Omani SME perceptions towards Islamic financing systems

Yasmeen Al Balushi
School of Management, University of Waikato, Hamilton, New Zealand

Stuart Locke
Department of Finance, School of Management, University of Waikato, Hamilton, New Zealand, and

Zakaria Boulanouar
Department of Business Administration, Umm Al-Qura University, Makkah, Saudi Arabia

Received 26 June 2018
Revised 25 October 2018
Accepted 12 November 2018

Abstract

Purpose – This paper aims to investigate small and medium enterprises' (SMEs) owner–managers' awareness, willingness and perceptions concerning Islamic financing instruments as an alternative sourcing decision in SMEs' businesses.

Design/methodology/approach – The research employed mixed methods to gather data. A questionnaire survey was conducted via face-to-face interviews with 385 SME owner–managers operating in Muscat, Oman's capital city, along with face-to-face discussion on Islamic finance with 86 SME owner–managers. Descriptive and thematic analysis were used to analyse the data.

Findings – The findings indicate that SME owner–managers are aware of Islamic banking principles and have knowledge of Islamic financial instruments, despite Islamic finance being new to Oman. Interestingly, although the majority of the participants indicated their intention to adopt this new finance method, they were motivated by special requirements other than finance. Their positive perception of Islamic financing methods could play a significant role in developing the Islamic banking industry.

Research limitations/implications – The research is limited in that its data came only from Omani SME owner–managers in Muscat. Future research could investigate wider samples. Secondly, the study's findings lack generalisability to larger and public enterprises, because only SME owner–managers were surveyed.

Practical implications – This study will be important for policy makers concerned about SMEs' financing, Islamic financial institutions and new entrants into the Islamic banking industry, as it provides empirically evidence of Omanis' views, and more specifically those of Omani SME owner–managers, on the recent introduction of Islamic finance into the country. The insights this study offers should help them to develop the strategies required to attract SMEs and to construct policies and regulations to improve Oman's Islamic banking industry.

Originality/value – The research is significant, as it is the first study to investigate the awareness, willingness and perceptions of Omani SMEs regarding Islamic banking in Oman. Even though all Omanis are Muslims, Oman was the last of the six-nation Gulf Cooperation Council countries to introduce Islamic finance. Thus, this emerging market provides an important basis from which to extend future research on Islamic finance to other potential Islamic finance markets.

Keywords Oman, Perception, SMEs, Islamic finance, Awareness, Willingness

Paper type Research paper

1. Introduction

According to Warde (2000), one significant reason for writing about Islamic finance is its sheer size. The Islamic banking and finance industry is one of the fastest growing industries in the international financial system. Current global Islamic financial assets were estimated

Qualitative Research in Financial Markets
Vol. 11 No. 4, 2019
pp. 369-386

1755-4179
DOI 10.1108/QRFM-06-2018-0078

at USD 2.293 trillion at the end of December 2016, and they are expected to exceed USD 4.362 trillion by 2020 (GIFR, 2017). Ernst and Young (2014) estimate that between 2009 and 2013 Islamic banking assets grew at an annual rate of 17.6 per cent, and anticipate this trend will continue to grow until 2018 by an average of 19.7 per cent. Islamic banking operates in more than 50 countries worldwide (Chong and Liu, 2009), and there is still huge potential for Islamic banking to grow.

To expand, it is crucial that Islamic financial banking institutions understand why would-be customers would decide to adopt Islamic finance methods. More particularly, it is important to know more about small and medium enterprises' (SMEs) attitudes, awareness, preference and willingness to embrace Islamic financing. Myriad studies have discussed the attitudes and intentions of businesses and individual consumers towards conventional banking (Echchabi and Nafiu Olaniyi, 2012; Edris and Almahmeed, 1997; Gait and Worthington, 2008). Similarly, there is much research on consumers' attitudes, perceptions and knowledge towards Islamic banking (Al-Ajmi *et al.*, 2009; Gait and Worthington, 2008; Jaffar and Musa, 2013, 2016).

However, "Until recently, there has been very little work undertaken on business firms' attitudes towards Islamic methods of finance" (Gait and Worthington, 2008, p. 802). In fact, in their review paper on attitudes, perception and knowledge of Islamic financial products and services, Gait and Worthington (2008) identified this area as a gap in the literature. Other researchers have also noted this gap; for instance: "There have been [more] substantial literatures on attitude towards Islamic finance among individual segment than business firms" (Jaffar and Musa, 2013, p. 136); "Few studies have been conducted in terms of the Islamic mode of financing to the SMEs" (Osman and Ali, 2008, p. 11); "no adequate studies have been conducted on the attitude of firms toward Islamic banks" (Abdesamed and Wahab, 2015, p. 3258); and "Little empirical work has been done for examining the attitude towards Islamic banking and finance from the perspective of business firms" (Badaj and Radi, 2017, p. 2).

Furthermore, only a few studies that relate to SMEs' perceptions on Islamic banking have been conducted (Abdesamed and Wahab, 2015; Gait, 2009; Jaffar and Musa, 2013; Jalaluddin and Metwally, 1999; Osman and Ali, 2008; Shaharuddin *et al.*, 2005; Wahab and Abdesamed, 2012; Badaj and Radi, 2017). These studies are, however, interesting and confirm the significance of the SME sector's understanding of and attraction towards Islamic finance methods. Since SMEs are key economic players, it is crucial to understand their financing practices, which, according to Wahab and Abdesamed (2012, p. 3715), "serve as the foundation towards accelerating economic growth." It should also be noted that while the majority of these studies were conducted in a wide variety of contexts including Muslim countries and non-Muslim countries, a country with a predominately Islamic finance system, and a country with a dual-finance system which had established Islamic banking practices, there are still many countries where Islamic finance is at an early stage of its introduction and where Islamic methods of finance need to be studied.

More particularly, Oman was the last of the six-nation Gulf Cooperation Council (GCC) countries to introduce Islamic finance (as a response to public demand), even though all Omanis are Muslims. This research uses a single country study because a country case study can provide crucial investigation of small businesses (Beck and Demirguc-Kunt, 2006; Shaban *et al.*, 2014). The first evidence of the development of Islamic banking in Oman appeared in 2012 and constituted a notable development in the banking sector. Oman now has a dual-banking system with Islamic banking operating side by side with conventional banking. Omani SMEs can, therefore, deal with both systems.

However, the introduction of Islamic finance in Oman is not without a number of challenges, specifically public awareness. In order for Oman's Islamic banking industry to grow, there is an urgent need for public awareness programmes that focus on Shariah-compliant products and services, and for the provision of Shariah-compliant banking solutions for the SME sector, as Bilal Fiaz suggested in the world's leading Islamic finance news provider (Islamic Finance News, 2015). These challenges are the most significant challenges a country faces when newly introducing Islamic banking.

