

Awareness of financial institutions' employees towards Islamic finance principles in Russia

Awareness of financial institutions'

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Abstract

Purpose – This study aims to evaluate the awareness level of Islamic finance principles among employees of financial institutions in Moscow, Russia.

Design/methodology/approach – A quantitative method is used with a Likert scale questionnaire. A survey was conducted to 310 financial institutions' employees to determine the level of their awareness of major Islamic finance principles. The sample population is selected using the judgment sampling technique. A descriptive analysis with frequency, percentage and weighted mean are used to analyze the data.

Findings – The study finds that the level of awareness of financial institutions' employees towards Islamic finance is low. This is probably due to the minority of the Muslim population and geographically far from to the countries where Islamic finance is being implemented. All respondents have a good education background, thus implementing some training sessions for its employees or hiring some outside specialists could transfer the knowledge and widespread the adoption of Islamic finance instruments.

Originality/value – The academic institutions such as universities in Russia could play a pivotal role to offer Islamic finance-related subjects, while the government as a regulatory body, should support the Islamic finance initiatives.

Keywords Awareness, Employees, Financial institutions, Moscow, Russia, Awareness

Paper type Research paper

1. Introduction

Today, people live in the fast-changing world – the world where everything changes from personal values to geopolitical environment. Not that long ago the world observed the fall of



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communism with Soviet Union collapse as an alternative to capitalism. This event left the world economy with only one financial system – free market system. In 2008, this system was deeply shaken by the financial crisis that influenced absolutely everyone on the planet. Some researchers drive a parallel between the collapse of United Soviet Socialist Republic (USSR) and economic difficulties in European Union.

We make a point by point comparison with Europe today, and come to the conclusion that its situation does not differ all that much from the imploding USSR. As a matter of fact, the parallels are often startling ([Goldonomic, 2011](#)).

This crisis became systematic with much more rapid collapses. This instability of the world economy hits first those that are at the bottom level of economic chain. These people pay the biggest price for the mistakes of government leaders and economists who blindly follow their greed and unstoppable desire to consume. These people pay the price of lost jobs, broken families and lives, unachieved goals and dreams. This unstoppable financial crisis had “foreclosed” one of the most expensive things that people had – hope.

International economy clearly needs to evolve. It needs an alternative way of running the world economy with some fresh ideas. These ideas could be taken from Islamic financial system. The Islamic financial system is still relatively very young and small. For example, during the crisis in 2008, the size of Islamic banking sector was only US\$750bn in 75 countries ([Sanusi, 2008](#)). The fact that Islamic financial instruments are widely present in most of the countries that are considered as financial leaders in the world economy and that most of the biggest banks already opened their own branches that operate according to Sharia principles clearly show that there is a demand for Islamic financial products and services. It also could be used in combination with existing world financial system to develop a new and more effective financial system.

Today, there are already many Islamic financial institutions all over the world. Most of them are located in Muslim countries. However, with the rise of Muslim population in the western countries, Islamic financial services became available in many western countries as well. For example, there are 25 Islamic financial institutions in the UK and 20 in the USA as of 2010 ([Nazim, 2011](#)).

It is clear that there is a huge potential for the development of Islamic financial system in Russia and that most of the financial institutions in Moscow are very interested in Shari’ah-compliant financial instruments but unfortunately cannot develop steps needed to begin working in that direction because of three main reasons ([Niyazov, 2009](#)).

First, the biggest financial institutions are owned by the Russian government and cannot implement such decisions regarding their involvement into Islamic financial industry without a political will from the government. Therefore, there is a need of a political decision made by the Russian political leaders to begin the preparation of a government plan to develop an infrastructure for Islamic finance.

Second, there are no specialists in Moscow financial institutions that could develop segments in these institutions, such as independent Sharia Supervisory Board that is needed for development of Sharia-compliant instruments. Therefore, these institutions must either hire capable employees from abroad or develop trainings for their own employees in Islamic finance field.

Third, there is no a judicial infrastructure available in Russia for financial institutions to implement Shari’ah-compliant instruments. Russian banks cannot issue most of the Shari’ah-compliant instruments in Russia because it goes against Russian laws – especially Tax law. Therefore, without such an infrastructure, Russian financial institutions must use foreign infrastructures to offer Shari’ah-compliant financial products. Again, to develop

such an infrastructure there must be a political decision and an involvement of Central Bank of Russia. At this point, there is a prohibition for Russian banks to participate in manufacturing, trading and insurance activities (Zabrodin, 2013). This crucial fact makes it very difficult or even impossible for Russian banks to participate in such Islamic finance instruments such as Murabahah, Istisna and Takaful, which are some of the most important Shari'ah-compliant financial instruments.

