

Australian Media and Islamic Finance

By Nasya Bahfen

Introduction

It is estimated that Islamic banks throughout the world now hold assets of more than US\$300 billion, with growth rates of 15%-20% annually (Al Salem 2008). That figure does not include the holdings of conventional banks with Islamic finance divisions. The southeast Asian region has seen a sharp rise in Shariah compliant financial products with Islamic banking accounting for nearly half of Malaysia's total banking sector, and established in Indonesia, southern Thailand, the southern Philippines and Brunei (Venardos 2006).

At present Islamic financial products account for a tiny proportion of Australia's banking sector. They are offered from a small number of cooperatives, of which the Muslim Community Cooperative Australia is the largest. Shariah compliant transaction accounts and loan products that operate in a similar manner to those offered by conventional banks are at the moment unavailable to Australian Muslims, although at least one of Australia's main banks, National Australia Bank is investigating the introduction of Islamic financial products into the Australian market, while another major Australian bank, ANZ has established a London-based global Islamic finance unit and a Shariah banking entity for the external market of Pakistan (Ball 1996).

Although often spoken of as a homogenous group, the Muslim community in Australia is disparate and consists of several sub-communities, with more than 60 countries of birthplace and speaking 55 languages (Dunn 2004). Internationally, Islam encompasses different cultures and parts of the world. Similarly, Australian Muslims are multicultural and ethnically diverse: 'the global diversity of Islam is reflected in Australia' (Keely 2006). On the surface, Muslims in Australia are divided by national affiliation, as well as cultural/linguistic groupings.

They may interact or work together with Australian Muslims identifying themselves as Indonesian in origin, because of the shared linguistic and cultural heritage of Malay and Indonesian Muslim societies. Identity for a Muslim in Australia, as a member of a community where two-thirds of the members are overseas born, does not stop at 'Muslim Australian' and instead takes into account other definitive layers: racial, ethnic and country of (parents' or own) origin in a process of what Abdel-Fattah (in Schwarz 2005) defines as hyphenated identity. Nevertheless, the fundamentals of Islam are agreed to by Australian Muslims including the principle of the forbidding of interest.

This paper begins with a review of studies on media representation of Islamic lifestyles and how Islamic finance has been researched. It asks, how the Australian media covers Islamic banking and finance, presenting details on the methodology and sample used to answer this question.

The paper looks at the descriptions of Islamic banking in three Australian media articles, discussing the thematic categories that emerged and overriding patterns of media coverage of Shariah finance.

Literature review

The need for research into how Islamic banking and finance is covered by the media is underscored by the media's role as the purveyor of information: for most people the media is a primary source of awareness about public issues and concerns (Pan and Kosicki 2001; McQuail 1999; Chadwick 1998). The media shapes social discussion through framing – providing a structure for which events and issues are interpreted by readers or listeners (De Vreese C and Boomgaarden H 2003). As a socially created product (Gan et al 2005) news provides a link between audiences and the institutions of society affecting their lives.

Questions about Islam and Muslim lifestyles have become commonplace in a post September 11 world. Muslims are under unprecedented levels of scrutiny: in a globalized world, Islam and its followers are the subject of curiosity and examination. Islam represents a way of life described as incompatible with today's world (Kampmark 2003; Haque 2001; Abdelkader 2003). Yet it is practiced by one fifth of humanity and the number of adherents to Islam are constantly growing (Haniff 2003; Rajaram and Rashidi 2003). The contradiction between Islam as portrayed by some parts of the Western media and the scope of its practice raises the question of how a faith can claim a billion followers when it is demonized in some quarters and described as anachronistic by the media. It is over simplistic to assume that Islam and the West, with all of its attendant features of modernity, exist as two separate entities.

Research on Islamic banking and finance has not looked at the media coverage of such financial systems. Rather, literature on Islamic banking has discussed the following themes.

- Explorations of the technical detail of Islamic banking and financing, including comparisons with conventional banking instruments.
- Case studies of the Islamic financial industry in specific regions (usually countries in the Middle East and southeast Asia).

Because Islamic banking involves operating principles that are extremely different to prevailing financial norms, a section of the research provides an explanatory look at how it operates, such as an early study by Haron (1995) showing the basic concepts of Islamic banking and how they contradict conventional banking practice. Lewis and Algaoud's research (2001) defines the core concepts of Islamic finance in relation to conventional banking products, and explains the

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Next Forum Question

Tawarruq is generally described as reverse Murabahah where an item is bought on a deferred payment basis and immediately resold for cash to a third party to obtain cash without resorting to an interest-based loan.

This product is gaining ground but some say it raises serious Shariah issues.

Is it really a product of ill repute and are there alternatives to it?

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Australian Media and Islamic Finance (continued)

principles of Shariah (Islamic law) on which Islamic finance is based. It covers the definitions of Mudarabah (trustee financing), Musharakah (equity), Ijarah (leasing) and Murabahah (business financing involving mark-ups).