Thus, this study aims to examine the level of SMEs' awareness of and willingness to adopt Islamic methods of finance and SMEs' perceptions of them. It goes without saying that success of this form of finance is strongly dependent on the eagerness of customers to accept and adopt this new finance offering. This study attempts to answer the following questions:

RQ1. Are SME owner–managers aware of Islamic banking principles?

RQ2. Are SME owner–managers aware of Islamic finance instruments (IFIs)?

RQ3. If they are aware of them, are SMEs willing to adopt Islamic finance methods?

RQ4. How do SME owner–managers perceive Islamic methods of financing their businesses?

The next section of the paper provides a literature review, followed by the methodology. The research results and discussion are then presented. The final section provides a summary of the research's findings and conclusion.

2. Literature review

2.1 Islamic financing to SMEs

The business world is constantly changing; consequently, innovative financial instruments to suit that environment are constantly being offered. Traditional finance models with their fixed/variable rates of interest do not currently provide SMEs with flexibility, nor are they particularly well-suited to SMEs where starting up a new business or new idea is seen as riskier than financing established businesses. In traditional financing, borrowers, including SMEs, must pay back the stipulated interest on their loan, irrespective of the prevailing economic conditions; they are also legally liable for repaying the capital with interest, irrespective of whether or not they are making a profit or incurring a loss. In other words, borrowers must pay as per contract regardless of heavy losses on a project. Since earnings fluctuate because of market uncertainty, competition and lack of business experience, financial instruments that enable SMEs to start new businesses where they can share the risk with a finance provider are needed to motivate and encourage the development of new SME enterprises.

Islamic banks, as predominantly risk-taking institutions, act as partners with their clients, spread the risk, and share the business' profit and loss at a predetermined percentage rather than committing the borrower to fixed interest charges (Mills and Presley, 1999). According to Iqbal *et al.* (1998, pp. 15-16), "The most important feature of Islamic Banking is that it promotes risk sharing between the provider of funds (investor) on the one hand and both the financial intermediary (the bank) and the user of funds (the entrepreneur) on the other hand [. . .]. In conventional banking, all this risk is borne in principle by the entrepreneur." The concept of risk sharing is, therefore, a key feature that distinguishes Islamic from conventional banking.

The International Monetary Fund stresses the importance of Islamic finance in supporting SMEs: "Islamic Finance's emphasis on asset-backed financing and risk sharing feature means that it could provide support for small medium-sized enterprises" (Kammer *et al.*, 2015, p. 6). Profit-and-loss sharing (PLS) "is at the core of Islamic Banking" (Zaher and Kabir Hassan, 2001, p. 6). Thus, "Islamic banks are supposed to act as venture capital providers, investing in worthy firms and financing promising ideas in exchange for a share of the profits, rather than lending on the basis of cash-flow and collateral, and forcing firms into liquidation to recover loans that had gone bad through no fault of the borrower" (Khan, 2010, p. 87).

Further, a study by the World Bank (2008) reveals that not all traditional financial products are attractive simply because they go against the religious beliefs of some customers. Thus, customers who eschew traditional financial products on religious grounds need to be offered alternatives. According to the International Finance Corporation (2014), 32 per cent of SMEs in the Middle East and North Africa (MENA) are excluded from the formal banking sector due to lack of Shariah-compliant products. Alternative, Shariah-compliant financial products could, therefore, meet the financing and investment needs of Muslims (World Bank, 2008). The main differences between the Islamic financial system and the conventional system include the fact that:

- the prohibition of interest in the Islamic financial system results in the elimination of debt and avoids exploitation; and
- the risk and PLS feature in the Islamic financial system help to enhance the productivity of business ventures (Iqbal and Mirakhor, 2011).

Indeed, SMEs demonstrate substantial demand for Islamic banking. For instance, 90 per cent of SMEs in Saudi Arabia indicate a strong preference for Shariah-compliant products. However, large numbers of SMEs are not participating in the lending market because they are not open to non-Islamic finance. SMEs in Morocco and Yemen have also shown a similar interest in Shariah-compliant products (54 per cent and 37 per cent respectively) (International Finance Corporation, 2014). As illustrated by Demirguc-Kunt *et al.* (2014), adults in the MENA region express a strong hypothetical preference for Islamic banking products, despite their higher costs. These results indicate a potentially significant demand for Islamic finance in the MENA area, where 35 per cent of businesses are excluded from formal banking financing because of a lack of Shariah-compliant products (International Finance Corporation, 2014).

In brief, business firms contribute to the success of the banking industry in many economies and, by the same token, banks represent an important business partner for business firms, because banks facilitate many functions for them. Therefore, it is critical that businesses are cautious when choosing between banks, particularly given the emergence of Islamic banks. As Abdesamed and Wahab (2015) note, by working in partnership with entrepreneurs Islamic banking can produce a superior outcome, as such collaboration leads to better business decisions than can be produced by working in isolation. Therefore, it is important to understand entrepreneurs' attitudes towards Islamic finance, as SME owner–managers' attitudes and perceptions about Islamic banks are important when they consider future expansion and development (Abdesamed and Wahab, 2015).

2.2 SMEs' perceptions of Islamic finance

Edris and Almahmeed, 1997 study in Kuwait was the first to investigate firms' attitudes to Islamic finance. They note that, although Kuwait has a dual-banking system, the majority of Kuwaiti firms prefer to deal with commercial banks rather than Islamic or specialised banks. Furthermore, despite being a predominantly Muslim country, the majority of Kuwaiti firms do not consider Islamic banking practices as the main factor when selecting a bank; rather, the main factor is the size of the bank's assets. Similarly, Abdesamed and Wahab (2015) confirm that religion is not a factor that influences SMEs' preferences for adopting Islamic banks, because SMEs that have used conventional financing show less preference for Islamic financing than SMEs that have used informal loans (Abdesamed and Wahab, 2015). This finding indicates that firms that are dealing with conventional banks have strong relationships with them, and, consequently, such firms are less inclined to use Islamic banks.

On the other hand, Gait (2009) finds that in Libya potential business users of Islamic banking are motivated primarily by religion. Their second motivation is profitability, followed by the business support and unique services Islamic banking offers potential business users. Gait (2009) shows that most Libyan businesses have some knowledge about Islamic finance. In fact, 72.3 per cent of the firms in this study were interested in adopting Islamic finance, because the risk-sharing feature of Islamic finance is attractive. Similarly, in the context of Malaysia, Osman and Ali (2008) find that 85 per cent of entrepreneurs would choose Islamic finance on the grounds of religious beliefs or because it is a Shariah-based system. In fact, entrepreneurs believe that Islamic banks are more profitable than conventional banks.

