

A Survey on Islamic Finance Understanding and Awareness in Bangladesh

Tanvir Hossain¹

Mahfuza Ahmad²

Abstract

One of the primary obstacles to the expansion of Islamic finance (IF) is the lack of adequate awareness and understanding of its principles. This study aimed to assess the knowledge and comprehension of Islamic finance among Bangladeshi individuals who actively use bank accounts for financial transactions. The scope included evaluating their understanding of Islamic financial management rules, familiarity with basic terminology, and awareness of the services, products, and benefits of Islamic finance, including Islamic microfinance. Using convenience sampling, data was collected from 328 respondents and analyzed with SPSS version 16. The findings revealed that respondents exhibited a relatively strong grasp of Islamic financial management rules and core Islamic finance concepts. However, despite residing in a predominantly Islamic country, their understanding of key Islamic finance terminologies was limited. Furthermore, they showed less familiarity with the services, products, and benefits of Islamic finance and Islamic microfinance. These findings carry significant implications for researchers, practitioners, and policymakers working to advance Islamic finance. The study provides both theoretical insights and practical recommendations for enhancing awareness and promoting the adoption of Islamic finance among the general population.

Key Words: Awareness, Islamic economics, Mudarabah, Musharakah, Ijar

1. Introduction

Islamic finance has gained global prominence as an ethical and inclusive alternative to conventional financial systems, rooted in Shari'a principles emphasizing fairness, transparency, risk-sharing, and the prohibition of interest (riba). It provides financial solutions that align with moral and social values, appealing not only to Muslim-majority populations but also to non-Muslims seeking equitable and ethical financial practices. The global Islamic finance industry, valued at approximately \$3.9 trillion in 2021, continues to expand, driven by increasing awareness of its social and economic benefits (IFSB, 2021).

In Bangladesh, a predominantly Muslim country, Islamic finance has grown rapidly, with Islamic banking institutions accounting for nearly 27% of total banking assets as of 2022 (Bangladesh Bank, 2022). This growth reflects the potential for Islamic finance to foster financial inclusion, support economic development, and address socio-economic

¹ Senior Management Counsellor, Bangladesh Institute of Management (BIM), Bangladesh, E-mail: tanvir.hossain@bim.gov.bd

² Lecturer, Rupnagar Model School and College, Dhaka, Bangladesh.

challenges. However, despite its expansion, significant gaps in understanding and awareness persist. Studies and surveys consistently reveal that many individuals lack familiarity with core Islamic finance principles, such as *riba* (interest), *gharar* (uncertainty), and *maysir* (gambling), as well as financial products like *sukuk*, *mudarabah*, and *takaful*.

This survey seeks to explore the extent of public awareness and understanding of Islamic finance in Bangladesh, focusing on critical areas identified in previous analyses. Findings indicate a general lack of familiarity with Islamic financial jargon, principles, and products.

For instance, terms like *Mudarabah* and *Musharakah* are poorly understood, with nearly 60% of respondents uncertain about their meaning. Similarly, foundational principles such as the prohibition of *riba* and the ethical obligations of fairness and transparency are recognized by less than half of the participants. The awareness of specific Islamic financial services, such as *takaful* (Islamic insurance) and microfinance products, is particularly limited, further highlighting knowledge gaps.

The implications of these gaps are profound, as they may hinder the broader adoption and effective utilization of Islamic financial systems in Bangladesh. Enhancing public understanding and awareness is essential for empowering individuals to make informed financial decisions and for leveraging Islamic finance's potential to promote inclusive economic growth. This research, therefore, aims to identify the key barriers to awareness and propose targeted strategies for improving financial literacy in Islamic finance, tailored to the Bangladeshi context.

Through its findings, this study contributes to ongoing efforts to bridge knowledge gaps, ensuring that Islamic finance principles and products are accessible and comprehensible to a broader audience. Such initiatives are vital for fostering trust, expanding the customer base, and supporting the long-term sustainability of Islamic finance in Bangladesh and beyond.