For example, Istisna is a manufacturing/construction contract where producer must produce a certain product using its own materials and deliver it at an agreed fixed price at a certain point of time with an agreed quality and quantity. This contract is very important for Russian economy since there were many construction projects that took place in Russia such as Winter Olympic Games in 2014 in Sochi, World Cup 2018 and other infrastructure and tourist projects all over the country. Istisna, especially when it is structured as Sukuk, could bring in financing from wealthy Islamic countries such as the GCC countries.

Based on the above background and problems, this research focusses on the level of awareness of Islamic finance principles among Russia's employees in Moscow financial sector, which is one of the problems claimed by Niyazov (2009) that hinder the development of Islamic finance in the country. The result of this study is expected to be used as a key indicator of the platform for development of Islamic financial system in Russia since Moscow is the capital of the country. The evaluation of level of awareness of Islamic finance among employees of Moscow financial sector is important for the industry players to understand the current status; so that they are capable of determining further steps to be taken to develop Islamic financial instruments. It also can be used as a means to determine the need of trainings and/or bring specific specialists in the field from abroad. This study is also beneficial for people that work in the financial sector by providing a good picture of the level of awareness in Islamic finance among employees in Moscow financial sector (Neary, 2013).

2. Literature review

2.1 Islamic finance development

More and more economies with conventional financial system are starting to work with Islamic financial institutions due to the increasing value of trade and investment activity in the past years with Muslim countries and possibility to attract some financing from the oil-rich GCC countries (Ayadi and Gadi, 2012). Every country in the Gulf that had acquired some shares of the world natural resource market began to grow economically and some of the most luxurious projects such a Burj Al Khalifa took place. According to Williams (2013), in the Middle East, there were planned development projects in total worth of US\$1.56tn in 2013. This is an important financial indicator that represents the growth of the economy in the region. Most of these projects required financing from the government, mutual funds and some private investors. As a result, some of these financial transactions were structured in accordance with Sharia principles.

It is not a surprise that the wealth of GCC countries is derived from the sale of oil-based products. Overall, as the GCC production of oil fell by 1-2 per cent, the GCC economic growth fell to 3.6 per cent in 2013 from 5.4 per cent in the previous year (Nazim, 2011). However, these are still very good indicators comparing to very low economic growth of most of the western economies.

Nazim (2011) mentioned that Islamic financial industry grew by 7.6 per cent or US\$58bn in 2010 and continued to grow in 2013 by at least 10-15 per cent annually. This economic growth of the GCC and forecasted development of Islamic financial sector indicate that there is a potential to grow and export Islamic financial services and products to the neighboring

countries. Such countries could very well be from the former USSR states known as the CIS region. Russia as the biggest and most influential country among the states of former USSR could be the most potential country for the development and implementation of Islamic finance.

There is a huge potential for the development of Islamic finance in the CIS region. At this point the biggest player in Islamic finance among the CIS countries is Kazakhstan. There are two primary reasons why Kazakhstan is the leader in Islamic finance among the former USSR states. First, Kazakhstan's laws became suitable for issuance of Shari'ah-compliant securities after Kazakhstan's government adopted a legislation to facilitate Islamic banking and finance (Maggs, 2011). This is a very important matter since there is no need to conduct any reforms today to make an issuance of Shari'ah-compliant securities possible. Any reform that is directed specifically to allow a development of Islamic financial system must have a political and social resonance. This is a very sensitive topic because the population and some neighbors such as Russia are very skeptical when it comes to any movement towards "Islamisation" because of the lack of understanding what Islamic finance is and what positive economic value it can bring to the country. During the past years, in Kazakhstan, the legal framework was created to make it easier to work with Sukuk, Mudharabah, Musharakah and Ijarah instruments. This is especially important in the field of taxation.

Second, Kazakhstan has a large Muslim population which represents 47 per cent of total population of over 17 million people[1]. Despite all the tensions in the southern parts of the country, there is a potential for growth of Shari'ah-compliant financial products and services. In simple words, there is a demand for such products and services. As the golden rule of economics states when there is a demand there is a supply. In July 2012, The Development Bank of Kazakhstan (DBK) issued a US\$75.5m five-year Sukuk Al-Murabahah to Malaysian and Kazakh investors. The DBK is owned by the government. This security was listed on Kazakhstan Stock Exchange. During the preparation of this offering, a decent amount of time was spent on educating financial institutions regarding Islamic instruments, especially Murabahah structure (Lee, 2012). The most important thing is that Kazakh's government and central bank were eager to help and complete this transaction. This is a key indicator that Kazakhstan continues to attract more investors using Islamic financial instruments and that it holds on to the leadership in CIS region for Islamic finance.