Moreover, in the Malaysian context, Jaffar and Musa (2013) show that the majority of Halal-certified micro and small to medium enterprises indicate that, as a Halal business, they should use Islamic financing. However, only 40 per cent of the participants are using and borrowing Islamic finance, with the remaining 60 per cent being non-users of Islamic finance. In fact, 50 per cent of the participants had limited to no knowledge about Islamic financial systems, which could explain why they are not borrowing from Islamic banks.

Ahmad and Haron (2002) note that Malaysian corporate customers perceive economic factors such as the profitability and quality of services as being more important than religious considerations when selecting banks. They emphasise that for Islamic banks to be attractive to business customers, they have to provide a lower cost product than a product which is available in conventional banking. Likewise, in the Malaysian context, Shaharuddin *et al.* (2005) find that the majority of SMEs do not fully utilise or accept Islamic products, nor do they consider Islamic banks as the most desirable financial institutions for their financing and daily business transactions.

In the case of Pakistan, Rustam *et al.* (2011) show that Islamic banking products and services have good potential and the majority of corporate sector customers perceive religion and economic factors as important in selecting Islamic banking. Islamic banking is 30 years old in Pakistan; nevertheless the majority of Pakistan's corporate sector customers still have little knowledge of Islamic banking products and services, according to Rustam *et al.* (2011), and they claim that Islamic banks in Pakistan have not marketed their products and services well.

Turning now to a country which is predominantly non-Muslim, Jalaluddin and Metwally (1999) investigate SMEs' views on Islamic finance methods and test the attitudes of 385 small Australian business firms towards PLS methods of finance. The majority of the respondents agreed to try PLS methods of finance, and 59.6 per cent agreed to borrow money for their business using PLS methods. The findings of the study reveal five factors that motivated small firms to use PLS financing systems. These were the sharing of risk between lenders and borrowers, motivation for business expansion, cost of borrowing, suitability of PLS and risk of default in the traditional finance system. However, the reasons small firms gave for not using PLS methods included terms and conditions of borrowing, management intervention and high cost of borrowing. Their study, therefore, confirms that religion is not the only factor that encourages small businesses in Australia to adopt PLS methods of finance.

To conclude, despite empirical evidence pointing to the importance of its religious aspect regarding the proliferation in Islamic financing across Muslim countries, as well as non-Muslim countries, many of researchers (Ahmad and Haron, 2002; Jamaludin, 2013) argue that Islamic banks should not rely heavily on religious factors as a strategy for capturing businesses' attention, because it is not the primary reason that influences firms to use Islamic banks. In addition, as noted, SMEs' views and perceptions towards Islamic finance methods are actually contradictory. For example, in the context of Arab countries with similarities in language, religion and culture, SMEs' attitudes towards Islamic banking are different. Possible reasons for those differences are offered next.

First, the availability of Islamic banks differs from country to country. For instance, while Kuwait is well-served with Islamic banking, Libya, which is also a Muslim-majority country, presently has no Islamic banking. Second, the contradictory results found for Muslim and non-Muslim countries may be due to sample size, period, stage of SMEs' growth, the target groups and cultural differences between regions. Finally, although all the studies cited above used quantitative methods such as self-administered questionnaire surveys, they employed different analysis techniques. This lack of consistency might be one reason for their contradictory research results. Moreover, none of these studies used a mixed methods approach to investigate SMEs' perceptions and knowledge towards new methods of finance. For this reason, we believed that adopting mixed methods would offer an interesting approach through which to examine SMEs' views. Additionally, employing a qualitative lens would enable us to explore SME owner–managers' views about Islamic banking through directly sharing their stories and so enable us to understand their perceptions of Islamic methods of finance, rather than gauging those through prior literature and the results of other studies (Creswell, 2013).

Furthermore, all of the above studies were conducted either in countries such as Malaysia which have an established Islamic banking industry alongside conventional interest-based banking, or in countries which have no Islamic financial institutions at all such as Libya. Indeed, it can be said that differences in the existence of Islamic financing institutions and business model between countries have normalised the perception that the decision for business financing is driven by the type of business and scale. None of those studies, however, has investigated SMEs' views in a country such as Oman where Islamic finance is in its infancy.

3. Methodology

3.1 Data collection method

This study examines SME owner–managers' awareness about the principles behind Islamic banking and their knowledge and understanding about IFIs; SMEs' adoption intention towards Islamic method of finance; and SME owner–managers' perceptions towards Islamic finance. Primary data were collected through a face-to-face interview survey in Muscat between December 2016 and February 2017 with 385 SME owner–managers. Face-to-face interview was chosen as the main tool for collecting primary data for two main reasons: first, because of the lack of a database on SMEs in Oman (Neelufer and Al Amri, 2014) and the lack of comprehensive data on Islamic banking (Gheeraert, 2014) and secondly, because face-to-face interviewing allowed the lead researcher to gather valuable information from SME owner–managers about newly introduced finance in Oman. Thus, it was possible to address the study's research aims and objectives.

Every company that operates in Oman must be registered on the Oman Chamber of Commerce and Industry's (OCCI) database. Therefore, as that database provided a full picture of the SMEs operating in the Sultanate, the sample for this study comprised all the SMEs registered on the OCCI database. Only SMEs, SMEs in the Muscat region and SMEs operating in the three main industries in Oman – manufacturing, service and trade – were selected from this database.

According to Alreck and Settle (2004), "The random sample is the best because it's most representative of the entire population" (p. 71) and the least likely to result in bias. This research, therefore, randomly chose 385 firms from the OCCI's SME database. The following assumptions were used to guarantee that these 385 SMEs represented an adequate sample size:

- proportion (π) equals to 0.5, as this is the safest possible assumption;
- a confidence level of 95 per cent which corresponds to a Z-value of 1.96; and
- an error or precision (E) of 0.05 (Waters, 1994).

On these assumptions, the sample size (N) was estimated as follows:

$$N = \pi(1 - \pi)Z2/E2 = (0.5)(0.5)(1.96)2/(0.05)2 = 384.16$$

The interview schedule covered four areas. Section 1 asked demographic questions. Because one cannot develop an attitude towards something about which one has no knowledge, Section 2 measured SME owner–managers' awareness about Islamic banking principles (Table II). Here the researchers used six items with 5-point scales adapted from previous research (Faisal *et al.*, 2012), with 5 indicating strongly agree and 1 strongly disagree. SME owner–managers' awareness about Islamic financing was measured in terms of: knowledge of its existence; its differences from conventional financing; Shariah law; and the PLS model. Section 3 questioned SMEs owner–managers' Islamic finance knowledge of PLS and non-PLS finance (Table III). The options here were fully aware, somewhat aware and not aware. Section 4 asked SME owner–managers if they intended to adopt Islamic banking services in the future using 7-point items ranging from 7 definitely true and 1 definitely false. Section 5's open-ended question asked SME owner–managers if they wanted to add anything on Islamic financial institutions in relation to SMEs; 86 of the participants chose to respond to this question, which involved 5-10 min of discussion.

