

Rethinking the Practice of UK Islamic Retail Banking: Views of the Informed

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The paper examines the practical challenges facing Islamic retail banks in the UK. Our analyses reveal that development in the sector is not organic through retained earnings but is largely dependent on financing provided by foreign investors. We further find that UK Islamic banks have failed to convince consumers of the credibility of their services due to the questionable structure of their products. Intriguingly, the current system of sharia assurance is perceived to have several weaknesses which could perhaps lead to ambiguity, confusion and loss of credibility in the eyes of consumers. Our findings also reveal several key religio-ethical considerations. In particular, we highlight that the future of UK Islamic retail banking is bleak unless these issues are urgently tackled by creating a more transparent Islamic banking system and improving the current structure of sharia-compliant products to preserve the expected ethical and societal legitimacy of Islamic banks.

Key Words: Islamic retail banking; UK; Growth and profitability; *Sharia* compliance; *Sharia* assurance

Research Field: Banking and Finance

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