



**AWARENESS AND WILLINGNESS OF MUSLIMS  
REGARDING ISLAMIC BANKING PRODUCTS AND  
SERVICES IN KAZAKHSTAN**

**BY**

**DANIYAR OMAROV**

**A research project submitted in partial fulfillment of the  
requirement for the degree of Master of Science in  
Islamic banking and finance**

**IIUM Institute of Islamic Banking  
and Finance  
International Islamic University  
Malaysia**

**MARCH 2013**

## **ABSTRACT**

Islamic banking was an abstract concept until the first half of the twentieth century. In Kazakhstan, it has been only three years since the first Islamic bank made its debut. Islamic banks have to compete with their rival, conventional banks, which have far longer history than Islamic banks. Due to this competition, Islamic banks have to know the awareness, understanding and willingness of Kazakhs towards it. Islamic banks are not only available for Muslims, but they are also available for non-Muslims as well. In Kazakhstan 65 percent of the population are Muslims, and this is a significant factor for the Islamic banks. The purpose of this research is to examine the level of awareness, understanding and willingness of Muslims to patronize Islamic banking in Kazakhstan. Thus, a total number of 300 respondents from different cities of Kazakhstan were selected for the purpose of this study. For the analysis, ANOVA and Pearson Correlation Coefficient methods were adopted. The results show that more than half of the respondents are aware of Islamic banking in Kazakhstan, but they are not aware of most of the products and services offered by Islamic banks. Kazakhs' level of understanding towards Islamic bank concepts are at moderate level, but the perception of the Kazakhs on Islamic banking is very high. This study also provides theoretical and managerial implications to the Islamic bankers to attract Kazakh customers and recommendations for the future research on Islamic banking in Kazakhstan

## خلاصة البحث

كانت الصيرفة الإسلامية مجرد مبدأ نظري حتى النصف الأول من القرن العشرين. وكان ظهور أول مصرف إسلامي في كازاخستان قبل ثلاث أعوام. ومن ثم فإن المصارف الإسلامية تواجه منافسيها من المصارف التقليدية، باعتبارها أن المصارف التقليدية أكثر عراقة من المصارف الإسلامية. ونظرا لحدة التنافس مع المصارف التقليدية؛ فإنه يتوجب على المصارف الإسلامية معرفة إدراك الشعب الكازاخي تجاهها، ومدى فهمه لها، وبالإضافة إلى مدى تقبلها له. حيث أن المصارف الإسلامية متاحة لكل الشعب الكازاخي سواء كان مسلماً، أو غير مسلم، ويعد الشعب الكازاخي شعب مسلم حيث تصل نسبة المسلمين إلى 65%، مما يعد عامل رئيس في دعم المصارف الإسلامية. ويهدف هذا البحث إلى التعرف على مدى إدراك المسلمين بكازاخستان، وقبولهم، وفهمهم، ودعمهم للمصارف الإسلامية. وبناءً على ذلك، فقد تم اختيار عينة من ثلاثمائة مشارك من مختلف مدن كازاخستان لإجراء هذا البحث. ولتحليل النتائج، فقد تم استخدام برنامج ANOVA، Pearson Correlation Coefficient. وقد أظهرت النتائج أن أكثر من نصف المشاركين لديهم إدراك بوجود المصارف الإسلامية في كازاخستان، ولكنهم غير مهتمين بغالب الخدمات والمنتجات التي تقدمها المصرف الإسلامية. وبناءً على ذلك، فقد أظهر هذا البحث المستوى العالي لإدراك الكازاخ للصيرفة الإسلامية، غير أن فهم الكازاخ لمبادئ المصارف الإسلامية قد ظهر بمستوى متوسط. ومن أبرز توصيات هذا البحث تقديم تضمينات نظرية وإدارية لرجال البنوك الكازاخ، بغرض تمكينهم من جذب العملاء، وكذلك دعوة الباحثين في مجال الصيرفة الإسلامية لمزيد من البحث في حقل الصيرفة الإسلامية في كازاخستان.

## APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a research paper for the degree of Master of Science in Islamic banking and finance.