3.2 Characteristics of the sample

Table I details the descriptive statistics of the SME firm owner and firm characteristics.

3.3 Analysis methods

This research employed a mixed methods approach to explore, examine and discover new and detailed understanding of SME owner–managers' attitudes to the newly introduced phenomenon of Islamic finance in Oman (Creswell, 2013) because "in a qualitative study, you are interested not only in the physical events and behaviour that are taking place, but also in how the participants in your study make sense of these, and how their understanding [about Islamic finance] influences their behaviour [towards the adoption of Islamic method of finance] (Maxwell, 2013, p. 30).

However, one of the challenging aspects of qualitative research lies in analysing qualitative data (Kaczynski *et al.*, 2014). Qualitative data analysis involves creativity, intellectual discipline, and analytical rigour, and a great deal of hard work (Patton, 2002). To

Description	(%)
Gender	
Male	68.8
Female	31.2
Educational level	
Primary	0.8
Secondary	36.9
Higher diploma	28.1
Bachelor's	31.7
Master's	2.6
Age in years	
Under 20	1.0
20-30	40.8
31-40	46.2
41-50	10.9
Over 50	1.0
Number of employees	
1-5	59.7
6-25	37.4
26-99	2.9
Nature of business	
Manufacturing	19.7
Service	35.1
Trade	45.2

Table I.
Respondent profile

achieve the aim of this research, descriptive analysis was used to analyse the data for Research Questions 1, 2 and 3, and thematic analysis was used for *RQ4*.

As *RQ4* was open-ended, thematic analysis was used since it is one of the most commonly used methods for qualitative analysis (Roulston, 2010). Thematic analysis is an independent qualitative descriptive approach defined as "a method for identifying, analysing and reporting patterns (themes) within data" (Braun and Clarke, 2006, p. 6). Thematic analysis has many advantages such as flexibility, identifying core features of large data, identifying similarities and differences with large data, and providing thick description for the large data (Braun and Clarke, 2006). Following Braun and Clarke (2006), this research used six analytical processes. First, the authors read the transcriptions to familiarise themselves with the data. Second, a list of initial codes was established. Third, the authors looked for themes (Themes were not determined prior to analysis but rather emerged from participant responses.) and assigned all relevant data to each theme. Fourth, the themes were reviewed to ensure that all codes were relevant; thereafter, each theme was named. Finally, the authors began writing up the analysis. The NVivo software program was used to ensure rigour in the analysis process (Davies and Hughes, 2014).

4. Results and discussions

4.1 SMEs awareness towards Islamic banking principles

The results in Table II clearly indicate that SME owner–managers are aware of the basic principles of Islamic banking, for example, how it differs from conventional banking, and the fact that Islamic banking works on a risk-sharing model and is regulated by Shariah boards, indicating they have knowledge and understanding of Islamic banking. This

Items	Factor loadings	Mean	Median	SD
AW1. In practice Islamic banking is different from conventional banking	0.551	3.808	4.00	0.915
AW2. Islamic banking is based on Shariah (Islamic Laws)	0.694	3.805	4.00	0.911
AW3. Islamic banking is a banking system for people of all faiths/religions	0.626	3.829	4.00	0.894
AW4. If I put my money in Islamic banks, I am content that my money will not be invested in unethical ventures like alcohol, gambling etc	0.727	3.862	4.00	0.949
AW5. Islamic banking is strictly based on a risk-sharing model (profit and loss)	0.734	3.816	4.00	0.916
AW6. Islamic banks are more regulated forms of banking as they are governed by regulatory bodies as well as by Shariah boards	0.687	3.821	4.00	0.846
*Cronbach's alpha (α)	0.864			
*Minimum	1.50			
*Maximum	5.00			
*Mean	3.82			
*Median	4.00			
*SD	0.699			

Notes: *The items were combined to form an average score, AW = Awareness

Table II. SMEs awareness

awareness could be a reason why the Omani public are demanding that their government allows Islamic banking in Oman. Furthermore, this finding may indicate either that Oman's Islamic financial institutions have successfully spread awareness of their products within a short time span, or that SMEs have got this information from other GCC countries where Islamic finance has been available for over 40 years.

This finding indicates that SMEs are keen to know about Islamic finance, which is a new form of finance in Omani banking. Moreover, understanding the basic principles of Islamic banking may lead SMEs to adopt Islamic finance, because awareness determines their adoption intention (Abduh and Omarov, 2013). Having established a clear picture of SME owner–managers' knowledge about IFIs, findings on SME owner–managers' intention to adopt Islamic finance is presented next.

4.2 SMEs awareness towards IFIs

To measure the level of awareness and understanding among the SMEs' owners, a number of Islamic financing instruments such as *musharaka*, *mudarabah*, *ijarah* and *murabaha* were identified and used in the questionnaires survey. The purpose for including these Islamic financing instruments was to ascertain whether the managers are familiar with Islamic financing methods.

Table III shows SME owner–managers' awareness and understanding towards IFIs. It is apparent from the findings that the majority of managers do understand and are familiar with Islamic financing instruments. For example, 29 per cent of SMEs are fully aware of *musharaka* and *murabaha,* the most common IFIs, and 28 per cent and 27 per cent respectively are fully aware of *mudarabah* and *ijarah* financing.

However, it is interesting to note that, as Table III shows, even though Islamic finance is a new form of finance for SMEs in Oman's banking industry, most participants know about and understand the main PLS and non-PLS Islamic methods of finance and have good knowledge and understanding of these financial terminologies. Their level of awareness could be because the original Arabic is used to describe these financing terms and Arabic is Oman's national and official language.

Indeed, familiarity with Arabic appears to play a part in recognition and understanding of the terminologies of Islamic banking. The study's results are, for instance, consistent with Bley and Kuehn (2004) which found that Arabic-speaking United Arab Emirati respondents were significantly more knowledgeable about Islamic banking products and services than were respondents who were not Arabic speakers. Similarly, Gait and Worthington (2008) found that most Libyans understand Islamic finance terminologies. Although Islamic banking and finance have not yet become established in Libya, their study shows that most businesses have some knowledge about Islamic finance because IFIs such as *musharakah* and *quard hassan* are used informally among Muslims in Libya.

On the other hand, this study's results contradict Ahmad and Haron's (2002) findings on Malaysian corporate customers' attitudes towards Islamic banking products and services. They note that more than 65 per cent of their participants have limited knowledge of Islamic finance, even though Malaysia's Islamic banking system has been operating since April 1983 (Chong and Liu, 2009). Moreover, in the Malaysian context, Jaffar and Musa (2013) show that 50 per cent of the country's micro and small to medium enterprises have limited to zero knowledge of Islamic financial systems.

These results clearly indicate that non-Arabs/non-Arabic-speakers may be confused by the Arabic terms used by Islamic financial institutions to introduce or construct Islamic finance products and services in non-Arab countries/contexts. This lack of language familiarity may be a major impediment in the promotion of Islamic financial products, especially when the target consumers are not native speakers of Arabic.