Their comparisons between Islamic and conventional financing products extend to an analysis of the differences between Biblical and Quranic principles on interest, contrasting the Islamic and Christian world's positions and asking whether the Muslim world will continue to resist interest. Similarly Akacem and Gilliam (2002) describe equity financing as an Islamic model, contrasting it to the debt financing models of conventional banking.

The study compares an Islamic model of pure equity finance with pure debt finance from conventional banking; together with a third model that combines the two, arguing that the Islamic pure equity finance model is well equipped to handle macroeconomic tough times because of its reliance on assets. Ghannadian and Goswami (2004) argue that as one of the fastest growing sectors in the banking and finance world, Islamic banking can help develop economic growth in developing countries, through liquidity and transaction accounts that compensate for inflation.

Malaysia's position as a regional Islamic banking centre is the focus of various case studies that look at one particular country's experience of Shariah finance. Rosly and Abu Bakar's (2003) comparative analysis of the performance of Islamic banks and conventional banks argues that Malaysian Islamic banks should rely less on credit financing and return to purer (from a religious perspective) equity-based finance, if they are to outshine conventional banks in terms of returns on investment. It criticizes the Malaysian industry, alleging that it has yet to fulfil the ethical requirements of Islamic banking and finance. The sector's performance and history in other southeast Asian countries has also been researched.

Ebrahim and Tan (2001) outline the goals of Brunei's Islamic finance industry as reflecting the value system of the Quran and traditions of the Prophet Muhammad, encouraging economic growth of Muslim countries, and protecting against economic downturns through promotion of risk-sharing enterprises.

Their study defines the prerequisites of Islamic finance contracts (including transparency and documentation, and the prohibition of interest and speculation). In addition to southeast Asia, the Middle East region is also the focus of case studies looking at the performance and outlook for the Islamic banking and finance sector (Zamir 1998; Shaaban 1998; Karim and Ali 1989).

Despite the variety of Islamic banking and finance adoption and experience in places such as southeast Asia, the Middle East and the UK, little research exists on how the sector is reported by (non-Islamic) media. It could be hypothesized that within the media, the complexity of Islamic banking and finance has been reduced into a simplistic framework from which to understand how the sector works.

The attention paid by media outlets from non-Muslim countries to the Islamic finance sector in the Middle East and Malaysia stems in part from the novelty of a system in which interest is not used – for example, an early report about Islamic finance on the Australian Broadcasting Corporation described banking without interest as

seemingly like playing cricket without a bat – such is the accepted view on the link between interest and banking. So I asked the following research question: how did the Australian media cover Islamic banking and finance in the 12 months prior to June 2008? What themes were present in the broadcast and print media coverage of Islamic banking?

Methodology and findings

The sample took the form of articles retrieved using the Factiva database according to a search string, which restricted results by a) time period; and b) the inclusion of 'Islamic banking' or 'Islamic finance' in the headline and lead paragraph only. Three Australian media articles were selected as the sample for analysis. The choice of articles reflected a search on the Factiva database which archives media output.

Both print and broadcast media were represented, but articles that were re-published in Australian media from news wires and concerned with Islamic banking overseas were excluded, as these items would not reveal any insight into how the local media covered Islamic banking in June 2007 – June 2008.

Using this search method, I uncovered two broadcast items (a hard news story on SBS television news and an ABC radio current affairs report) and a feature story in the trade magazine *In the Black* (which is the publication of one of Australia's professional accounting bodies, the CPA). Across these three articles, four themes emerged:

- The notion of Islamic finance as an international concept
- Shariah definitions of Islamic finance (based on the prohibition of interest)
- Islamic finance as division of existing bank(s)
- Explanations of Arabic words that were related to Islamic finance

The notion of Islamic finance as a global concept

Islamic finance was perceived in the articles as a global, but not necessarily foreign concept. It was portrayed as an idea that was growing and working in overseas contexts and might soon become popular in Australia. For example, the article from SBS television news focused on an Indian software company's new product for Islamic banks in Europe and Asia. The ABC radio current affairs piece made the contrast between the prospects of an economic slowdown in the US and the growth of Islamic finance clear: 'in oil-rich countries, the petrodollars just keep flooding in, and they're driving the increasingly powerful Islamic banking sector' (Lannin 2007).

It foreshadows the arrival of Islamic banks in Australia, citing both the potential interest shown in the country by the world's second biggest Islamic bank, Kuwait Finance House; and a prediction about the setting up of an Australian Islamic stock market index by credit agency Standard and Poors.

The article in the CPA magazine, *In the Black*, also describes the international growth of Islamic banking (suggesting that governments in the sector's regional centres of Malaysia and the UAE expect to rival Western conventional finance capitals) while noting that Australia has not yet followed the lead of the UK in setting up Islamic finance mechanisms (Parkinson 2007).