---

Muhamad Abduh  
Supervisor

This research was submitted to the IIUM Institute of Islamic Banking and Finance and is accepted as a fulfillment of the requirement for the degree of Master of Science in Islamic Banking and Finance.



---

Ahamed Kameel Mydin Meera,  
Dean IIUM Institute of Islamic  
Banking and Finance

## DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for my other degrees at IIUM or other institutions.

Daniyar Omarov

Signature .. 

Date .. 21/03/2013

**INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA**

**DECLARATION OF COPYRIGHT AND AFFIRMATION OF FAIR USE  
OF UNPUBLISHED RESEARCH**

Copyright © 2013 by Daniyar Omarov. All rights are reserved.


**AWARENESS AND WILLINGNESS OF ISLAMIC BANKING PRODUCTS  
AND SERVICES IN KAZAKHSTAN**

No part of this unpublished research may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without prior written permission of the copyright holder except as provided below.

1. Any material contained in or derived from this unpublished research may only be used by others in their writing with due acknowledgement.
2. IIUM or its library will have the right to make and transmit copies (print or electronic) for institutional and academic purposes.
3. The IIUM library will have the right to make, store in a retrieval system and supply copies of this unpublished research if requested by other universities and research libraries.

Affirmed by Daniyar Omarov

  
-----  
Signature

  
-----  
Date

## **ACKNOWLEDGEMENTS**

All praise due to Allah SWT and peace and blessing be upon His Prophet Muhammad SAW.

First and foremost, I am very grateful to Allah SWT, for giving me the strength, health and energy to complete this thesis.

Secondly, I would like to thank my supervisor Dr. Mohammad Abduh, for his guidance, patience and valuable comments in supervising me to make this piece of work possible. Also, special thanks to our Dean, Professor Ahamed Kameel Mydin Meera, I am very grateful to be one of his students

Lastly I would like to express my sincere gratitude to brother Hanudin Amin, to his kind advises. May Allah SWT bless you.

# TABLE OF CONTENTS

Abstract .....	ii
Abstract in Arabic .....	iii
Approval Page .....	iv
Declaration .....	v
Declaration of Copyright.....	vi
Acknowledgements .....	vii
List of Tables.....	xi
<b>CHAPTER ONE: INTRODUCTION .....</b>	<b>1</b>
1.1 The Brief History Of Islamic Banking .....	3
1.3 Problem Statement.....	6
1.4 Research Questions .....	7
1.5 Research Objectives .....	8
1.6 Hypotheses Of The Study.....	8
1.6.1 Awareness Of Islamic Banking Products And Services In Kazakhstan .....	8
1.6.2 Understanding Of Islamic Banking Products And Services In Kazakhstan .....	9
1.6.3 Willingness To Patronize Islamic Banking Products And Services In Kazakhstan .....	9
1.6 Significance Of The Research .....	10
1.7 Scope And Research Method .....	11
1.8 Limitation Of The Study .....	11
<b>CHAPTER TWO: LITERATURE REVIEW .....</b>	<b>13</b>
2.0 Introduction .....	13
2.1 Conceptual Framework .....	14
2.1.1 Concept Of Islamic Banking .....	14
2.1.2 Awareness Of Islamic Banking Products And Services In General	16
2.1.3 Understanding Of Islamic Banking Products And Services .....	17
2.1.4 Demographic Factors.....	18
2.2 Proposed Theoretical Framework.....	21
<b>CHAPTER THREE: RESEARCH METHODOLOGY.....</b>	<b>24</b>
3.0 Introduction .....	24
3.1 Research Design .....	24
3.2 Data Collection Methods.....	25
3.2.1 Primary Data.....	25
3.3 Sampling Design .....	25
3.3.1 Target Population .....	25
3.3.2 Sampling Frame .....	26



3.3.3 Sampling Elements.....	26
3.3.4 Sampling Technique.....	26
3.3.5 Sampling Size.....	27
3.4 Research Instrument.....	27
3.4.1 Questionnaire Survey.....	27
3.4.2 Questionnaire Design.....	28
3.5 Data Processing.....	28
3.5.1 Questionnaire Checking.....	29
3.5.2 Data Editing.....	29
3.6 Data Analysis.....	29
3.6.1 Descriptive Analysis.....	29
3.6.2 Pearson Correlation.....	30
3.6.3 Anova Test.....	30
3.7 Conclusion.....	30

