the opportunity presents its self.

**Table 8: Would you deposit your money in an Islamic bank where you would not earn a predetermined interest?**

Response	Frequency	Percent %
Yes	157	77.7
No	45	22.3
Total	202	100.0

Source: Field data, 2015

Table 8 assessed whether the respondents would deposit their money in an Islamic bank where they would not earn a predetermined interest as it pertains in conventional banking system. As per table 8, 22.3% of the respondents answered on the contrary while 77.7% indicated that they would deposit their money in an Islamic bank where they would not earn any predetermined interest. From the table, it could be concluded that majority of the respondents would deposit their money in an Islamic banks where they would not be give a predetermined interest.

**Table 9: Have you heard of a Shariáh Law?**

Response	Frequency	Percent %
Yes	102	50.5

No	100	49.5
Total	202	100.0

*Source: Field data, 2015*

Table 9 assessed whether the respondents know of Islamic Shariáh Law which regulates the activities of Islamic Finance of Islamic banking in inclusive. As per the results in table 4.6.4, 50.5% of the respondents indicated that they know about the Shariáh Law while 49.5% of the respondents answered on the contrary. It could therefore be concluded that majority of the respondents have knowledge about Shariáh law which governs the activities of Islamic banking.

**Table 10: Are you prepared to comply by the Shariáh Law when banking with an Islamic Bank?**

Response	Frequency	Percent %
Yes	138	68.3
No	64	31.7
Total	202	100.0

*Source: Field data, 2015*

Table 10 assessed whether the respondents are willing to comply by the Shariáh Law that governs the activities of Islamic banking. As per the table, 68.3% of the respondents indicated that they will comply with the Shariáh Law while the remaining 31.7% of the respondents indicated that they are not willing to comply with the Shariáh Law. From the table, it could be concluded majority of the respondents are willing to comply with the Shariáh Law should they engage with an Islamic bank.

#### **4.6 Feasibility of Islamic Banking in Ghana**

**Table 11: In your opinion, do you think Islamic Banking would be feasible in the Ghana banking industry?**

Response	Frequency	Percent %
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Yes	182	90.1
No	20	9.9
Total	202	100.0

*Source: Field data, 2015*

Table 11 assessed from the respondents whether in their opinion Islamic banking would be feasible in Ghana. From the table, 9.9% of the respondents indicated that Islamic banking would not be feasible in Ghana while the remaining 90.1% indicated that Islamic banking would be feasible in Ghana. As per table 4.6.6, it could be concluded that Islamic banking would be feasible in Ghana.

The respondents gave the following reasons as to why they think Islamic banking would be feasible in Ghana:

- Because of the no interest on their loans
- Because am a true Muslim who also want to run a business and at the end progress without cheating anybody and would like to go to heaven with good deeds
- Because as a great Muslim, you are abide by the law in the religion and everything on it
- Because in Ghana, there are many banking with interest and if the Islamic bank is giving the licence to operate it will provide jobs in the country
- Because interest rate in the country is very high and thus Islamic banking are not interest based which is very good and perfect
- Because it does not engage in haram dealings like pornography, alcohol and sale of pork
- Because it will help Ghanaians with free interest rate

- Because it's God's bank for everyone
- Because most Ghanaians would like interest free banking
- Because the conventional banking in Ghana is very poor
- Because we have Muslims who understand the Shariah law and are ready to abide to it
- capital without interest, create convenience for acquiring capital and will reduce poverty and create employment
- Due to its interest free granting loan to its customer and not predetermined interest for depositing.
- I think every banking institution had its own code of ethics and rules that govern it. Therefore with the Islamic bank rules and code of ethics clearly stated, this will help customers and people to abide by it so it is feasible
- It will help the poor ones since it operates with interest free banking to seek a loan
- It will immensely promote transparency in transactions of monetary issues between the bank and customers as far as true Muslims are concerned
- It will help many Muslims to involve themselves in keeping moneys at the Islamic banks
- It will limit immorality in Ghana
- It will persuade the other conventional banks to reduce their interest rates
- The current banking system is killing us with high rate of interest
- The interest rate on loan in Ghana is so high which is killing most businesses. Therefore if there would be an interest free, why not. It will boost many business confident in borrowing funds from the bank
- Yes, Islamic banking will be feasible in Ghana because according to Islamic