On the other hand, in September 2011, the first successful deal with Murabahah was closed in Russia between AkBarz Bank (Russia) and Islamic Development Bank (Saudi Arabia) to obtain a US\$60m Shari'ah-compliant financing to fund an infrastructure project (Ak Bars Bank, 2012). However, the second-largest bank in Russia – VTB was preparing to raise US\$200m by issuing Sukuk but unfortunately, these plans are still unrealised. Similarly, Gazprombank, which is the part of Gazprom Group, which, in turn, is the largest gas exporter in Russia and the second biggest company after Rosneft, announced in 2011 that it was planning to arrange Shari'ah-compliant deals with Russian companies to obtain financing. Unfortunately, these plans did not go through (Y-Sing and Ho, 2013). Finally, Tatarstan region in Russia was planning to issue Sukuk in 2013 to attract US\$1bn Shari'ah-compliant financing during five years for its project called Smart City Kazan – a 650-hectare development. Again, these plans were constantly being delayed[2].

All these attempts in Russia to get involved in Islamic financial system and become a leader in the industry in the CIS region had failed because there is no Islamic finance infrastructure in Russia as well as insufficient specialists in this field. Therefore, all the deals with Shari'ah-compliant financial instruments involving Russian companies must go through Luxemburg, London and other foreign platforms. The government of Russia shows

no intent to make any reforms to allow Islamic financial infrastructure to develop in Russia. There is also a clear negative attitude towards Islamic finance because of the terrorist activity in North Caucasus regions such as Dagestan and Chechnya. The population, as well as the government officials, do not fully understand the potentials of Islamic finance and consider Islamic finance as something that could destabilise the situation in the regions in which Muslim population is significant.

Since Russia has the biggest population among the CIS countries and 15 per cent of its population are Muslims there is a demand for Shari'ah-compliant products and services. In addition, Russia is also very rich in natural resources and there are many construction projects that could have been very attractive for investors that prefer Shari'ah-compliant instruments such as Istisna or Sukuk. There is a huge potential in Russia for Islamic finance development but unfortunately, this is still only a potential while many of Russian neighboring countries such as Kazakhstan and Azerbaijan are actively getting involved in Islamic financial system.

2.2 Awareness in Islamic finance

Awareness is the ability to perceive, feel, or be conscious of events, objects, thoughts, emotions or sensory patterns[3]. Basically, awareness is the level of being aware of something or knowing something.

The concept of awareness in legal system is very important and could influence an ongoing trial, for example, when a common situation where a court orders a defendant to deliver a certain document to plaintiff. The defendant passes a huge pack of documents to plaintiff. The plaintiff is not aware of which document among all those that he or she received was necessary for the trial process. With the proper definition of concept of awareness, the judge could have specified, which was the exact document necessary to be passed by defendant to plaintiff, and therefore, speeds up the trial process[4].

The level of awareness of social finance (which is a part of ideology of Islamic finance) is very low in financial sector of Canada[5]. An opportunity of social finance has proven itself during the crisis of 2008 where microfinance sector proved to be one of the few profitable sectors of financial system and many global investors.

A study conducted by [Imaeva et al. \(2014\)](#) measured the awareness of insurance products among the Russian population. The results revealed that in average more than 12 per cent of the respondents were not aware of insurance products available in the market. In average, the awareness by men is 11 per cent more than the awareness of women. Meanwhile, a study held by National Agency for Financial Studies (2011)[6] in determining the level of public awareness of Russian banks found that the number one recognised bank was Sberbank with level of awareness of 86 per cent.

[Faisal et al. \(2012\)](#) measured the awareness and attitude of Indian Muslim and Non-Muslim about Islamic banking instruments and details. In total, 152 respondents participated in the survey. It is revealed that Non-Muslim respondents had no idea about fundamental financial instruments of Islamic banking except *Sukuk* and only few of them had awareness on the concept of *sharia*. While most of the Muslims, they have awareness of fundamental terms of Islamic finance such as *riba*, *sharia*, Islamic contracts and *takaful*. In contrast, a study by [Hamid and Nordin \(2001\)](#) of 967 commercial bank's customers in Kuala Lumpur found that almost all of the respondents were aware about the existence of Islamic banking and 50 per cent were actively using it. They could identify clearly the difference between interest-free and conventional banking.