2. Literature Review

2.1. Understanding Islamic Finance

Islamic finance (IF) represents a financial system guided by Shari'a principles, emphasizing ethical and socially responsible practices. Its foundation aligns with the teachings of Islam, which prohibit interest (*riba*), excessive uncertainty (*gharar*), and gambling (*maysir*) in financial transactions. Alamad (2017) describes Islamic finance as a framework for financial activities rooted in Shari'a principles, aiming to ensure fairness, transparency, and mutual benefit. It is not limited to abstaining from interest-based transactions but also involves actively promoting risk-sharing and ethical investment. Central to its philosophy is the notion that money lacks intrinsic value, and profit is derived through legitimate trade or asset-backed transactions (Alamad, 2017).

Islamic finance products and services are designed to comply with Shari'a, addressing diverse customer needs. Core principles include avoiding haram (prohibited) activities, engaging only in halal (permissible) investments, and ensuring profit-and-loss sharing (PLS) mechanisms (Boukhatem & Ben Moussa, 2018). The Qur'an explicitly forbids riba, emphasizing fairness in financial dealings: "Fear Allah and give up what remains [due to you] of interest, if you should be believers. And if you do not, then be informed of a war [against you] from Allah and His Messenger" (al-Baqarah 278-279). Similarly, gharar, which entails uncertainty or excessive risk, is prohibited to protect parties from ambiguous terms and potential exploitation (Iqbal & Mirakhor, 2011).

Although Islamic finance has shown remarkable growth globally, challenges remain. In Algeria, for example, Benamraoui (2008) found that the Islamic banking sector offers a limited range of products, focusing primarily on short-term financing. Credit risk was identified as a major barrier to the sector's expansion, reflecting broader issues faced by Islamic financial institutions in developing economies.

2.2. Types of Islamic Financial Products

Islamic financial institutions have developed various Shari'a-compliant products to meet the needs of diverse customers. Key offerings include:

1. **Mudarabah (Trustee Finance):** This partnership-based product involves profit-sharing, where one party provides capital, and the other offers expertise. Profits are distributed based on pre-agreed ratios, while losses are borne solely by the capital provider unless there is negligence or misconduct (Rahman, 2018).
2. **Musharakah (Partnership Financing):** In this joint venture, all partners contribute capital and share profits or losses based on their respective contributions. It promotes equitable risk-sharing and collaboration (Iqbal & Mirakhor, 2011).
3. **Murabaha (Cost-Plus Financing):** Under this arrangement, the bank purchases an asset and sells it to the customer at a markup, with payments made in installments or as a lump sum. The seller bears risks until delivery, ensuring transparency and fairness (IFSB, 2019).
4. **Ijarah (Leasing):** This product allows customers to lease assets, with an option to purchase at the lease's end. It offers flexibility while ensuring compliance with Islamic principles (Visser, 2009).
5. **Bai Salam:** A forward contract where payment is made in advance for goods delivered at a future date. It supports agricultural financing and provides liquidity to producers (Iqbal & Mirakhor, 2011).
6. **Takaful (Islamic Insurance):** This cooperative insurance model involves pooling resources to share risk among participants, eliminating elements of uncertainty and gambling (Kettell, 2010).
7. **Qard Hassan (Benevolent Loan):** Interest-free loans offered to those in need, focusing on financial inclusion and social welfare (Gait & Worthington, 2008).

These products showcase the versatility of Islamic finance in addressing contemporary financial needs while adhering to ethical and religious principles.

2.3. Awareness of Islamic Finance

Awareness is a critical factor influencing the adoption and acceptance of Islamic financial products. Research highlights varying levels of awareness across countries, reflecting differences in education, cultural factors, and market maturity. In the UK, Omer (1992) observed that awareness and preference for Islamic finance increased with religious commitment and education. Similarly, in Malaysia, Hamid and Nordin (2001) found that while consumers were aware of Islamic banking services, they often failed to distinguish them from conventional banking products.

In Australia, Rammal and Zurbrugg (2007) noted a significant interest in Islamic finance but identified a lack of understanding about its principles and operations. In Libya, Gait and Worthington (2009) found that while consumers were familiar with basic products like Musharakah and Qard Hassan, they lacked awareness of other offerings. Studies in Thailand and Pakistan revealed similar gaps, with customers showing limited knowledge of Islamic finance terminology and services (Lateh et al., 2009; Khattak & Rehman, 2010).