**CHAPTER FOUR: DATA ANALYSIS ..... 32**

4.0 Introduction.....	32
4.1 Descriptive Analysis.....	32
4.1.1 Respondents Demographic Profile.....	33
4.1.2 Respondent’s Awareness Level Towards Islamic Banking In Kazakhstan.....	34
4.1.3 Respondent’s Awareness Level Towards Islamic Banking Products And Services.....	35
4.1.4 Respondents Understanding Level Towards Islamic Banking System And Operations.....	36
4.1.5 Respondents’ Perception Towards Islamic Banking.....	38
4.1.6 Respondents’ Willingness To Patronize Islamic Banking In Kazakhstan.....	39
4.2 Inferential Analyses.....	40
4.2.1 Pearson Correlation Analysis.....	40

**CHAPTER FIVE: DISCUSSION, IMPLICATIONS AND CONCLUSION ..... 43**

5.0 Introduction.....	43
5.1 Summary Of Statistical Analyses.....	43
5.1.1 Descriptive Analysis.....	43
5.1.2 Inferential Analysis.....	45
5.2 Discussion Of Findings.....	46
5.2.1 Awareness Of Muslims Towards Islamic Banking.....	46
5.2.2 Level Of Understanding Of Muslims Towards Islamic Banking.....	47
5.2.3 Perception Of Muslims Towards Islamic Banking.....	47
5.2.4 Willingness Of Muslims To Patronize Islamic Banking.....	48
5.2.5 Relationship Between Age And Awareness, Understanding And Willingness.....	48
5.2.6 Relationship Between Occupation And Awareness, Understanding And Willingness Of Islamic Banking In Kazakhstan.....	49
5.2.7 Relationship Between Income Level And Awareness, Understanding And Willingness.....	49

5.3 Implication Of The Study .....	50
5.3.1 Theoretical Implication.....	50
5.3.2 Managerial Implications .....	50
5.4 Recommendations For Future Research .....	52
5.5 Conclusion .....	52
<b>BIBLIOGRAPHY .....</b>	<b>54</b>
<b>APPENDIX: QUESTIONNAIRE SURVEY FORM.....</b>	<b>58</b>

## LIST OF TABLES

<u>Table No.</u>		<u>Page No.</u>
4.1	Respondents Demographic Profile	44
4.2	Respondents awareness level towards Islamic banking in Kazakhstan	46
4.3	Respondent's Awareness level towards Islamic banking products and services	46
4.4	Respondents' understanding level towards Islamic banking systems and operations	47
4.5	Respondents' perception towards Islamic banking	49
4.6	Respondents' willingness to patronize Islamic banking in Kazakhstan	50
4.7	Pearson correlation for Awareness	51
4.8	ANOVA Results for Understanding	52
4.9	ANOVA Results for Willingness	53
5.1	ANOVA results for Demographic Factors against Awareness, Understanding and Willingness	57

# CHAPTER ONE

## INTRODUCTION

Kazakhstan, officially known as the Republic of Kazakhstan is a country in Central Asia. The ninth largest country in the world by land area which consisting of 2,727,300 square kilometers. It is larger than Western Europe and it shares boundaries with Russia, China, Kyrgyzstan, Uzbekistan, Turkmenistan and significant part of the Caspian Sea. With 16.6 million people (2012)<sup>1</sup> Kazakhstan has the 62<sup>nd</sup> largest population in the world. Since 8<sup>th</sup> century Islam has been the religion of the Kazakh people<sup>2</sup>.

The financial system of the Kazakhstan is dominated by the banking sector, which consist of 26 locally owned commercial and 11<sup>3</sup> foreign owned commercial banks and one foreign owned Islamic bank.<sup>4</sup> Since 1993, the Kazakh banking system has been arranged into two tiers, the National Bank of Kazakhstan (NBK) comprising the first tier and all commercial banks comprising the second tier (National Bank of Kazakhstan, 2012). The NBK is an independent financial institution and its main objectives contain control and regulation of the banking sector, and maintenance of the national currency.