[Hidayat and Al-Bawardi \(2012\)](#) focussed on Non-Muslim respondents among expatriates in Saudi Arabia. There are only 11 commercial banks in Saudi Arabia financial system and

only three banks are operating in accordance only with Sharia principles. The study indicated that 100 per cent of respondents were aware of Islamic finance and its pillars. Most of the respondents were using Islamic financial services because it is cheaper than conventional services in Saudi Arabia. It was suggested to set up workshops to educate Non-Muslims about the functionality of Islamic Banking services, provide discounts for transactions in Islamic banking to attract additional customers.

[Abiah and Wabekwa \(2012\)](#) conducted a survey on perception towards Islamic banking in Nigeria with 134 respondents. It is found that 77 per cent of the respondents have heard about Islamic banking before the survey took place where the remaining 23 per cent have never heard about Islamic banking before. More than half of the respondents do not understand the concepts of Islamic banking. The survey revealed that 26.12 per cent of respondents realise that Islamic banking involves an interest-reward system, 33.58 per cent do not know if the Islamic banking involves interest reward system and rest 40.31 per cent understand that Islamic banking system is interest-free system. The result of the survey also shows that 46.26 per cent know that Islamic financial system involves profit and loss system and the rest of respondents either do not know or understand this concept incorrectly. In total, 17.91 per cent of the respondents said “yes” and 38.81 per cent do not know whether Islamic banks can invest in pork industry, similar responses (15.67 and 38.06 per cent) were made on the question whether Shari’ah-compliant banks can venture in excessive speculative ventures such as gambling. Finally, 47.02 per cent of the total sample population does not know whether Islamic banks can invest into hotels while 21.64 per cent answered “yes” and 31.34 per cent replied “no”.

[Hassan \(2007\)](#) conducted a research in Pakistan among 600 respondents of bank account holders, both Islamic bank (IB) and conventional bank (CB). Majority of both CB and IB account holders replied that they understood what Islamic banking was and what Riba meant. Majority of the IB and CB account holders agreed that Islamic banking had higher profit distribution comparing to conventional banks. The research states that Islamic banking was more popular among young educated people with high monthly income. The study concludes that there are still some people with Islamic banking accounts that are not aware of the concept of Riba.

All of them used the self-assessed questionnaire as a research tool. The statistical tools used to measure the results were percentage and frequency. Only [Hidayat and Al-Bawardi \(2012\)](#) used a Likert scale as a tool to analyze the result.

2.3 Financial institution in Russia

Islamic institutions including banks are newly established, and thus, only few banks are recorded as follows:

In 1990, VneshTorgBank (Bank of Foreign Trade) or VTB was established in Moscow by Russian government with sole purpose to support external economic transactions of Russia. Today, VTB bank is a part of VTB Group, which controls four banks such as VTB, VTB-24, TransCreditBank and Bank of Moscow, leasing, insurance and many other entities. VTB bank together with its banking entities has 96 offices in Russia. It is also widely present in CIS. It has over 95 thousand employees[7].

VTB is a second-largest bank in Russia and it had plans since as late as 2008 to be a first Russian bank to issue Sukuk ([Omar and O'Brien, 2011](#)). The plan was to issue a US\$200m Sukuk through a subsidiary in Dubai. Unfortunately, the issuance of this security was constantly postponed.

Sberbank is another government-owned bank in Russia. Sberbank controls 17 other local banks with 18,482 branches all over the country. Sberbank is represented all over the world

in more than 10 countries. As of 30th June 2013, Sberbank had 289,027 employees[8]. Sberbank is the largest bank in Russia that has a huge potential in Islamic finance. Sberbank is expanding in CIS region and looking for new opportunities in Islamic finance. Unfortunately, there is a lack in understanding the concepts of Islamic finance among top executives in Sberbank and in Central Bank of Russia. Sberbank is looking to expand in Middle East and as a result to get involved in Islamic finance.

Vnesheconombank is a state corporation performing functions of the Bank for Development. It is ranked as number four in Russia by total assets. Bank focusses on investment projects in Russia and abroad. Its chairman Vladimir Dmitriev is also a chairman of the Russian chapter of the Russia-Bahrain Business Council[9].

The previous studies described above concluded that there is a lack of awareness in Islamic financial sector by respondents. This study adds value to those studies described above by adding results using similar methodology in a non-Muslim country's financial sector. The results of this survey could be compared with the results of the previous studies and describe the level of awareness of Islamic finance in Moscow financial sector, Russia.