In Bangladesh, Chowdhury and Arifuzzaman (2013) demonstrated low awareness levels of Islamic finance among business students, despite their interest in learning more. This reflects the broader challenge of raising awareness in emerging markets. Similarly, in South Africa, Cheteni (2014) found that factors such as age, gender, and education significantly influenced awareness levels. Recent research in India by Islam and Rahman (2017) emphasized that while many individuals were willing to adopt Islamic finance, they lacked sufficient knowledge about its principles and operations.

2.4. Challenges and Opportunities

While Islamic finance offers numerous benefits, including reduced insolvency risks and protection against financial crises, it also faces challenges such as higher costs, limited product diversification, and inadequate awareness (Visser, 2009). Enhancing financial literacy and delivering superior customer experiences are critical to overcoming these barriers. By addressing these challenges, Islamic finance can expand its reach and contribute to inclusive economic growth, particularly in emerging markets like Bangladesh.

3. Methodology

3.1 Measurement development

Data have been collected using a structured questionnaire that was sent to targeted populations. Each respondent is asked to express his/her own level of understanding of Islamic finance. The survey questionnaire has composed of two sections. Demographic information like gender, age group, education qualification, religion, job experience, and professional information was collected under the First Section. The second section of the questionnaire includes questions on awareness and understanding of Islamic finance. Six basic Jargon about understanding Islamic Finance Basic Jargon, nine terminologies about understanding the Fundamental Islamic Finance Concepts and Rules, Six Knowledge of Islamic Finance

Services and Products, and Three Benefits and Knowledge share of Islamic Microfinance. The survey for this research used a three-point Likert scale ranging from 1 (Know) 2 (Don't Know) to 3 (No).

3.2 Population and Sample

All respondents who have bank accounts and are familiar with banking transactions make up the population for the current study. Using the formula $n = \frac{z^2 \cdot p \cdot q}{d^2}$, we were able to determine the sample size. P is the estimated percentage of the study variable or construct based on earlier research or pilot studies (70%), $q = 1 - P$ (30%), and d is the margin of error (5%). We discovered that the sample size was 384. A total of 400 populations at various levels made up the research sample, and 328 of them (82% of the total disseminated) replied to the survey. Between October 30 and December 15, 2022, the poll was taken.

According to Table 1, men made up 78.10% and women 21.30%. The average age of the respondents was 20–30 years old for 28.3%, 30–40 years for 51.4%, and 40–50 years or more for the remaining 20.30%. In terms of education, 61.7% of people had graduate degrees, compared to 38.3% who had bachelor's degrees. In terms of profession, 35.9% worked for the government or an autonomous body, 46.5% for corporations or the private sector, and 17.60% for any other type of job. 85.1% of those employed were Muslims, while the remaining 4.9% were non-Muslims.

Table 1: Research Sample Characteristics

Characteristic	Variables	Frequency	Percentage
Gender	Male	257	78.1
	Female	70	21.3
Age-group	20-30 Years	93	28.3
	30-40 Years	169	51.4
	40-50 years	57	17.3
	50 and above	10	3.0
Type of organization	Government/Autonomous	118	35.9
	Corporate/Private	153	46.5
	International/Multinational	24	7.3
	NGO/INGO	1	.3
	Others	33	10.0
Educational Qualifications	Bachelor	126	38.3
	Masters	203	61.7
Religion	Muslim	313	95.1
	Non-Muslim	16	4.9

The demographic analysis of the sample highlights a predominantly male composition, accounting for 78.1% of respondents, with females representing 21.3%. The majority fall

within the 30-40 years age bracket (51.4%), followed by 20-30 years (28.3%), suggesting a workforce primarily in their early to mid-career stages. Most participants are employed in corporate or private organizations (46.5%), with a notable proportion working in government or autonomous entities (35.9%), while smaller segments represent multinational organizations (7.3%) and others (10.0%), with minimal representation from NGOs (0.3%). Education levels are notably high, as 61.7% hold a master's degree, while 38.3% possess a bachelor's degree. Additionally, 95.1% of respondents identify as Muslim, reflecting the cultural or regional religious composition of the study area. This detailed demographic profile provides valuable insights into the characteristics of the population under investigation.