Law Interest is not permissible

**Among the minority few who responded ‘No’ the following reasons were given:**

- Since Shariah law will be the banner of Islamic banking in Ghana, it will never ever succeed on this soil
- I won't because my money wouldn't attract any interest, don't want to be part of a Shariah law
- Because most Ghanaians are interested in the interest after deposit.
- Shariah law is not applicable in Ghana
- Because Muslims are in minority in Ghana and we can't cope with it
- They have strict prepositions
- Because the rules governing the bank is not too amendable
- Because when the bank gives loan, there's no interest attached to it and there are so many banks in Ghana and who also attached interest when we go for loan. When no interest in charged, the bank will collapse
- Business establishment is to operate funds i.e. investments, growth and others. Trustworthy is not ruling, keeping of records to ascertain the actual picture of finance is lacking. Also, if you do business with the bank, its Shariáh law must be complied with, which is another deterrent.
- Shariah law cannot be practised in Ghana Banking as Ghana is not purely Islamic Country.

**Table 12: Do you think Islamic Banking is for the adherent of the Islamic faith only?**

Response	Frequency	Percent	%
Yes	47	23.3	

No	155	76.7
Total	202	100.0

*Source: Field data, 2015*

Table 12 assessed from the respondents whether in their opinion, Islamic banking is for the adherent of the Islamic faith only. As per the table, 76.7% answered ‘No’ and the remaining 23.3% answering ‘Yes’. Thus it could be concluded that, majority of the respondents know that Islamic banking is not for adherents of the Islamic religion only.

**Table 13: Given the opportunity, would you advise the regulator of the banking industry of Ghana to give licence to Islamic banks to operate in the country?**

Response	Frequency	Percent %
Yes	178	88.1
No	24	11.9
Total	202	100.0

**Source: Field data, 2015**

Table 13 assessed whether given the opportunity, the respondents would advise the regulator of the banking industry of Ghana (Bank of Ghana) to give licence to Islamic banking to operate in Ghana. As per results from table 4.6.9, 88.1% answered ‘Yes’ while the remaining 11.9% answered ‘No’.

**For those respondents who answered ‘Yes’, they gave the following reasons:**

- i. Banking in the country will promote development
- ii. Because it will bring more jobs
- iii. Because many people don't have capital to start their business, and they fear to order for loan because of the interest rate. but this Islamic bank there is no interest



on it which is very good and perfect iv. Because the conventional banks charge more interest

v. For diversity in the banking system vi. I am certain the bank will help many people who want to establish business but lack financial support to move on vii. Strongly believe that with the well and beneficial rules from the Holy Qu'ran.

The Islamic bank will enhance good economics and better reformation to consumers not only Muslims but the whole country viii. It should come to minimise the conventional banking monopoly system ix. It will attract foreign investors since it will come with no interest

x. It will change the system of banking in the country xi. It will help attract the Arab investors xii. It will help create employment and help the citizens of Ghana xiii. It will help non-Muslims who will involve themselves in the banking to realise how unique Islam is, xiv. It will help reduce poverty, promote peace and its cheap way of getting loans xv. It will help reduce unemployment rate, xvi. It will help savings among the Muslim community xvii. It will help secure interest free capital xviii. It will promote development in the country, create employment and reduce the high rate of armed robbery in the country xix. It will reduce the current prevailing hardship in accessing loans, create employment and increase the standard of living xx. Most billionaires in Ghana are Muslims and are generally willing to invest in banking under the shariah law. Most of the people will also get to know the benefit of interest free banking xxi. The rules and regulations will help Ghanaians morally and it will also help to create employment

**Also, those respondents who answered ‘No’ also gave the following reasons why the bank of Ghana should not licence the operation of Islamic banking in the country.**

i. Because for most countries where Islam is dominant there is too much violence so to have Islamic banking in the country will promote Islam which will compound violence ii. Because Islamic banking will collapse all banks in the country which will lead to loss of jobs in the country iii. Because of the Shariah Law iv. Because when Islamic bank is given licence to operate in the country it will not yield any income of interest since it is an interest free bank

v. Because Muslims will always be favoured and Christians will be discriminated against vi. In Ghana, we have no Christian banks, Hari Krishna bank, Bhudist bank etc. So I will not entertain any bank with any religious background to emerge in

Ghana to create separation within us vii. It will collapse a lot of the financial institutions in the country viii. No because it is going to favour those who take loans from the bank whilst it will affect those who deposit. So they should not be given the licence

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

This section of the study dealt with the summary of the findings derived from the study, the conclusion of the entire study as well as recommendations from the researcher.