The move to establish Islamic banking in Kazakhstan began in January 2010 with signing of a Memorandum of Understanding between Government of United Arab Emirates and the Government of Kazakhstan. As a result, Al Hilal Islamic Bank was established and registered as a legal entity. According to Mr. Prasad Abraham,

---

<sup>1</sup> Statistical Agency of Kazakhstan, retrieved 26 march, 2012

<sup>2</sup> Kazakhstan department of Religion Council's report, 2012

<sup>3</sup> National Bank of Kazakhstan, 2012

<sup>4</sup> Kazakhstan financial authority, 2012

Chairman of the Al Hilal bank, sharing the Bank's plans, said: "Al Hilal Bank entered the Kazakhstan market with a plan to finance large public companies. Furthermore, by virtue of the high interest and patronage from consumers the Bank is planning to start funding of private companies and individuals in the future".<sup>5</sup>To create and implement the first Islamic bank there was a need to make changes and amendments to the Civil and Tax Code, as well as in the regulations that govern the scope of banking services in Kazakhstan.

The concept of Islamic finance has given it an edge above its conventional counterpart. Islamic finance prohibits interest and all forms of *gharar*. As such, it has been tipped as an antidote to financial crisis. Another opportunity of introducing Islamic finance in Kazakhstan is the dominance of Muslims. Sixty five percent of Kazakhstan population is Muslims who may see the introduction of Islamic finance as a way of avoiding interest which is a religious obligation. Introduction of Islamic finance in Kazakhstan also enjoys the government support. It is a policy of the government to make Kazakhstan Islamic financial hub in CIS by the year 2020<sup>6</sup>.

However, the introduction of Islamic finance in Kazakhstan is not without a number of challenges. The first is its operation in a dual banking environment. As such, the nascent Islamic finance will have to compete with the already established conventional banks, using the same regulation. The second challenge is the paucity of well-trained Islamic finance experts. This is one of the challenges facing the Islamic finance throughout the world and Kazakhstan cannot be different. The third challenge is the lack of awareness of citizens about Islamic finance. This may result in its low adoption since it takes people awareness to adopt a new thing.

---

<sup>5</sup> Interview with Prasad J. Abraham, Capital Business Newspaper, 2012

<sup>6</sup> Kazakhstan President's annual message, 2011

This research intends to examine the awareness and willingness of bank customers to patronize Islamic Banking in Kazakhstan. In order to identify the level of awareness and willingness of the Islamic banking and finance, there is a need to identify factors which will lead customers to accept Islamic banking in Kazakhstan. Therefore, the researcher will tackle the research by conducting a survey using questionnaire to related issues. After that, the researcher expects to come up with the suggestions and recommendations which may benefit to the banking operators in Kazakhstan and other Muslim majority CIS countries as well.

This chapter begins with brief history of Islamic banking, then states the problems upon which this research is built, followed by objectives of this study, research questions, and significance of the study, scope and research methods, and lastly the limitation of the research

## **1.1 THE BRIEF HISTORY OF ISLAMIC BANKING**

In the early 1960s, the Muslim economists were writing about prohibition of *riba* and the need to establish Islamic banks as an alternative to the interest based banking business. As a result of this statements banks set up to operate in accordance with the *Shari'ah* principles and have grown last two decades. The first Islamic bank was established in Egypt in 1963 and was called “Mit Ghamr Local Savings Bank”. The bank operated on the basis of *Shariah* Law and prospered because it was able to meet the savings and credit needs of its customers<sup>7</sup>. The success of Mit Ghamr Bank proved that a bank operating according to Islamic principles could flourish. Following this initial success, a number of Islamic banks were founded in various other Muslim countries from the mid-1970 onwards. They included:

---

<sup>7</sup> Haron & Azmi, 2009

- Nasser Social Bank of Egypt (1972)
- Islamic Development Bank in Saudi Arabia (1975)
- Dubai Islamic Bank (1975)
- Faisal Islamic Bank of Egypt (1976)
- Faisal Islamic Bank of Sudan (1977)
- Jordan Islamic Bank (1978)
- The Islamic Investment Company Ltd in the UAE (1978)
- Abu Dhabi Islamic Bank (1980)
- Qatar Islamic Bank (1981)
- Bahrain Islamic Investment Company (1981)
- Islamic Investment House of Jordan (1981)
- Albaraka Investment and Development Bank KSA (1982)
- Bank Islam Malaysia Berhad (1983)
- International Islamic Bank of Bangladesh (1983)

After the establishing an Islamic banks in Muslim countries, in 1980's there were number of Islamic banks established in a non-Muslim countries. These were the International Islamic Bank of Investment and Development of Luxembourg and followed by Dar al-Mal al-Islami in Switzerland in 1981.