4. Data Analysis

Table: Reliability Analysis

Cronbach's alpha coefficient was used to calculate the internal consistency coefficients of the items included in the questionnaire. The Cronbach Alpha testing was used as it is the most well-accepted reliability test tool applied (Sekaran, 2003).

Table 2: Reliability Analysis

Variables	No. Item	Cronbach's Alpha
Understanding of Islamic Finance's Basic Jargon	06	0.861
Understanding of The Fundamental Islamic Finance Concepts and Rules	09	0.878
Knowledge of Islamic Finance's Services and Products.	06	0.874
Benefits and Knowledge share of Islamic Microfinance	03	0.863

The reliability analysis of the study variables demonstrates strong internal consistency across all constructs, as evidenced by the Cronbach's Alpha values, which exceed the commonly accepted threshold of 0.7. The variable measuring understanding of Islamic Finance's basic jargon, with six items, achieves a Cronbach's Alpha of 0.861, reflecting high reliability. Similarly, understanding the fundamental concepts and rules of Islamic Finance, assessed through nine items, shows excellent reliability with an Alpha of 0.878. Knowledge of Islamic Finance's services and products, also measured by six items, achieves a comparable Alpha of 0.874, indicating robust consistency. Lastly, the benefits and knowledge-sharing aspects of Islamic Microfinance, measured with three items, report an Alpha of 0.863, further emphasizing reliability. These results confirm that the measurement tools used are reliable for assessing the constructs, ensuring the accuracy and validity of the data collected for this study.

Table 3: Descriptive Statistics on the Understanding of Islamic Finance's Basic Jargon

No	Items	Mean	SD
IFBJ1	Sukuk (an Islamic financial certificate, equivalent to a bond in Western finance)	2.5137	.75746
IFBJ2	Mouzaraa (sharecropping, a contract restricted to one crop cycle)	2.5198	.77719
IFBJ3	Qardh Al-Hassan (an interest-free loan)	2.2766	.88660
IFBJ4	Al-Istisna Bay (a contract to manufacture an item that does not yet exist)	2.5593	.73479
IFBJ5	Bay' Al-Tawliyah (Sale at cost without making a profit or losing money)	2.5410	.75243
IFBJ6	Riba (Any additional funds returned over the original loan amount or interest when taking out a loan)	2.0973	.93197

The descriptive statistics for understanding Islamic Finance's basic jargon provide valuable insights into participants' familiarity with fundamental terms. Among the six items assessed, the mean scores suggest a moderate level of understanding across the board, with values ranging from 2.0973 to 2.5593 on the Likert scale. The highest mean was observed for **Al-Istisna Bay** (2.5593, SD = 0.73479), indicating a relatively better understanding of this term compared to others. Conversely, **Riba** (interest) recorded the lowest mean score (2.0973, SD = 0.93197), suggesting less familiarity with this critical concept. Terms like **Mouzaraa** (2.5198, SD = 0.77719) and **Bay' Al-Tawliyah** (2.5410, SD = 0.75243) exhibit moderate understanding with low variability, implying consistency in responses. On the other hand, **Islamic loans (Qardh Al-Hassan)** show a slightly lower mean (2.2766, SD = 0.88660), coupled with higher variability, indicating diverse levels of awareness among participants. These findings highlight areas where knowledge enhancement initiatives could be prioritized, particularly on terms like **Riba** and **Qardh Al-Hassan**, which are foundational to Islamic Finance principles.

Table 4: Descriptive Statistics on the Understanding of the Fundamental Islamic Finance Concepts and Rules

No	Items	Mean	SD
UIFCR1	In Islam, dealing with transactions including riba (interest) is severely forbidden.	1.8632	.92203
UIFCR2	In Islam, engaging in transactions based on gharar (uncertainty) is severely forbidden.	2.3131	.86383
UIFCR3	Islam expressly forbids investing in companies engaged in illegal activity.	1.9240	.94207
UIFCR4	Any type of speculation or gambling is outlawed under Sharia (maisir).	1.9970	.94191
UIFCR5	Contracting parties in Islamic finance share in the transaction's gains, losses, and risks.	2.0426	.93932
UIFCR6	Do you think Islamic microcredit is moral investing?	2.1884	.87009
UIFCR7	You may be familiar with Islamic microfinance.	2.1429	.84875
UIFCR8	The consumer is obligated to pay interest when service fees are paid on the borrowed funds.	2.2644	.85894
UIFCR9	Is the general population lacking in knowledge about Islamic microfinance?	2.0274	.94797