## **5.1 Summary of Results**

As per the finding of the study, the knowledge and awareness of Islamic banking is very low and despite it being low in the research population, the study however revealed that Islamic banking would be feasible in Ghana which was revealed by the fact that majority of the respondents used for the study indicating that they would be banking with an Islamic bank should the Bank of Ghana grant Islamic banking the licence to operate. The study also revealed that majority of the respondents is ready to comply with the Shari'ah Law upon which stand the tenets and principles of Islamic banking.

Furthermore, majority of the respondents are willing to transact business with an Islamic bank in terms of both credit and deposits. Thus in the accessing credit from the bank, the study also revealed that the respondents are willing not to engage in things that are considered forbidden as per the Shari'ah Law such as the sales of pork and alcohol, pornography and engaging in uncertain or risky business. On the deposit, the study revealed that majority of the respondents are willing to forego a fixed interest (riba) and rather be entitled to a profit or loss sharing when they deposit their money with an Islamic bank.

## **5.2 Conclusion**

Despite Islamic banking originating from an Islamic background and Ghana being dominated by Non-Islamic adherents, the study revealed that Ghanaians are in high anticipation of Islamic banking and all of the benefits it has to offer the populace. Furthermore, contrary to the researcher assertion that due to the dominance of non-Islamic adherents in the country, the people would reject Islamic banking, the people rather were in agog for the introduction of Islamic banking in the country.

### 5.3 Recommendations

The revelations of the study speak for itself how Ghanaians are hungry for all the benefits Islamic banking has for the country's banking industry. As such, the researcher would recommend to the bank of Ghana as a matter of the facts as per this study to grant licence to the operations of Islamic banking in the country.

However, before the granting of the licence, the researcher also recommends that thorough investigations and understanding of Islamic banking concepts is carried out so that people who may wish of transacting business with the system of Islamic banking may be well endowed with the principles governing Islamic Banking. This Complementary measure will help to increase awareness amongst the general public on the concepts and advantages of Islamic banking as well as to educate them on misperceptions. This may be done through advertisement in the media, inculcating Islamic banking in School curriculum, organising Islamic banking seminars and programmes, etc.

To further promote the feasibility of Islamic banking, the researcher also recommends that a deep market structure has to be developed to fulfil the varied and sophisticated requirements of customers whilst maintaining the soundness and integrity of the financial system as a whole. In this respect, the following measures may be taken:

- Intensify research and development efforts in the field of Islamic banking
- Develop and strengthen Islamic Banking Act taking into account the distinct characteristics of Islamic banking while not conceding the regulatory and prudential aspects.
- Formulate a comprehensive approach to risk management and suitable mechanisms to alleviate risks.



With the current trend in the banking industry in Ghana, In order for Islamic bank to be feasible, it needs to capitalise on the loop holes in the industry to be able to compete soundly. Competition as the driving force for growth may help Islamic banks to penetrate the industry and make head way. It may inject greater market competition in terms of product innovation, customer service and operational efficiency.

Lastly, the researcher recommends that scholars and practitioners of Islamic banking should conduct series of studies that would be geared towards clarifying the concepts in the Shari'ah Law which governs the activities of Islamic banking.

#### **5.4 Recommendation to Future Studies**

For future studies into the subject matter of this study, the researcher(s) can concentrate on other regions of Ghana and most importantly more urban areas where much credit is required for day-to-day running of firms. Also, assessing the feasibility of Islamic banking from the point of view of both practitioners and scholars of the banking industry in Ghana would also help bring the feasibility from the point of view of such practitioners or scholars.