### **1.1.1 Islamic Banking in Malaysia**

Malaysian government started the *Lembaga Tabung Haji* or Pilgrimage Fund Board after five years of independence. *Tabung Haji* is a financial institution developed for Malaysian Muslims to undertake the pilgrimage to Mecca and Madina, it was established to help Muslims save for their pilgrimage expenses.

Islamic banking in Malaysia began operations in 1983 with the establishment of Bank Islam Malaysia Berhad (BIMB) and was established to grasp a 20 percent market share by the year 2010. The increase of Muslim populations and awareness of Islamic values had led to greater demand for Islamic interest-free banking products. Bank Islam Malaysia was set up to meet the gradually increasing demands and challenges. From the initial capital of RM80 million, Bank's shareholder fund rose up to RM2.5 billion in December 2010. The Malaysian banking carrier Bank Negara Malaysia (BNM) used step-by-step approach in order to achieve its long term objective which is to create a dual banking system that Islamic banking system and conventional banking system will operate on a parallel basis. Currently all Islamic banks (16 Islamic banks) operate under the Islamic Banking Act 1983. The Islamic Banking Act 1983 provides to the BNM with rights to supervise and regulate the Islamic banking system.<sup>8</sup> IBA defines Islamic banking as a banking business whose aims and operations do not involve any element that is not approved by the religion of Islam.

What religion of Islam says about interest and trade? Allah SWT says in Quran:

“Those who devour riba (interest) will not stand except as stands one whom the evil by his touch has driven to madness. That is because they say: Trade like riba. But Allah allows trade (al-bay’) but prohibits riba. Those who after receiving directions from their Lord desist shall be pardoned, for the past their case is for Allah (SWT) to judge. But those who repeat (the offence) are companions of the fire. They will abide therein forever.” (Al-Baqara: 275)

And another verse of Quran Allah says:

“O you who believe, do not consume riba with redoubling and protect yourself from God, perchance you may be blissful” (Al-Imran: 130)

The Prophet Muhammad peace be upon him, confirms the evil nature of transactions by saying:

---

<sup>8</sup> Bank Negara Malaysia, 2012



“Allah has cursed the one who takes *riba*, the one who pays it, the one who writes the contract, and the one who witnesses the contract” (reported by Ahmad, Abu Daud, An-Nasa’i, ibn Majah and Al-Tirmidzi)

Interest is prohibited in Islam; it is understood as an unjustified means of profit and wealth creation, since the exchange of an equivalent for a non-equivalent does not require the creditor to hold the market and other possible risks. The creditor provides practically no value added services to the debtor. This means that the price a consumer pays must be compensated with an equal return that he enjoys from the transaction

The *Shari’ah* principles are:

1. Prohibition of *riba* (interest or usury).
2. Application of *al-bay’* (trade and commerce)
3. Avoidance of *gharar* (ambiguities) in contractual agreements
4. Prohibition of *maisir* (gambling)
5. Prohibition from dealing in business involving prohibited commodities like pork, alcohol, illicit sex and pornography.

Similarly, an Islamic banking and finance runs in similar way with conventional banks, but it operates on the basis of rules derived from *Quran* and *Sunnah*. Therefore, it is crucial to observe these principles for the Islamic financial institutions.