The descriptive statistics on understanding fundamental Islamic Finance concepts and rules reveal varying levels of familiarity among respondents. The mean scores range from 1.8632 to 2.3131 on the Likert scale, indicating moderate to limited understanding of the assessed concepts. The lowest mean score (1.8632, SD = 0.92203) pertains to the strict prohibition of *riba* (interest), suggesting it is less well-understood despite its centrality to Islamic Finance principles. Similarly, the prohibition of engaging in illegal company activities scored a low mean (1.9240, SD = 0.94207), indicating a need for greater awareness. Concepts such as the prohibition of *gharar* (uncertainty) transactions (mean = 2.3131, SD = 0.86383) and the moral implications of Islamic microcredit (mean = 2.1884, SD = 0.87009) scored higher, reflecting a relatively better understanding.

Awareness of broader Islamic microfinance principles, such as shared risks and rewards (mean = 2.0426, SD = 0.93932) and public knowledge gaps (mean = 2.0274, SD = 0.94797), shows moderate understanding, though variability in responses suggests uneven familiarity across participants. These findings underscore the importance of targeted educational initiatives to deepen understanding, particularly of foundational rules like the prohibition of *riba* and the ethical dimensions of Islamic microfinance. Such efforts can enhance the effective application of these principles within financial systems.

Table 5: Descriptive Statistics on the Knowledge of Islamic Finance's Services and Products

No	Items	Mean	SD
KIFSP1	Mudarabah (Trustee finance, also known as Girard)	2.0426	.95542
KIFSP2	Musharakah (Partnership Financing)	2.3465	.86338
KIFSP3	Murabaha (Sale at a specified profit margin)	2.2523	.91074
KIFSP4	Ijarah (Leasing)	2.2857	.88542
KIFSP5	Takaful (Islamic Insurance)	2.2067	.91389
KIFSP6	Do you know about Islamic microfinance products?	2.3343	.80248

The descriptive statistics on the knowledge of Islamic Finance's services and products indicate varying levels of familiarity among respondents, with mean scores ranging from 2.0426 to 2.3465 on the Likert scale. The lowest mean (2.0426, SD = 0.95542) corresponds to **Mudarabah (trustee finance)**, suggesting that this concept may require more awareness and education. In contrast, **Musharakah (partnership financing)** has the highest mean score (2.3465, SD = 0.86338), reflecting relatively better understanding among participants. Other concepts, such as **Murabaha (sale at a specified profit margin)** with a mean of 2.2523 (SD = 0.91074), and **Ijarah (leasing)**, scoring 2.2857 (SD = 0.88542), indicate moderate familiarity with commonly used Islamic financial services.

Similarly, **Takaful (Islamic insurance)** achieved a mean score of 2.2067 (SD = 0.91389), showing a reasonable level of awareness. The question assessing general knowledge about Islamic microfinance products yielded a mean of 2.3343 (SD = 0.80248), indicating that participants have a broad understanding of available products but may lack depth in specific areas. These results highlight the need for targeted initiatives to enhance comprehensive knowledge of Islamic finance products, particularly for less familiar concepts like Mudarabah. Strengthening understanding in these areas is crucial for improving participation and confidence in Islamic financial systems.

Table 6: Descriptive Statistics on the Benefits and Knowledge Share of Islamic Microfinance

No	Items	Mean	SD
BIF1	Shari'a principles, Islamic Finance is not restricted to Muslims only and is available to non-Muslims as well	2.0608	.94479
BIF2	Islamic Finance is about conducting business in a fair and transparent manner	1.9514	.96149
BIF3	Islamic finance is free of interest and does not support illegal commercial activities.	1.9271	.95994

The descriptive statistics on the benefits and knowledge sharing of Islamic microfinance reflect varying levels of awareness among respondents. The mean scores range from 1.9271 to 2.0608 on the Likert scale, indicating moderate familiarity with the principles and values of Islamic microfinance. The highest mean (2.0608, SD = 0.94479) is observed for the statement highlighting that Islamic finance, based on Shari'a principles, is accessible to non-Muslims as well as Muslims. This indicates a reasonably good understanding of the inclusivity of Islamic finance systems.