This issue is a concern for policy makers in Malaysia. To illustrate this concern, Mohd-Karim (2010) points out that in 2002 Malaysia's Islamic banking practitioners agreed to mandate that all Malaysian Islamic banks add "i" at the end of generic product names, for example, "house financing-i" or "current account-i". These terms were to be used in all publications, including brochures. The aim here was to minimise confusion among product users because, prior to this agreement, some products were designated through Arabic terminology only.

As Dar and Presley (2000) make clear, having knowledge and understanding of Islamic finance is the most important prerequisite if customers are to engage with it. We, therefore, explored Omani SME owner–managers' knowledge and understanding of Islamic banking principles and IFIs. Having ascertained their level of understanding and knowledge, we then investigated SME owner–managers' readiness to accept this new financing option.

4.3 Adopting Islamic methods of finance

Viewing Islamic banks as business entities designed solely to fulfil religious obligations is no longer appropriate; rather, they should be viewed as business entities operating and competing alongside conventional banks. The door for both Islamic and conventional banks in Oman's banking sector to post high growth and to extend financing facilities to small and

Table III. SMEs awareness about IFIs

IFIs	Fully aware %	Somewhat %	Not aware %
Musharaka	29	55	16
Mudarabah	28	55	17
Murabaha	29	54	17
Ijarah	27	54	19

medium projects is now open, even though Islamic finance is in its infancy in Oman's banking sector when compared to conventional and long-established finance providers. Given that situation, we sought to discover whether Omani SME owner–managers are ready to adopt this new finance method.

Further questions were asked to investigate whether the SMEs' owner–managers intended to espouse Islamic banking services in the future. As the findings shown in Figure 1 indicate, 37 per cent of Omani SME owner–managers are ready to adopt Islamic methods of finance in the future. However, 39 per cent are unsure and are, therefore, likely take a wait and see attitude while they see how the Islamic banks develop, and, in the interim, intend to maintain their relationships with conventional finance providers.

Overall, the findings suggest that some Omani SME owner–managers are considering adopting Islamic finance methods, because they are aware of it and are knowledgeable about its various elements. Abdesamed and Wahab (2015) drew the same conclusion. They found that 90.9 per cent of the SMEs in their study were motivated to adopt Islamic finance, with that figure indicating a high preference for Islamic finance methods among SMEs. Indeed, Osman and Ali (2008) reveal that Muslim entrepreneurs understand the importance of applying Islamic financing in their business, as the majority of the participants in their study are using Islamic modes of financing. That finding indicates that Muslim entrepreneurs have a positive view of Islamic financing.

Furthermore, the findings from our face-to-face discussions with 86 SME owner–managers confirmed both their interest in Islamic methods of finance and also their reasons for hesitating to adopt Islamic financing. Analysis of the interview transcripts revealed two main themes related to SME owner–managers' views towards the Islamic method of financing businesses and these are presented next.

4.3.1 Theme 1. SMEs' perception of Islamic finance. As discussed previously, Islamic finance is a newly available financing option in Oman's banking sector. Discussion with SME owner–managers revealed that SMEs are aware of the existence of Islamic finance for Omani SMEs and that they are ready to adopt Islamic finance methods. Interviewee G, for example, noted that he was "prepared to apply Islamic methods of finance", while interviewee A stated that he was "Happy to try [the] new financing option in the country".

The findings are consistent with the findings of the Islamic Financial Advisory and Assurance Services (2011), the first independent market study on Islamic finance in Oman. That study was conducted before the introduction of Islamic banking into Oman, and it reported the following: 85 per cent of Omanis expressed their interest in Islamic finance products; 59 per cent were very interested; and the remaining 26 per cent were quite interested. Further, the report indicated that 77 per cent of Omani consumers were expecting to take up Islamic-style financing. Similarly, Al Ghammari and Ahmed's (2017) more recent study noted that more than half of Omanis are willing to join the newly introduced Islamic

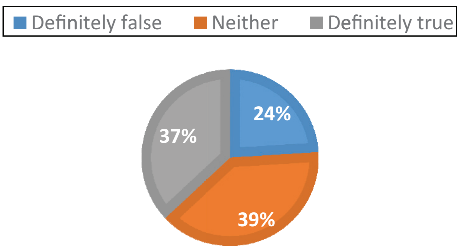

Figure 1.
SMEs' intention adoption towards Islamic financing

banks because of the attractive offers available, and 56 per cent are ready to switch to Islamic banking for future financial requirements.

Furthermore, while the face-to-face discussion with SMEs revealed their interest in Islamic methods of finance, the majority are actually hungry for greater business support. The analysis showed that the majority of SME owner–managers are looking for the following (Table IV): finance services, non-financial services and banking operations.

Further, discussion with SME owner–managers emphasised that Islamic banks should support SMEs, and that there should be collaborations between Islamic banks and government. The following comments illustrate that point: "Government and Islamic banks must work together to support SMEs" and "Government must support Islamic banks in financing SMEs".

This finding seems to support Huda's (2012) idea that government should be active as a "strategic partner" for Islamic banks in order to solve the financing problems faced by SMEs. In other words, the Omani government has an important role to play in creating a favourable environment within which Oman's Islamic banks can operate and flourish.

The findings clearly indicate that finance is no longer SME owner–managers' sole expectation when they consider a finance provider. They also want advice on wider business matters. Islamic banks must go beyond the traditional services which are already available in Oman's banking industry, as these do not align with SMEs' current needs and expectations. This finding is consistent with Al Ghammari and Ahmed (2017) which found that Omanis are looking for low interest rates, easy access to loans, innovative products, quality services, variety in products/services, Islamic banking and problem-solving.

The main challenges faced by Omani SMEs is a lack of finance, experience and management capabilities (Ministry of Commerce and Industry, 2012), and they are hoping that Islamic banking can offer them these facilities. Small businesses rely heavily on banks as they are essential for their survival through, for example, the provision of finance and management services (Trayler *et al.*, 2000). In order for Islamic banks to compete successfully with conventional banks and other new market entrants, Islamic banks must give extremely high consideration to the special needs and requirements of SMEs. In addition, government involvement would definitely enhance the ability of SMEs to meet their financing needs and requirements.