3. Methodology

The quantitative research method was chosen because it was necessary to measure numerically the knowledge of Islamic financial system in Moscow's financial center. The measurement was to be conducted in numbers consisting of data analysis, namely, frequency, percentage and weighted-mean analysis of collected data. Through this descriptive analysis, the demographic profile and respondents' understanding on Islamic finance could be elaborated.

Like [Hidayat and Al-Bawardi \(2012\)](#), this study used a Likert scale survey questionnaire as a research tool except in Questions 1-6 as the demographic profile items. In the second part, 15 questions were about the knowledge of Islamic financial system.

The items in the questionnaire were selected from the previous studies and textbooks. The six demographic questions originally adopted from [Faisal et al. \(2012\)](#). The awareness in this study indicates as the level of knowledge in Islamic finance. Question no.7 was developed based on the prohibition of Riba and permission to trade, as said in Qur'an verse 2: 275[10]. Question no. 8-14 were adapted from a study by [Halim and Nordin \(2001\)](#). The rest of the questions were adopted from a study by [Hassan \(2007\)](#), [Abiah and Wabekwa \(2012\)](#) and [Hidayat and Al-Bawardi \(2012\)](#).

3.1 Data collection and sample selection

Moscow is the biggest city in Russia, which is used as a representative or sample of the entire Russia. Moscow is a financial center of Russia, where more than 80 per cent of wealth is being concentrated. All major banks, insurance companies, government agencies, financial regulators and major corporate banks' customers are located in Moscow. If Islamic finance wants to start on a full scale in Russia – Moscow is a proper city where it will begin developing.

The population consists of employees of Moscow's financial center of all ranks, age and religious background. The total of 310 questionnaires was distributed and has 97 per cent of respond rate or 300 questionnaires. The judgment sampling technique was adopted, which means the sample selection was based on judgment.

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3.2 *Statistical tools*

Weighted average mean, frequency and percentage methods were used as statistical tools. All of the questions designed to measure the level of knowledge of Islamic financial system using a Likert scale of 5 to 1 with 5 being strongly agree and 1 strongly disagree (Table I).

Formulas used in analysis:

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Weighted mean of question n

$$= \frac{(\# \text{ of replies to strongly agree} * 5) + (\# \text{ of replies to agree} * 4) + \dots}{\text{Total number of respondents (300)}}$$

Percentage of people answered a certain question with a choice n

$$= \frac{\text{number of answers with a choice } n}{300}$$

4. Findings

4.1 *Demographic profile*

The analysis of religious beliefs of the respondents was done to understand what religion belief is dominant among the sample population in Moscow financial sector. The result shows that the majority of respondents were Christians (56 per cent), followed by other beliefs (24 per cent), Judaism (12 per cent) and Muslim (8 per cent). The survey indicates that there are very few Muslims among the workforce in Moscow financial sector. This is essential as most of the basics of Islamic finance are more likely unknown to believers of other religions due to the absence of these basics in their religious traditions and absence of Islamic finance in Moscow financial sector in general. Basically, most people may have not heard anything about the Islamic finance and its basics. The next item is the occupations in the financial sector, which showed that 97 per cent of total amount of respondents actually do work at financial sector and the rest of 9 respondents used to work in the financial sector so they still possessed necessary experience and knowledge to be involved in the survey.

The analysis of the length of employment in the financial industry shows that most of the respondents were in the middle of their career path in the Moscow's financial sector. Most of the respondents were employed in the financial industry from 3 to 6 years (44 per cent). The rest of respondents were used from 6 to 10 years (12 per cent) and more than 10 years (8 per cent) accordingly. The further analysis confirms that most respondents were at the middle in the corporate ladder. For instance, it is found that 91 per cent of ages of respondents were from 21 to 30 years old; and 32 per cent had a monthly income of 0 – US \$2,000 and 38 per cent had an income of US\$5,000-15,000. According to [Antal Russia \(2013\)](#),

Table I.
Verbal
interpretations used
in weighted mean
analysis

Weighted mean	Answer
0.00- 1.49	Strongly Disagree
1.50-2.49	Disagree
2.50-3.49	Neither Agree nor Disagree
3.50-4.49	Agree
4.50-5.00	Strongly Agree

which is a leading executive recruitment consultancy firm in Russia, the salaries of mid-career employees at financial sector after the currency reevaluation approximately vary from US\$2,000 to 13,000. The last analysis is on educational profile, shows that majority of respondents; 46 per cent have their Bachelor Degree and 49 per cent with Masters' Degree. The level of education represents that all of the respondents are well-educated. The level of education also indicated that most of the respondents are young professionals and qualified to participate in the survey (Table II).