### **1.3 PROBLEM STATEMENT**

Although Islamic banking is globally accepted as the new way of conducting the banking transaction in an Islamic way, the level of penetration of the particular system is not very convincing in Kazakhstan. The current evident showed that Islamic banking only captured a total of 1 percent of banking market in Kazakhstan (National

Bank, 2011). In a similar gear, the low level of Islamic banking penetration rate is also sourced from the low level of awareness and knowledge amongst public on the Islamic banking products and services. To support this argument, in Kazakhstan operates only one Islamic bank that is Al Hilal Bank which indicating the low level of acceptance and knowledge by the Kazakh people. By the same token, the Kazakhstan people has a fear on the receptivity on conducting Islamic banking, perhaps due to the lack of government support. The review of literature reveals as very significant evidence that the study on Islamic banking in Kazakhstan is significantly lacking. On the other hand, studies from other countries like Malaysia kept on increasing. Owing to the basis, there is a need to study the Kazakh people's awareness and willingness on Islamic banking product. Importantly the study will provide the important insights on how Kazakh people perceived Islamic banking product and also provide critical view on the foundation of the people willingness to consume Islamic banking products in the future. In effect, the study will ensure that the banking products will be demanded and to be remained competitive in the long run.

#### **1.4 RESEARCH QUESTIONS**

The main research questions of this research are:

- Does Kazakhs aware on Islamic banking products and services?
- Will Kazakhs patronize Islamic banking products and services?

As the specific research questions of this research are:

- To what extent, the level of literacy of Kazakhs on Islamic banking system'?
- To what extent, the level of literacy of Kazakhs on Islamic banking principles which govern Islamic banking products?

- Does Kazakhs willing to patronize Islamic banking products?

## **1.5 RESEARCH OBJECTIVES**

The main objectives of this research is to

- Examine the level of awareness of Kazakhs on Islamic banking products and services.
- Examine the willingness of Kazakhs to patronize Islamic banking products and services.

As the specific objectives of this research is:

- To examine the level of literacy of Kazakhs on Islamic banking system
- To observe the level of literacy of Kazakhs on Islamic banking principles which govern Islamic banking products
- To determine the Kazakhs willingness to use Islamic banking products

## **1.6 HYPOTHESES OF THE STUDY**

### **1.6.1 Awareness of Islamic banking products and services in Kazakhstan**

In this subsection, the following hypotheses were developed in order to examine whether demographic variables have significant relationship with awareness of Islamic banking system in Kazakhstan:

H1: There is no significant relationship between demographic variables and awareness of Islamic banking system in Kazakhstan. For instance, Haron et al. (1994) investigated the relationship between demographic and Malay's knowledge on Islamic banking and discovered there was a significant relationship between the two variables.

Specifically, based on H1, several sub-hypotheses were developed:

H1a: There is no significant relationship between age and awareness of Islamic banking system in Kazakhstan

H1b: There is no significant relationship between occupation and awareness of Islamic banking products and services

H1c: There is no significant relationship between income and awareness of Islamic banking products and services

### **1.6.2 Understanding of Islamic banking products and services in Kazakhstan**

This study intends to examine the following hypotheses.

H2: There is no significant relationship between demographic variables and understanding of Islamic banking system and operations

Specifically, the following sub-hypotheses were developed:

H2a: There is no significant relationship between age and understanding of Islamic banking system and operations

H2b: There is no significant relationship between occupation and understanding of Islamic banking system and operations

H2c: There is no significant relationship between income level and understanding of Islamic banking system and operations

### **1.6.3 Willingness to patronize Islamic Banking products and services in Kazakhstan**

This study intends to examine the following hypotheses.

H3: There is no significant relationship between demographic variables and willingness to patronize Islamic banking products and services in Kazakhstan

Specifically, the following sub-hypotheses were developed:

H3a: There is no significant relationship between age and willingness to patronize Islamic banking products and services in Kazakhstan

H3b: There is no significant relationship between occupation and willingness to patronize Islamic banking products and services in Kazakhstan

H3c: There is no significant relationship between income level and willingness to patronize Islamic banking products and services in Kazakhstan