The concept that Islamic finance emphasizes fair and transparent business practices has a slightly lower mean score (1.9514, SD = 0.96149), suggesting the need for increased awareness of its ethical foundation. The lowest mean score (1.9271, SD = 0.95994) pertains to the understanding that Islamic finance is free from interest and does not support illegal activities, despite its critical importance in differentiating Islamic finance from conventional systems.

These findings underscore the necessity of targeted knowledge-sharing initiatives to enhance understanding of the ethical, inclusive, and interest-free nature of Islamic microfinance. Such efforts are essential for fostering broader acceptance and adoption of these financial principles, especially among those unfamiliar with its foundational concepts.

Table 7: Descriptive Statistics Understanding of Islamic Finance's Basic Jargon

No	Items	Yes		I do not know		No	
		%	Frequency	%	Frequency	%	Frequency
IFBJ1	Sukuk (an Islamic financial certificate, equivalent to a bond in Western finance)	16.1	53	67.5	222	16.4	54
IFBJ2	Mouzaraa (sharecropping, a contract restricted to one crop cycle)	17.6	58	69.6	229	12.8	42
IFBJ3	Qardh Al-Hassan (an interest-free loan)	29.2	96	56.8	187	14.0	46
IFBJ4	Al-Istisna Bay (a contract to manufacture an item that does not yet exist)	14.6	48	70.5	232	14.9	49
IFBJ5	Bay' Al-Tawliyah. (Sale at cost without making a profit or losing money)	15.8	52	69.9	230	14.3	47
IFBJ6	Riba (Any additional funds returned over the original loan amount or interest when taking out a loan)	38.9	128	48.6	160	12.5	41

The data on understanding Islamic Finance's basic jargon reveals notable variability in participants' familiarity with key terms. For example, Sukuk, a term representing Islamic financial certificates equivalent to bonds, is unfamiliar to a majority, with 67.5% indicating they "do not know" and only 16.1% affirming understanding. Similarly, Mouzaraa (sharecropping for one crop cycle) has 69.6% expressing lack of familiarity, while just 17.6% understand it. The concept of Islamic loans (Qardh Al-Hassan) shows slightly better awareness, with 29.2% understanding the term, though 56.8% remain unaware. Al-Istisna Bay, Bay' Al-Tawliyah, and Riba exhibit similar trends of limited awareness, with 70.5%, 69.9%, and 48.6% of participants, respectively, indicating unfamiliarity. Interestingly, Riba (interest) stands out with the highest proportion of participants (38.9%) indicating understanding, reflecting its central role in Islamic finance teachings. Overall, these results highlight a significant knowledge gap in foundational jargon, emphasizing the need for targeted educational programs to enhance understanding and support wider adoption of Islamic finance practices.

Table 8: Descriptive Statistics Understanding of the Fundamental Islamic Finance Concepts and Rules

No	Items	Yes		I do not know		No	
		%	Frequency	%	Frequency	%	Frequency
UIFCR1	In Islam, dealing with transactions including riba (interest) is severely forbidden	50.2	165	36.5	120	13.4	44
UIFCR2	In Islam, engaging in transactions based on gharar (uncertainty) is severely forbidden	24.6	81	57.1	188	17.6	58
UIFCR3	Islam expressly forbids investing in companies engaged in illegal activity	47.4	156	40.4	133	11.9	39
UIFCR4	Any type of speculation or gambling is outlawed under Sharia (maisir)	42.6	140	43.5	143	13.4	44
UIFCR5	Contracting parties in Islamic finance share in the transaction's gains, losses, and risks	40.1	132	45.6	150	13.7	45
UIFCR6	Do you think Islamic microcredit is moral investing?	29.2	96	48.6	160	21.9	72
UIFCR7	You may be familiar with Islamic microfinance	28.0	92	43.5	143	28.0	92
UIFCR8	The consumer is obligated to pay interest when service fees are paid on the borrowed funds	24.3	80	52.6	173	22.2	73
UIFCR9	Is the general population lacking in knowledge about Islamic microfinance?	41.6	137	45.6	150	12.2	40