4.2 Test results

The results of simple questions, which are questions 7 to14 of the questionnaire are represented in Table III below. Questions 15 to 21 are difficult questions and the results are shown in Table IV.

Respondents profile	Frequency	(%)
<i>Religious beliefs</i>		
Judaism	36	12
Christian	168	56
Muslim	24	8
Other	72	24
Total	300	100
<i>Number of people who work in financial sector</i>		
Yes	291	97
No	9	3
Total	300	100
<i>Length of the employment in the industry</i>		
Less than 3 years	108	36
From 3 to 6 years	132	44
From 6 to10 years	36	12
More than 10 years	24	8
Total	300	100
<i>Age of respondents</i>		
Less than 21 years old	6	2
21-25 years old	174	58
25-30 years old	99	33
Over 30 years old	21	7
Total	300	100
<i>Income profile</i>		
US\$0–2,000	96	32
US\$2,000-5,000	24	8
US\$5,000-15,000	114	38
Over US\$15,000	66	22
Total	300	100
<i>Educational profile</i>		
Bachelor	138	46
Masters/MBA	147	49
PhD	15	5
Total	300	100

Table II.
Demographic data

Table III.
Likert scale and
weighted mean on
knowledge of Islamic
financial system
(part I)

Questions	Scale					Total	Weighted mean
	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree		
<i>7. Do you agree that the Islamic financial system prohibits an interest reward system?</i>							
Frequency	66	51	108	72	3	300	3.35
(%)	22	17	36	24	1	100	
<i>8. Do you agree that speculation in stock is prohibited in Islamic financial system?</i>							
Frequency	78	36	117	63	6	300	3.39
(%)	26	12	39	21	2	100	
<i>9. Do you agree that there are hedging instruments in Islamic financial system?</i>							
Frequency	48	33	108	69	42	300	2.92
(%)	16	11	36	23	14	100	
<i>10. Do you agree that it is allowed to invest in hotel industry in Islamic financial system?</i>							
Frequency	27	93	168	9	3	300	3.44
(%)	9	31	56	3	1	100	
<i>11. Do you agree that a risk-sharing system is allowed in Islamic financial system?</i>							
Frequency	48	123	78	33	18	300	3.50
(%)	16	41	26	11	6	100	
<i>12. Do you agree that there is such a thing as credit card in Islamic financial system?</i>							
Frequency	42	105	114	27	12	300	3.46
(%)	14	35	38	9	4	100	
<i>13. Do you agree that there is a debt financing in Islamic financial system?</i>							
Frequency	39	162	72	18	9	300	4.77
(%)	13	54	24	6	3	100	
<i>14. Do you agree that uncertainty is prohibited of Islamic financial system?</i>							
Frequency	69	36	141	18	36	300	3.28
(%)	23	12	47	6	12	100	
Note: Average weighted mean for Questions 7-14: 3.51							

The questions regarding level of knowledge on the related subjects in Islamic finance such as Riba and speculation prohibition, hedging, prohibition of investments in hotel industry, existence of risk-sharing system, credit cards, debt financing, avoiding uncertainty, “gold for gold” principle, Musharakah principles, Murabaha principles, Salam principles, Takaful principles and Ijarah principles.

Below are the elaborations of each question above:

- In total, 36 per cent of the respondents do not know the answer on one of the basics of Islamic financial system about the absence of interest reward system and 24 per cent thought that there is an interest reward system in Islamic finance. Only 22 per cent agreed to the statement that there is no interest reward system in Islamic finance. The prohibition of Riba is one of the pillars of Islamic finance. An average weighted mean of 3.35 shows that most respondents do not know the concept of Riba in Islamic finance;
- Most of the respondents (39 per cent) that they do not know whether the speculation in stock is allowed in Islamic financial system, while 23 per cent disagreed to this question and 38 per cent of respondents agreed that speculation is prohibited in