## **1.6 SIGNIFICANCE OF THE RESEARCH**

This study focuses on the awareness, understanding and willingness of Islamic banking products and services in Kazakhstan. There is no study that had been conducted in Kazakhstan to examine the awareness, understanding and willingness of Islamic banking products and services in Kazakhstan. Haron et al. (1994) investigated the awareness of bank customers on Islamic banking product in Malaysia and discovered the moderate knowledge of Islamic banking products amongst the customers. Yet but importantly, the study did not examine those of Kazakh's views on awareness and patronization. This study has been motivated following two main reasons. Firstly, Kazakhstan is a multi-national country, as the statistical body of the country shows that 65 percent of the population are Muslims, it is a vital percentage for the Islamic banks to operate in Kazakhstan. This Muslim population would create huge potential for the Islamic banks to gain an almost similar popularity as the conventional banks achieve. Not even Muslims but non-Muslims can also benefit from their products and services if they do not ignore it. Secondly, this study will add to the literature pertaining to the Islamic banking products and services in Kazakhstan.

This study designs specific items to represent awareness, understanding and willingness to patronize Islamic banking products and services. These items will

contribute to the very limited knowledge available in the context of Islamic banking system in Kazakhstan. It also provides a source of reference to future studies in exploring further the prospects and challenges of Islamic banking in the said nation.

Through knowing the level of awareness of Kazakhstan people towards Islamic banking system, Islamic bankers possibly will design or set up different marketing campaigns for the Kazakhstanis based on their level of awareness. By investigating the level of understanding of those people towards Islamic banking system, the bankers can use simpler words to the Kazakhstan customers. In addition, by knowing the willingness of the Kazakhstanis the bankers could fasten the establishment of an Islamic bank for the goodwill of the people.

In brief, Islamic bankers could use the findings of this study to enhance their knowledge on the Kazakhstan Islamic banking service users and the profiles of Kazakhstan potential customers.

## **1.7 SCOPE AND RESEARCH METHOD**

The scope of this research paper will focus on the awareness and willingness of the Islamic banking and finance in Kazakhstan. Similarly, the researcher will also focus on factors influencing the determination of those variables of Islamic banking and finance and questionnaires were distributed to acquire perception and humble view of customers. The data obtained were analyzed using statistical software which is Statistical Package Social Science (SPSS).

## **1.8 LIMITATION OF THE STUDY**

This study has a few limitations. Firstly, the population sample focused only on Kazakhs who are Muslims from the birth, so the result which we might get may not be

the most accurate. It will not reflect the exact results on awareness and willingness of Islamic banking products and services in Kazakhstan, as there are other nations which consisting the remaining 35 percent of the population.

Secondly, the number of respondents are limited (there are 400 respondents were targeted) due to inability of covering all the geographical areas, only three areas are selected such as Central region, South region and South East region of Kazakhstan. Owing to financial and time constraints, the study only managed to collect 300 questionnaires from the participated respondents. However but since this study is exploratory, the number of the collected questionnaires is considered acceptable.

Thirdly, it is observed that there is no qualitative approach to be undertaken by the current study. Further, there is no evidence taken from those regulators, top-managers and policy makers in understanding the research objectives. This is owing to the difficulties approaching those respondents because of the unavailability of those parties to participate in the current research. This remains an interesting question to be undertaken by future studies

This study also suffers from the bias of respondents who were totally Muslim respondents. No data are provided to examine those non-Muslims respondents on the awareness, understanding and willingness.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 INTRODUCTION**

The main target of this study is to observe the level of awareness and willingness of Islamic banking and finance in Muslim majority Kazakhstan. Mainly, the researcher attempts to examine (1) the level of an awareness of Kazakh Muslims regarding Islamic banking and finance (2) their understanding of the Islamic banking system (3) the willingness to patronize Islamic banking products and services in Kazakhstan (4) the possible recommendations and suggestion which might benefit the growth of Islamic banking and finance in future. To fulfill the objective of this research, it is an important to review the current and past literature. Nevertheless, due to limitation of the most related articles regarding to this study the researcher will select the most relevant articles on the discussing issues.

This chapter on the literature review, is divided into 5 sections: next section reviews the conceptual framework of Islamic banking, then, section two discusses on awareness of Islamic banking products and services in worldwide. Third section explains the level of understanding of Islamic banking products and systems among Muslims and non-Muslims. Then fourth section elaborates demographic factors affecting the awareness and willingness of Islamic banking industry and the last section is the conclusion of this chapter.