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## APPENDIX

### Questionnaire for Data Collection

#### Introduction

The researcher is with the Kwame Nkrumah University of Science and Technology. He is pursuing Masters in Business Administration, and conducting a research on the topic “Assessing the Feasibility of Islamic Banking in Ghana” as part of his academic work. Your co-operation and support is highly needed if this research is to be successful. You are kindly requested to accurately and frankly as possible complete this questionnaire, as recommendation will be made at the end of this work which may help the regulator of the banking industry in Ghana as Islamic banking introduction in the Ghanaian Banking Industry has been receiving lots of debates.

Your anonymity and confidentiality is highly assured.

Thank you very much for agreeing to be part of this research work. Kindly try as much as possible and respond to all the items.

#### Section A

- 1 Your gender: Male { } Female { }
- 2 Age group: 18-25years { } 26-35years { } 36-45years { } 46 years and above { }
- 3 Marital Status: Single { } Married { } Divorced { } Widowed { }
5. Highest level of Education: SHS/SSS { } Diploma { } HND { } 1<sup>st</sup> Degree { } Masters’ Degree { } Others { }. Please indicate .....



6. Religion: Christian { } Muslim { } Traditionalist { } Others { } Specify...
7. Do you operate an account with any bank? Yes { } No { }

### Section B

Kindly read the narration below and respond to the questionnaire items that ensues.

Imagine yourself being wanting to establish a firm. You have the expertise of managing that firm or that you already have the firm and want capital for expansion. You have the option of securing a loan from an interest free bank (the bank does not charge any interest) or a bank that charges a pre-determined interest rate as it pertains in the banking industry currently. Since the first does not charge any interest, it will however, agree to share your profit or loss with you in a pre-determined ratio. The bank will also share with you any loss that may be incurred.

Kindly rate on a scale of 1 – 5 your level of agreement or disagreement with the following statements?

SD=Strongly Disagree      D=Disagree      N=Neutral      A=Agree  
SA=Strongly Agree

No.	Statement	esponse				
		SD	D	N	A	SA
8.	I would prefer securing a loan from an interest free bank.					
9.	I would prefer to share my profit or loss with the bank					
10.	Would you like to work as a manager while someone becomes your partner by providing capital. Note that this partner would not partake in in the day to day running of the business					

Based on the same premise above. Upon going to the bank, the bank makes the following propositions. Kindly rate on a scale of 1-5 your level of agreement or disagreement with the following statement. The scales are:

SD=Strongly Disagree SD=Disagree N=Neutral A=Agree SA=Strongly Agree

No.	Statement	esponse				
		SD	D	N	A	SA
11.	You are required not to engage in the sales of pork					
12.	You are required not to engage in alcohol					
13.	You are required not to engage in pornography					
14.	You are required not to engage in uncertain or risky businesses					

Kindly consider yourself having some money and wants to deposit it at a bank. Kindly read the statements in the table and rate on a scale of 1-5 your level of agreement or disagreement with the following statement. The scales are

SD=Strongly Disagree SD=Disagree N=Neutral A=Agree SA=Strongly Agree

No.	Statement	esponse				
		SD	D	N	A	SA
15.	I would prefer to share risk with the bank					
16.	I would prefer to sharing profit with the bank than a predetermined interest.					

17. Have you heard of Islamic Banking before? Yes { } No { }

18. In your opinion, what do you think is an Islamic bank?

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19. Would you prefer going for a loan from an Islamic Bank where you would not be required to pay any interest? Yes { } No { }

20. Would you deposit your money in an Islamic Bank where you would not earn a predetermined interest? Yes { } No { }

21. Have you heard of a Shari'ah Law? Yes { } No { }

22. Are you prepared to comply by the Shari'ah Law when banking with the Islamic Bank Yes { } No { }

23. In your opinion, do you think Islamic Banking would be feasible in the Ghanaian banking industry? Yes { } No { }

24. Kindly give reason(s) for your answer above?

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25. Do you think Islamic banking is for the adherents of Islamic faith only?

Yes { } No { }

26. Would you prefer banking with an Islamic Bank? Yes { } No { }

27. Why would you prefer to bank or not to bank with an Islamic Bank?

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28. Given the opportunity, would you advise the regulator of the banking industry to give the licence to Islamic banks to operate in the country? Yes { } No { }

29. Kindly give reason(s) for your answer above?

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