Finance services/lending processes	Non-financial services	Banking operations
Quick finance applications with minimal requirements. Simple finance processes. Flexible monthly instalments. Fast funding approval. Less expensive finance/low profit margin. Increased finance limit, so SMEs will be able to work effectively and successfully on their project. Dismiss or flexible collateral requirements	Help in creating a business plan. Help with marketing strategies. Finance advice and planning. Consulting and advisory services on IFIs	More branches. Branches outside the capital region, Muscat. Enhanced finance departments. A stand-alone department that deals exclusively with SMEs. ATM services

Table IV.
List of areas and issues raised by the participants

4.3.2 Theme 2. Partnership financing. As Huda (2012) noted, debt-based financing dominates the operations of most Islamic banks. Consequently, SMEs have limited access to financing because they are unable to provide sufficient collateral, and cannot provide an adequate track record, and because banks require high profit payment (Berger and Udell, 1998). Hence, a number of previous studies have considered how *musharakah* financing could offer a viable alternative form of financing for SMEs. *Musharakah* financing's risk-sharing principles could not only offer one way of overcoming these problems, but also provide SMEs with greater access to financing (Farid, 2007; Promwichit *et al.*, 2013), in that *musharakah* financing follows a risk-sharing principle whereby the business risks do not fall solely to the entrepreneur (Rahman, 2017).

The following comments reflect SME owner–managers' perceptions about *musharakah* financing: "[A] *musharakah* contract is [the] best financing option for SMEs which is available in Islamic financial institutions"; "I think *musharakah* financing is suitable for both Islamic banks and the SME's owner, because there will be roles for each party and each party must support and work towards achieving the goal which is [the] success of the project"; [a] "*musharakah* contract helps SMEs at the early stages[. . .]"; and, "*Musharakah* contracts are best to support SMEs, where collateral is not required of the SME's owner and this is different from commercial banks contracts".

Interestingly, the SME owner–managers we interviewed understand the advantages offered by *musharakah* financing. This finding is, therefore, consistent with the finding of Rahman (2017) and supports the idea that *musharakah* is a viable form of financing for SMEs. Further support comes from Kayed (2012) which noted that *musharakah* appeals to entrepreneurs who would prefer to share the risk of new business undertakings rather than bear all the risk alone.

Abdalla Ahmed (2008) and Al-Jarhi (2002) both argue that when providing *musharakah* financing Islamic banks need to participate in the operation of the business they are financing because doing so secures their position as the financier and that this more hands-on involvement can replace the need for collateral and predetermined profit payments. Moreover, the partnering concept also ensures that the potential entrepreneur is not encumbered with a heavy burden of interest payments on top of the initial borrowing which has to be repaid irrespective of the success of the venture. As one Omani SME owner–managers put it:

> "Islamic banks must work as a partner with SMEs in order to be successful for both parties". "*Musharakah* contracts will be very helpful for SMEs, where Islamic banks and SMEs can be partners, and not only the SME's owner bears the losses".

This study's finding on *musharakah* financing not only signifies an understanding that the bank becomes a business partner but empirically supports Abdalla Ahmed (2008) and Al Jarhi's (2002) previous research which also highlighted the importance of the bank's participation in *musharakah* financing. The partnership between the SME and bank reduces the risk for both parties involved in any business undertaking because they undertake to share not only the profit but also the loss which may accrue according to pre-determined proportions. Kayed (2012) emphasised the significant role that partnership financing can play in promoting entrepreneurship.

However, Hussaini and Malami (2014) and Jalaluddin and Metwally (1999) stressed the point that most owners are disinclined to let banks participate in their businesses because doing so minimises their power as the founder of the business. Moreover, Dar and Presley (2000) found that small businesses are uninterested in PLS-based financing because it allows banks to interfere in the management of their business. Surprisingly, our research contradicts that finding as the SMEs which participated in it saw *musharakah* financing positively and were willing to partner with Islamic banks. Furthermore, Rahman's (2017) finding that SMEs looked favourably upon a bank's participation in their business confirms the potential of *musharakah* financing for SMEs. Our finding here suggests that Omani SMEs would prefer to work in partnership with an Islamic bank which spreads the risk of the venture between them.

Despite the obvious advantages discussed above, *musharakah* financing enjoys only minimal take-up around the world. For example, by the end of 2010, Indonesian Islamic banks had used *murabaha* for more than 55.01 per cent of their financing, while the percentages for *musharaka* and *mudarabah* modes of financing were just 21.45 per cent and 12.66 per cent respectively (Huda, 2012). Thus, it seems that Islamic banks favour more debt-like instruments over PLS instruments.

Islamic banking's unique PLS paradigm differentiates it from conventional banking, and the majority of jurists on Islamic finance much prefer Islamic finance products like *musharaka* and *mudarabah* as financing modes. In other words, experts in Islamic economics and finance recommend PLS schemes over other Islamic trading modes. Moreover, PLS schemes fit best with Islam's egalitarian philosophy (Shaikh, 2011) and dominate the theoretical literature on Islamic finance (Dar and Presley, 2000).

This study is a wake-up call for interest-free banking in Omani banking sectors. To prove themselves in a dual-banking system, they must be different from interest-based banking systems. For instance, when dealing with SME borrowers, Islamic banks must create and offer PLS schemes which are different from interest-based banking schemes. If they do not, SMEs will not adopt Islamic finance modes. Hamoud Al Zadjali, ex-executive president of the Central Bank of Oman, has also emphasised that "Islamic banking institutions in Oman need to focus on purposeful innovation in developing viable and acceptable Shariah-compliant products and services instead of replicating the conventional approach" (Business Economy, 2015).

This is a clear signal to Islamic financial institutions that they need to differentiate themselves from interest-based banking systems and to have different lending strategies such as PLS if they are to gain SME owner–managers' trust. If they cannot see any differences between the new Islamic banks and conventional banks, SME owner–managers will have no reason to opt for Islamic financing or to leave their current banks.

5. Summary and conclusion

The purpose of this paper is to investigate SME owner–managers' awareness, willingness and perceptions about Islamic methods of financing. Following a mixed-methods approach, we administered a questionnaire survey via face-to-face interviews to 385 SME owner–managers operating in Muscat, Oman's capital city, and conducted further face-to-face discussion with 86 SME owner–managers on the topic of Islamic finance. Descriptive and thematic analysis were used to analyse the data.

This study reveals that SME owner–managers are aware of Islamic banking principles, and know about IFIs, even though Islamic finance has only recently been introduced in Oman. Interestingly, the majority of the SME owner–manager participants indicated an intention to adopt to this new form of financing, but for reasons other than simply finance; they were, for example, interested in special finance services, non-financial services and banking operations. Their positive perception of Islamic finance methods could play a significant role in developing Oman's Islamic banking industry through, for instance, the concept of partnership under *musharaka* financing whereby SMEs can share the risk of loss with an Islamic bank.

The findings of this study present a wake-up call for interest-free banking in Oman's banking sectors, because, to prove themselves in a dual-banking system, they first have to be different from interest-based banking systems and secondly, Islamic banks must go beyond the traditional services which are available in Oman's banking industry, which are unaligned with today's SMEs' needs and expectations. Indeed, government involvement would definitely enhance SMEs' financing needs and requirements. This study also contributes to the body of knowledge on Islamic finance through its exploration of the prospects for Islamic finance in a new context, Oman, an area which has not yet been studied.

