

*APPREHENSION OF ISLAMIC BANKING AND
FINANCE IN AUSTRALIA*

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Awareness is arguably the most important ingredient for one's belief. Every other quality that one might possess can be traced back to awareness. One becomes proactive rather than being reactive with the help of awareness. Awareness is of utmost importance when it comes to the success of any product or service. Many people don't know anything about Islamic Banking and Finance and these people tend to oppose it just because it has the prefix Islamic. Islamic Banking prohibits interest; this prohibition is according to the Islamic teachings. Islam prohibits interests everyone knows this but the thing that most people don't know is that Islam is not the only religion in the World that places a ban on interests. It is also important to consider that the principles in the Islamic Sharia are largely similar to the one that are practiced and preached by Judaism and Christianity. For instance, both Judaism and Christianity had banned the receipt and payment of interest in the past. Hence interest is prohibited in all 3 of the Abrahamic faiths. Many Christians and Jews are unaware of the preceding fact that their religion had also placed a ban on interest at some point in history (Abou-Zaid & Leonce, 2014).

In the past Islamic Banking has proved its worth to the World. Especially during the Global Financial Crisis where it was able to outperform conventional banking. After that Islamic Finance saw an exponential amount of growth. Empirical research should be conducted on a global level regarding the principles of the Islamic Banking and Finance. This will help raise awareness which is much needed by this new branch of the financial system. But there is a catch: there are limitations on the conduction of empirical research towards Islamic Finance with these limitations being globally. In Australia some studies have been carried out. The First study was carried out by Farrar in 2011. The second study was towards the individual customer's attitude towards Islamic Banking and Finance being conducted by Rammal

and Zurbruegg. Their research was conducted back in 2004 and it showed that the practicing Muslim showed genuine interest in Islamic banking. However, these individuals were somewhat unaware of the Islamic financing principles (Rammal, 2016). In 1999 another research was carried out in Australia which surveyed the responses of people towards mudaraba. The response was collected from 385 small businesses and 80 financial institutions in Sydney. Results showed that 60 percent of the subjects showed an interest in Mudaraba whereas 40 percent of the financial institutions were prepared to offer mudaraba to their clients. This study is proof that with proper awareness non-Muslims will also use Islamic Financing as this financial system can cease inflation (Sain., Rahman., & Khanam., 2013).

The world is taking Islamic banking and finance very seriously now and this sector is showing a growth of 20 percent per annum. Even the Big 4 firms are taking projects from the Islamic Financial Institutions. Investment Banks like JP Morgan are offering services and products that align with the Sharia-Compliant ethical principles (Bhattacharyya, 2017). Risk Sharing and Profit Sharing is intriguing to non-Muslims as they are involving themselves into Islamic Banking and Finance more and more as each day passes (Maddah, 2017). Islamic Finance promotes an economy that is free from Interest, Deception, and Inflation. This economy is in the favor of everyone. The Australian Government is taking steps to help Islamic Finance Institutions to overcome all the odds that are stacked against it (Black, 2013). Awareness can be a tide shifter for Islamic Banking and Finance.

However, in Australia the odds are stacked against Islamic Banking and Finance despite its clear benefits. It faces hindrance from both the public and the State. Some of these hindrances are intentional and others are not intentional. Muslims in the country are a minority which is a major upset. There is also the presence of racism in Australia. Some people there are strongly biased towards the Muslims (Iner., Asquith., Islam., & Mason., 2019). Despite all the issues the Australian Government is taking steps to make Islamic Banking and finance more and more stable. They are also some legal policies which are hindering the Islamic banks. For Islamic banks to perform at their fullest they need optimal environment to work; unfortunately, this is not present in Australia. Islamic banks are asset backed banks as a result they pay nearly twice as much tax compared to what the conventional banks pay. The Government of Australia would also need to incorporate AAOIFI for the smooth functioning of Islamic finance Institutions. Islamic Finance is currently being placed under the standards that are built for conventional banks. The Islamic Banks in Australia are currently under the subjection of the civil and public law whereas these laws and the regulatory framework in Australia is optimized for conventional banks not for Islamic bank.

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