Questions	Strongly agree	Agree	Scale Neither agree nor disagree	Disagree	Strongly disagree	Total	Weighted mean
<i>15. Do you agree that is allowed in Islamic financial system to trade 1 kg of gold for 2 kg of gold (same quality gold)?</i>							2.97
Frequency	18	33	201	18	30	300	
(%)	6	11	67	6	10	100	
<i>16. Do you agree that in Musharakah contract the profit is not guaranteed?</i>							2.84
Frequency	3	12	246	12	27	300	
(%)	1	4	82	4	9	100	
<i>17. Do you agree that seller must inform the buyer about how much of costs were included in the sale price in Murabaha?</i>							2.99
Frequency	18	9	246	6	21	300	
(%)	6	3	82	2	7	100	
<i>18. Do you agree that the payment in Murabaha sale could be both on the spot and deferred?</i>							2.89
Frequency	6	12	252	3	27	300	
(%)	2	4	84	1	9	100	
<i>19. Do you agree that Salam contract is mostly used in agricultural industry?</i>							2.89
Frequency	0	3	276	6	15	300	
(%)	0	1	92	2	5	100	
<i>20. Do you agree that Takaful contract is used as an alternative for conventional insurance?</i>							3.16
Frequency	27	6	261	0	6	300	
(%)	9	2	87	0	2	100	
<i>21. Do you agree that Ijarah contract is mostly used in leasing?</i>							2.83
Frequency	0	0	273	3	24	300	
(%)	0	0	91	1	8	100	

Note: Average weighted mean for Questions 15-21: 2.94

Table IV.
Likert scale and weighted mean on knowledge of Islamic financial system (part II)

Islamic finance. Riba, Gharar and Maysir are prohibited in Islamic finance. An average weighted mean of 3.39 shows that most respondents do not know the concept of prohibition of speculation in Islamic finance;

- In total, 36 per cent of the respondents do not know if there are hedging instruments in Islamic finance, while 37 per cent disagree with this statement. An average weighted mean of 2.92 indicates that most of the participants of this survey do not know the whether there are hedging instruments or not;
- In total, 40 per cent of the respondents agree that it is permitted to invest in the hotel industry, while 56 per cent do not know the answer and only 4 per cent disagree with this statement. Among Russians, many Muslim countries such as Egypt, Turkey and UAE are very popular tourist locations and as a result, most of the respondents could draw a logical conclusion that investments in hotel industry are not prohibited in Islamic financial system. An average weighted mean of 3.44, so majority of respondents do not know that it is allowed to invest into hotel industry in Islamic finance;

- In total, 171 respondents agreed that there is a risk-sharing system in Islamic finance, 26 per cent do not know the answer and 17 per cent think that there is no risk-sharing system in Islamic finance. An average weighted mean of 3.50 indicates that most of the respondents agree that there is a risk-sharing system in Islamic finance;
- In total, 49 per cent agreed that there are credit cards in Islamic finance, while 38 per cent of respondents replied that they do not know the answer and 13 per cent disagreed with this statement. An average weighted mean of 3.46 indicates most of the respondents did not know that there is such a thing as credit card in Islamic finance;
- In total, 67 per cent of the respondents agreed that there is a debt financing in Islamic financial system, while 24 per cent do not know anything about it and 9 per cent disagreed with the statement. An average weighted mean of 4.77, so overwhelming majority strongly agrees that there is debt financing in Islamic finance; and
- In total, 35 per cent agreed that uncertainty is prohibited in Islamic financial system, 47 per cent do not know and 18 per cent disagreed with this statement. An average weighted mean of 3.28 indicates that more people of the respondents do not know that avoiding uncertainty is one of the principles of Islamic finance.

Below are the elaborations of each question based on [Table IV](#) above:

- More than 200 respondents replied that they do not know whether it is permitted to trade 1 kg of gold for the same quality 2 kg of gold or not. In total, 17 per cent agreed with the statement and 16 per cent disagreed with that statement. An average weighted mean of 2.97 indicates that the majority of respondents do not know whether it is allowed or not to trade 1 kg of gold to 2 kg of same quality gold.
- Overwhelming 82 per cent of the respondents did not know one of the principles of Musharakah, 5 per cent of the respondents agreed with the statements and 13 per cent disagreed with the statement. An average weighted mean of 2.84 indicates that majority of the respondents do not know that in Musharakah contract the profit is not guaranteed.
- More than 80 per cent did not know the principle of costs in Murabaha contract, while 28 respondents agreed with the statement and 27 respondents disagreed with it. An average weighted mean of 2.99 indicates that majority of the respondents do not know that seller must inform the buyer about how much of costs were included in the sale price in Murabaha.
- More than 80 per cent did not know the principle of payment in Murabaha contract mentioned in the question below, while 6 per cent agreed with the statement and 10 per cent disagreed with it. An average weighted mean of 2.89 indicates that majority of the respondents do not know that the payment in Murabaha sale could be both on the spot and deferred payments.
- In total, 92 per cent of the respondents did not know the answer to the question described below. Only 1 per cent agreed with the statement if Salam contract was mostly used in agricultural industry and 7 per cent disagreed with it. An average

weighted mean of 2.89 indicates that majority of the respondents do not know that Salam contract is mostly used in agricultural industry.