The data on understanding the fundamental Islamic finance concepts and rules highlights significant variability in awareness among participants. The concept of *riba* (interest) being strictly prohibited in Islam is relatively well-understood, with 50.2% of respondents indicating awareness, although 36.5% remain unsure. Similarly, 47.4% are aware that investing in companies involved in illegal activities is forbidden, yet a notable 40.4% express uncertainty. The prohibition of speculation or gambling (*maisir*) under Sharia is recognized by 42.6%, while 43.5% are uncertain, reflecting a balanced split in awareness. Concepts related to sharing gains, losses, and risks in Islamic finance show moderate understanding (40.1%), with 45.6% unsure.

The notion of Islamic microcredit as moral investing sees lower levels of certainty, with 29.2% agreeing and 48.6% uncertain. Awareness of Islamic microfinance in general and the public's knowledge gaps about it also demonstrate mixed results, with uncertainty levels ranging from 43.5% to 45.6%. Interestingly, concepts like *gharar* (uncertainty) prohibition and service fees on borrowed funds have the lowest levels of agreement, with only 24.6% and 24.3% awareness, respectively.

These findings underscore the need for targeted educational initiatives to bridge knowledge gaps, particularly on foundational principles like *gharar* and *maisir*, and to strengthen understanding of ethical and operational practices in Islamic finance.

Table 9: Descriptive Statistics Knowledge of Islamic Finance's Services and Products

No	Items	Yes		I do not know		No	
		%	Frequency	%	Frequency	%	Frequency
KIFSP1	Mudarabah (Trustee finance, also known as qirad)	43.5	143	47.7	157	8.8	29
KIFSP2	Musharakah (Partnership Financing)	25.8	85	60.5	199	13.7	45
KIFSP3	Murabaha (Sale at a specified profit margin)	30.1	99	56.5	186	12.8	42
KIFSP4	Ijarah (Leasing)	28.9	95	57.4	189	13.7	45
KIFSP5	Takaful (Islamic Insurance)	32.5	107	53.8	177	13.4	44
KIFSP6	Do you know about Islamic microfinance products?	18.2	60	53.5	176	27.4	90

The data on the knowledge of Islamic Finance's services and products reveals varying levels of familiarity among participants, with significant gaps in understanding. The concept of **Mudarabah (trustee finance)** is relatively well-known, with 43.5% of respondents indicating familiarity, though 47.7% remain unsure. **Musharakah (partnership financing)**, a foundational principle of Islamic finance, is understood by only 25.8%, while 60.5% report uncertainty. Similarly, knowledge about **Murabaha (sale at a specified profit margin)** and **Ijarah (leasing)** shows moderate awareness levels, with 30.1% and 28.9%, respectively, indicating familiarity, while over half of the participants are unsure about these terms.

Awareness of **Takaful (Islamic insurance)** is slightly higher, with 32.5% expressing familiarity, yet 53.8% remain uncertain. The lowest awareness is observed regarding general knowledge of **Islamic microfinance products**, where only 18.2% of respondents affirm familiarity, and 53.5% indicate uncertainty, while a notable 27.4% explicitly state they lack knowledge.

These findings highlight critical gaps in understanding Islamic finance products, emphasizing the need for widespread educational initiatives and outreach programs. Focusing on promoting awareness of less familiar concepts, particularly microfinance products, could enhance the effective adoption and utilization of Islamic financial services.

Table 10: Descriptive Statistics on the Benefits and Knowledge share of Islamic Microfinance

No	Items	Yes		I do not know		No	
		%	Frequenc	%	Frequenc	%	Frequency
BIF1	Shari'a principles, Islamic Finance is not restricted to Muslims only but is available to non-Muslims	40.7	134	47.4	156	11.6	38
BIF2	Islamic Finance is about conducting business in a fair and transparent manner	47.7	157	43.5	143	8.5	28
BIF3	Islamic finance is free of interest and does not support illegal commercial activities	49.8	164	42.6	140	7.6	25

The analysis of the benefits and knowledge-sharing aspects of Islamic microfinance highlights moderate awareness levels among respondents, with notable areas requiring further clarification. The statement that **Islamic finance adheres to Shari'a principles and is accessible to both Muslims and non-Muslims** is affirmed by 40.7% of participants, while 47.4% express uncertainty. Similarly, **the emphasis on conducting business in a fair and transparent manner** is recognized by 47.7%, reflecting a relatively higher level of understanding, yet 43.5% remain unsure. The most widely understood principle is that **Islamic finance is interest-free and does not support illegal activities**, with 49.8% affirming this knowledge, although 42.6% still indicate uncertainty.