Furthermore, this study will be important for policy makers concerned about SMEs' financing, Islamic financial institutions and new entrants into the Islamic banking industry, as it provides empirically evidence of Omanis' views, and more specifically those of Omani SME owner–managers, on the recent introduction of Islamic finance into the country. The insights this study offers should help them to develop the strategies required to attract SMEs and to construct policies and regulations to improve Oman's Islamic banking industry.

References

Abdalla Ahmed, G. (2008), "The implication of using profit and loss sharing modes of finance in the banking system, with a particular reference to equity participation (partnership) method in Sudan", *Humanomics*, Vol. 24 No. 3, pp. 182-206.

Abdesamed, K.H. and Wahab, K.A. (2015), "Owner/managers' external financing used and preference towards Islamic banking", *International Journal of Economics and Management Engineering*, Vol. 9 No. 9, pp. 3257-3262.

Abduh, M. and Omarov, D. (2013), "Muslim's awareness and willingness to patronize Islamic banking in Kazakhstan", *Journal of Islamic Banking and Finance*, Vol. 30 No. 3, pp. 16-24.

Ahmad, N. and Haron, S. (2002), "Perceptions of malaysian corporate customers towards Islamic banking products and services", *International Journal of Islamic Financial Services*, Vol. 3 No. 4, pp. 13-29.

Al Ghammari, K. and Ahmed, E. (2017), "Customers' switching intention in Oman's banking industry", *Journal of Business and Financial Affairs*, Vol. 6 No. 2, pp. 2-6.

Al-Ajmi, J., Abo Hussain, H. and Al-Saleh, N. (2009), "Clients of conventional and Islamic banks in Bahrain: how they choose which bank to patronize", *International Journal of Social Economics*, Vol. 36 No. 11, pp. 1086-1112.

Al-Jarhi, M.A. (2002), "Islamic finance: an efficient and equitable option", available at: www.isfin.net/sites/isfin.com/files/islamic-finance-an-efficient-equitable-option.pdf (accessed 25 February 2018).

Alreck, P.L. and Settle, R.B. (2004), *The Survey Research Handbook*, McGraw-Hill, New York, NY.

Badaj, F. and Radi, B. (2017), "Empirical investigation of SMEs' perceptions towards PLS financing in Morocco", *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 11 No. 2, pp. 250-273, available at: https://doi.org/10.1108/IMEFM-05-2017-0133

Beck, T. and Demirguc-Kunt, A. (2006), "Small and medium-size enterprises: access to finance as a growth constraint", *Journal of Banking and Finance*, Vol. 30 No. 11, pp. 2931-2943.

Berger, A.N. and Udell, G.F. (1998), "The economics of small business finance: the roles of private equity and debt markets in the financial growth cycle", *Journal of Banking and Finance*, Vol. 22 No. 6, pp. 613-673.

Bley, J. and Kuehn, K. (2004), "Conventional versus Islamic finance: student knowledge and perception in the United Arab Emirates", *International Journal of Islamic Financial Services*, Vol. 5 No. 4, pp. 17-30.

Braun, V. and Clarke, V. (2006), "Using thematic analysis in psychology", *Qualitative Research in Psychology*, Vol. 3 No. 2, pp. 77-101.

Business Economy (2015), "Islamic banking institutions in Oman need to focus on innovation", available at: http://timesofoman.com/article/73598 (accessed 2 February 2018).

Chong, B.S. and Liu, M.-H. (2009), "Islamic banking: interest-free or interest-based?", *Pacific-Basin Finance Journal*, Vol. 17 No. 1, pp. 125-144.

Creswell, J.W. (2013), *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*, Sage, Thousand Oaks, CA.

Dar, H.A. and Presley, J.R. (2000), "Lack of profit loss sharing in Islamic banking: management and control imbalances", *International Journal of Islamic Financial Services*, Vol. 2 No. 2, pp. 3-18.

Davies, M.B. and Hughes, N. (2014), *Doing a Successful Research Project: Using Qualitative or Quantitative Methods*, Palgrave Macmillan, New York, NY.

Demirguc-Kunt, A., Klapper, L. and Randall, D. (2014), "Islamic finance and financial inclusion: measuring use of and demand for formal financial services among Muslim adults", *Review of Middle East Economics and Finance*, Vol. 10 No. 2, pp. 177-218.

Echchabi, A. and Nafiu Olaniyi, O. (2012), "Malaysian consumers' preferences for Islamic banking attributes", *International Journal of Social Economics*, Vol. 39 No. 11, pp. 859-874.

Edris, T.A. and Almahmeed, M.A. (1997), "Services considered important to business customers and determinants of bank selection in Kuwait: a segmentation analysis", *International Journal of Bank Marketing*, Vol. 15 No. 4, pp. 126-133.

Ernst and Young (2014), "World Islamic banking competitiveness report 2013–14", available at: www.ey.com/Publication/vwLUAssets/EY__World_Islamic_Banking_Competitiveness_Report_2013%E2%80%9314/$FILE/EY-World-Islamic-Banking-Competitiveness-Report-2013-14.pdf (accessed 2 February 2018).

Faisal, M., Akhtar, A. and Rehman, A. (2012), "Awareness of Islamic banking in India: an empirical study", *Journal of Management Research*, Vol. 4 No. 1, pp. 13-27.

Farid, F.M.A. (2007), "The potential of Musharakah as an Islamic financial structure for venture capital funding in Malaysia", PhD thesis, Durham University.

Gait, A. and Worthington, A. (2008), "An empirical survey of individual consumer, business firm and financial institution attitudes towards Islamic methods of finance", *International Journal of Social Economics*, Vol. 35 No. 11, pp. 783-808.

Gait, A. (2009), "Libyan attitudes towards Islamic methods of finance: an empirical analysis of retail consumers, business firm and banks", PhD thesis, Griffith University.

Gheeraert, L. (2014), "Does Islamic finance spur banking sector development?", *Journal of Economic Behavior and Organization*, Vol. 103 No. 11, pp. S4-S20.

GIFR. (2017), "Overview of the global Islamic finance industry", available at: http://gifr.net/publications/gifr2017/intro.pdf (accessed 5 January 2018).

Huda, A.N. (2012), "The development of Islamic financing scheme for SMEs in a developing country: the Indonesian case", *Procedia-Social and Behavioral Sciences*, Vol. 52 No. 11, pp. 179-186.

Hussaini, S.M. and Malami, H.U. (2014), "Test of acceptability of profit and loss sharing financing arrangement by small scale businesses in and around Kano city in North Nigeria", *European Scientific Journal*, Vol. 8 No. 1, pp. 293-309.

International Finance Corporation (2014), "Islamic banking opportunities across small and medium enterprise in MENA", available at: www.ifc.org/wps/wcm/connect/7ab5500045503ad09e619ec66d9c728b/Executiv+Summary+final+31-8-2014+.pdf?MOD=AJPERES (accessed 12 June 2007).