- Only 11 per cent agreed that Takaful contract is used in insurance industry and 2 per cent disagreed with this statement. Overwhelming 261 respondents did not know the answer to this question. An average weighted mean of 3.16 indicates that majority of the respondents do not know that Takaful contract is mostly used in insurance.
- Not a single respondent agreed that Ijarah was mostly used in leasing. In total, 27 respondents disagreed with the statement and 273 respondents did not know the answer to this question. An average weighted mean of 2.83 indicates that majority of respondents do not know that Ijarah contract is mostly used in leasing.

The study found that the level of public awareness towards Islamic finance is low in Moscow financial sector. The results are not in line with the findings of previous studies by [Faisal *et al.* \(2012\)](#), [Hidayat and Al-Bawardi \(2012\)](#), [Hassan \(2007\)](#) and [Hamid and Nordin \(2001\)](#). This is probably due to the fact that previous studies were made in regions with a higher Muslim population and geographically close to the countries where Islamic finance is being implemented.

The overwhelming majority of the respondents to the questionnaire of this survey do not possess any awareness in Islamic finance. For Questions 7-14 of the questionnaire that intend to measure the level of awareness of the main principles of Islamic finance such as prohibition of Riba, the total 37 per cent of all respondents answered that they do not know the answer and 45 per cent agreed that they were aware of these principles. While an average weighted mean for those 8 Questions is 3.51. This means that the respondents in average agree to the questions. Even though that the result is just by few digits away from “neither agree nor disagree” the results show that the respondents have some knowledge of principles in Islamic finance.

The rest of the questions were more complicated and involved terms and situations, which needed a deeper understanding of the Islamic financial system that could be obtained through education and/or special trainings. The overwhelming majority (83 per cent) of respondents answered “Neither Agree nor Disagree” to the questions; and approximately one half of the rest 17 per cent agreed to the questions and another half answered disagreed with it, with average-weighted mean of 2.94. This is a very strong indicator that majority of the respondents were not aware of Islamic financial contracts. These contracts are the key instruments in Islamic financial system. If one wants to work in Islamic financial sector, then he or she must have the knowledge of key contracts that are the foundations of any structured deals in Islamic financial industry whether banking or insurance.

The average weighted mean for Questions 7-21 was 3.25, therefore it indicates that most of the respondents have the answers of “Neither Agree nor Disagree” to the questions, especially to more difficult ones. The highest weighted mean of 4.77 was to a question 13 (Do you agree that there is a debt financing in Islamic financial system?) and lowest weighted mean of 2.83 was to question 21 (Do you agree that Ijarah contract is mostly used in leasing?), which both are from a difficult group of questions. Therefore, it could be concluded that majority of the respondents do not know the answers to such difficult questions.

5. Conclusion and recommendation

Although there was about 8 per cent of Muslims in the sample pool, the results were very different from the previous studies. Muslims in Moscow financial sector work in conventional finance and are not aware of major Islamic financial contracts such as Salam for instance because it is considered unnecessary knowledge at their work. All respondents have a very good education and each of them represented experienced professionals in the financial industry of Russia. This is important as it indicated that the respondents were capable of participating in the survey and as a result this survey got credibility in terms of quality of the respondents. All these findings indicate that the level of awareness of Islamic finance among employees in Russian financial sector is still low.

To improve the situation, below are the recommendations on the improvements of the level of awareness of Islamic finance among employees in financial institutions in Russia:

- Financial institutions could implement some training sessions for its employees by hiring some outside specialists in that field or by sending the employees to some educational programs in other countries that have the experience in Islamic finance.
- In Russian universities, there could be additional courses offerings especially those that teach the principles of Islamic finance to the students of financial department.
- Russian financial institutions could partner with some financial institutions that operate in Islamic finance and implement a sort of an “exchange of knowledge” program where teams from such institutions share their experience and knowledge.

This study also comes out with some suggestions for further studies. Next researcher could focus on certain areas of Islamic finance that were described in this study to make a more detailed research. For example, the researcher could pick one out of many financial instruments and continue a research focusing only on this instrument and its varieties or focus on a larger sample from other geographical regions of Russia or other countries and different professional field since this study focusses on financial employees from Moscow only.

Islamic banks could use this study when deciding either to enter Russian financial market or otherwise. This study gives an idea on what level the Islamic finance is developed in Russia and whether there is a market for its development or otherwise. It is also beneficial for Islamic banks to use the results of this study to have a competitive advantage in Russian market in Islamic banking by using its experience in this field in other countries.

Notes

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