These findings underscore the need to improve awareness regarding the inclusive and ethical nature of Islamic finance. Despite some understanding, the substantial proportion of participants expressing uncertainty across all items indicates that targeted educational campaigns and knowledge-sharing platforms are essential to bridge these gaps. Enhanced awareness could foster a more inclusive understanding of Islamic microfinance's benefits and principles.

5. Analysis of Gaps in Islamic Finance Awareness

The analysis reveals several critical gaps in awareness and understanding of Islamic finance principles, services, and products among respondents. These gaps are evident across various dimensions:

1. **Basic Jargon and Terminologies:** Many respondents are unfamiliar with foundational Islamic finance terms such as Mudarabah (trustee finance), Mouzaraa (sharecropping), and Bay' Al-Tawliyah (sale at cost). For example, terms like Mouzaraa are unknown to 69.6% of participants, indicating a lack of familiarity with key operational terminologies.
2. **Fundamental Principles:** While riba (interest) prohibition is relatively better understood, with 50.2% awareness, concepts like gharar (uncertainty) prohibition are less well-known, with only 24.6% of participants indicating familiarity. This shows a significant gap in understanding foundational principles of Islamic finance.
3. **Services and Products:** Awareness of Islamic financial services such as Murabaha (sale at a specified profit margin) and Ijarah (leasing) is moderate, with around 30% of respondent's familiar, but over 50% remain uncertain. Awareness of Takaful (Islamic insurance) and Islamic microfinance products is particularly low, with significant proportions of respondents either unaware or unsure.
4. **Benefits and Ethical Principles:** While the ethical and inclusive nature of Islamic finance is acknowledged by some participants (e.g., 49.8% recognize that it is interest-free and prohibits illegal activities), a substantial portion (over 40%) remain uncertain about these principles. The idea that Islamic finance is not exclusive to Muslims and its emphasis on fair, transparent business practices also lack widespread understanding.
5. **Islamic Microfinance:** Awareness of Islamic microfinance products and their moral and ethical dimensions is notably low, with less than 30% of participants affirming knowledge in several areas. Over half of the respondents are uncertain about the scope and principles of microfinance within Islamic finance.

6. Implications of the Gaps

These gaps suggest a pressing need for:

- **Public Awareness Campaigns:** Targeted efforts to educate diverse populations about Islamic finance principles, services, and ethical foundations.
- **Training and Workshops:** Hands-on training to demystify complex terminologies and operational principles.
- **Inclusive Knowledge Platforms:** Resources designed for both Muslim and non-Muslim audiences to emphasize the universal applicability of Islamic finance.
- **Enhanced Communication Strategies:** Simplifying jargon and connecting concepts to real-world applications to improve reliability and understanding.

Addressing these gaps is crucial for the growth and acceptance of Islamic finance, fostering inclusivity, and strengthening its position as an ethical alternative in the global financial ecosystem.

7. Conclusion

The findings from the analysis reveal significant knowledge gaps among respondents regarding key aspects of Islamic finance, including its jargon, fundamental concepts, services, products, and microfinance principles. While some participants demonstrate a basic understanding of concepts such as *riba* (interest) prohibition, *Musharakah* (partnership financing), and the ethical, inclusive nature of Islamic finance, a substantial proportion remains uncertain or unaware. This highlights the critical need for targeted educational initiatives to enhance comprehension and promote informed engagement with Islamic financial systems.

The data also underscores the importance of addressing misconceptions and providing clear information on less familiar concepts, such as Islamic microfinance products and specific terminologies like *Mudarabah* and *Bay' Al-Tawliyah*. By bridging these knowledge gaps, stakeholders in Islamic finance can improve public understanding, drive greater adoption, and support the broader goal of creating ethical, transparent, and inclusive financial ecosystems. These efforts will be vital for fostering trust and participation in Islamic finance among diverse populations.

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