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Australian Media and Islamic Finance (continued)

Shariah definitions of Islamic finance (based on the prohibition of interest)

The general definition of Islamic finance constituted another theme observable in all three articles studied. The SBS report on the Indian software company succinctly defined Islamic finance as meeting the requirements of Islamic law 'according to the Shariah, which prohibits collection and payment of interest' (SBS 2008). The current affairs piece on the ABC also explains that Islamic banking follows the principles of Shariah (Islamic law) by banning the payment of interest, but goes on to say that in addition to comply with Shariah, Islamic investments must also avoid industries that are Islamically problematic, such as alcohol and gambling.

The feature article in the CPA magazine starts with a definition of Islamic banking contained in the idea that the sector appeals to conventional banking industries. 'Western banks are learning to accommodate laws such as the one that prohibits interest payments' (Parkinson 2007). But the article provides a very detailed expansion on that definition, explaining that the prohibition of interest, while the most fundamental difference between Islamic and conventional banking, is not the only one. Under Shariah,

...the goal of trade and enterprise must be the sharing of wealth within the community under morally acceptable business practices. Risk must also be shared.
(Parkinson 2007).

Islamic finance as division of existing bank(s)

Not all Shariah compliant finance services are provided by stand-alone Islamic banks. Deutsche Bank and Citigroup are mentioned by the ABC current affairs report as some of the world's biggest banks, who have opened 'Islamic windows' or Islamic banking divisions. The feature article in the CPA magazine also alludes to this phenomenon, citing Deutsche Bank as one of several in Europe to create an Islamic window in the hope of attracting the investments of some of the world's 1.6 billion Muslims.

Similarly, it describes HSBC as the first major conventional bank in the UK to offer Islamically acceptable home loans, noting that two million British Muslims have elected not to purchase or borrow conventional banking products. The ABC report notes that while no Australian bank currently offers Islamic finance, some such as the NAB are considering it. While brief, the SBS news report on the software produced by the Indian company for use in Islamic banking acknowledges the two types of Shariah finance products available – a stand-alone Islamic bank, and a branch or a division of a conventional bank.

Explanations of Arabic words that were related to Islamic finance

Islamic banking concepts were mentioned in two of the three articles. The ABC current affairs report explored the growth of Islamic banking overseas and its potential in Australia in a broad brush sense without mentioning the specific Islamic finance products and the Arabic terms associated with them. Curiously, the SBS hard news report did use a quote from the Indian company that was the focus of the article, mentioning Mudarabah (commercial financing), Ijarah (leasing), Istisna (construction loans) and Tawarruq (raising finance through selling of assets to third parties) without defining any of these terms.

The most detailed use of Arabic words related to Islamic banking and finance products came from the CPA magazine feature article, which explained Musharakah (a profit sharing agreement between the bank

and the customer, stemming from the bank's financing of an asset) and Murabahah (where the bank finances the purchase of an asset and agree to sell it back to the customer at a higher price paid back in instalments). The article noted that Musharakah is considered one of the purest forms of Islamic finance, while Murabahah is one of the most popular.

Discussion

I return now to the question of how the Australian media covered Islamic banking and finance in the 12 months prior to June 2008. The overriding paradigm in which Islamic banking is expressed through these media articles is a system which is global in scope, which has spread throughout the Muslim worlds and has made inroads into non-Muslim countries, and which is based primarily on an aversion to interest.

In a globalized world, Islamic banking and finance is recognized in the three Australian articles covered in this paper as an international system that has gained some interest here. The theme that emerges from the articles is one of the encouragement for the sector. The rise of Islamic banking in the UK was mentioned in all three articles, and two specifically tied the UK's acceptance of Islamic banking to the notion that Australia might soon follow the models adopted there, although the detailed feature article in the accounting trade publication alluded to the greater size of the British Muslim community compared to Australia's Muslim community.

Two of the articles are from the broadcast media, and because of the specific characteristics of the television and radio formats, much of the detail surrounding Islamic finance did not make its way into the articles studied. For example, the articles only mentioned the size and scope of Australia's Muslim community briefly, with the caveat that the greater potential for Australia's Islamic finance sector actually lies beyond its borders, underpinning the global nature of the industry.

In addition, the defining feature of Islamic finance (to a Western audience) is the prohibition on interest. But despite the fact that the ban on interest is not the only feature of Islamic finance (theoretically it is also based on profit sharing, access to equity, and the idea of customers becoming partners with banks), neither of the broadcast articles go into details about ideas of shared risk and morally or ethically acceptable trade practices that underpin Islamic banking, which is understood in non-Islamic society as banking which avoids interest.

The ABC report (which is a current affairs piece and therefore allows the journalist more time than the straight hard news item on SBS) does go beyond merely defining Islamic banking as 'a prohibition on interest' and explains briefly that the sector does not deal with pork, alcohol or gambling markets that are forbidden by Shariah. By contrast, the feature article (in the more detail-friendly medium of print) can afford to spend paragraphs explaining the Islamic banking system in more detail, and looking at how the system espouses the ideal of wealth sharing and risk, within trade practices that are ethically acceptable. ☺



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