Iqbal, Z. and Mirakhor, A.I. (2011), *An Introduction to Islamic Finance: Theory and Practice*, John Wiley and Sons, Singapore.

Iqbal, M. Ahmad, A. and Khan, T. (1998), "Challenges facing Islamic banking", available at: https://uaelaws.files.wordpress.com/2012/05/challenges-facing-islamic-banking.pdf (accessed 20 November 2017).

Islamic Finance News (2015), "The global leader in Islamic finance", available at: http://islamicfinancenews.com/2015_supplement/guide/IFNGuide.pdf (accessed 12 November 2017).

Islamic Financial Advisory and Assurance Services (2011), "Strong appetite for Islamic banking products in Oman", available at: www.financialislam.com/news/strong-appetite-for-islamic-banking-products-in-oman (accessed 12 November 2017).

Jaffar, M.A. and Musa, R. (2013), "Determinants of attitude towards Islamic financing among halal-certified micro and SMEs: a proposed conceptual framework", *International Journal of Education and Research*, Vol. 1 No. 8, pp. 1-10.

Jaffar, M.A. and Musa, R. (2016), "Determinants of attitude and intention towards Islamic financing adoption among non-users", *Procedia Economics and Finance*, Vol. 37 No. 8, pp. 227-233.

Jalaluddin, A. and Metwally, M.M. (1999), "Profit/loss sharing: an alternative method of financing small businesses in Australia", *Middle East Business and Economic Review*, Vol. 11 No. 1, pp. 8-14.

Jamaludin, N. (2013), "Religion and individual investment choice decision: the case of Malaysia", *International Journal of Business and Social Science*, Vol. 4 No. 1, pp. 104-113.

Kaczynski, D., Salmona, M. and Smith, T. (2014), "Qualitative research in finance", *Australian Journal of Management*, Vol. 39 No. 1, pp. 127-135.

Kammer, M.A. Norat, M.M. Pinon, M.M. Prasad, A. Towe, M.C.M. and Zeidane, M.Z. (2015), "Islamic finance: opportunities, challenges, and policy options", available at: www.imf.org/external/pubs/ft/sdn/2015/sdn1505.pdf (accessed 12 November 2017).

Kayed, R.N. (2012), "The entrepreneurial role of profit-and-loss sharing modes of finance: theory and practice", *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 5 No. 3, pp. 203-228.

Khan, F. (2010), "How 'Islamic' is Islamic banking?", *Journal of Economic Behavior and Organization*, Vol. 76 No. 3, pp. 805-820.

Maxwell, J.A. (2013), *Qualitative Research Design: An Interactive Approach*, Sage, Thousand Oaks, CA.

Mills, P.S. and Presley, J.R. (1999), *Islamic Finance*, Martins Press, New York, NY.

Ministry of Commerce and Industry (2012), "Fresh criteria for SMEs", available at: www.muscatdaily.com/Archive/Business/MoCI-revises-definition-ofSMEs (accessed 25 May 2017).

Mohd-Karim, M. (2010), "Profit-sharing deposit accounts in Islamic banking: analysing the perceptions and attitudes of the Malaysian depositors", PhD thesis, Durham University.

Neelufer, A. and Al Amri, S. (2014), "Challenges and barriers encountered by the SMEs owners in Muscat", *International Journal of Small Business and Entrepreneurship Research*, Vol. 2 No. 3, pp. 1-13.

Osman, M.R. and Ali, H. (2008), "Exploring Muslim entrepreneurs' knowledge and usage of Islamic financing", *Seminar Keusahawanan Islam II Peringkat Kebangsaaan*, Universiti Malaya, (accessed 15 October 2008).

Patton, M.Q. (2002), *Qualitative Research and Evaluation Methods*, Sage, Thousand Oaks, CA.

Promwichit, V., Mohamad, S. and Hassan, T. (2013), "The viability of profit and loss sharing based financing for Malaysian SMEs", *International Business Management*, Vol. 7 No. 4, pp. 278-287.

Rahman, N.H.A. (2017), "The role of Islamic banks in enhancing SMEs' access to financing via musharakah financing", *Journal of Islamic Finance*, Vol. 6 No. 1, pp. 42-50.

Roulston, K. (2010), *Reflective Interviewing: A Guide to Theory and Practice*, Sage, Los Angeles, CA.

Rustam, S., Bibi, S., Zaman, K., Rustam, A. and Haq, Z. (2011), "Perceptions of corporate customers towards Islamic banking products and services in Pakistan", *The Romanian Economic Journal*, Vol. 14 No. 41, pp. 107-123.

Shaban, M., Duygun, M., Anwar, M. and Akbar, B. (2014), "Diversification and banks' willingness to lend to small businesses: evidence from Islamic and conventional banks in Indonesia", *Journal of Economic Behavior &Organization*, Vol. 103 No. 41, pp. S39-S55.

Shaharuddin, A. Hamid, S.A. Safian, Y.H.M. and Muda, M. (2005), "A study on small and medium-sized enterprises perception towards islamic banking products", available at: http://jmifr.usim.edu.my/for-readers/jmifr-vol-2-no-1-2005/62-a-study-on-small-andmedium-sized-enterprises-perception-towards-islamic-banking-products (accessed 11 November 2017).

Shaikh, S.A. (2011), "A critical analysis of mudarabah and a new approach to equity financing in Islamic finance", available at: https://mpra.ub.unimuenchen.de/19697/1/MPRA_paper_19697.pdf (accessed 2 November 2017).

Trayler, R., Nielson, J. and Jones, R. (2000), "How small business firms select a bank: comparisons between the United States and Australia", *Journal of Financial Services Marketing*, Vol. 5 No. 1, pp. 73-85.

Wahab, K.A. and Abdesamed, K.H. (2012), "Small and medium enterprises (SMEs) financing practice and accessing bank loan issues: the case of Libya", *International Journal of Economics and Management Engineering*, Vol. 6 No. 12, pp. 3715-3720.

Warde, I. (2000), *Islamic Finance in the Global Economy*, Edinburgh University Press, Edinburgh.

Waters, D. (1994), *Quantitative Methods for Business*, Addison-Wesley, New York, NY.

World Bank (2008), "Finance for all? Policies and pitfalls in expanding access", available at: http://siteresources.worldbank.org/INTFINFORALL/Resources/40995831194373512632/FFA_book.pdf (accessed 12 November 2017).

Zaher, T.S. and Kabir Hassan, M. (2001), "A comparative literature survey of Islamic finance and banking", *Financial Markets, Institutions and Instruments*, Vol. 10 No. 4, pp. 155-199.

Corresponding author
Yasmeen Al Balushi can be contacted at: yawba1@students.waikato.ac.nz