Islamic Banking 101: Turkish Banks in Germany 20

Fragments of a Novel Marketing Concept in Consideration of Ethical and Sustainable Ways of Life

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Contents

20.1 Introduction

Nowadays, the Islamic Banking System is not only limited to Islamic countries, but has also increased in popularity in Western countries, especially in the United Kingdom and

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in the United States of America (cf. Schuster 2013, p. 3). Those countries have not only perceived the increasing trend, but also realized the potential of Islamic Banking and became one of the hotspots of Islamic Banking in the Western world (cf. Schuster 2013, p. 4; Karl 2012, p. 1 f.; Wentler 2012, p. 5; Geilfuß 2009, p. 1 f.).

Besides that, Europe came more and more into the focus of Muslim people and thus grew up to an area with a considerable large Islamic population, especially Germany with more than 4 million Muslim inhabitants becoming increasingly important for the economic situation in Europe (cf. and hereinafter Geilfuß 2009, p. 2 et seqq; Chaboune and El-Mogaddedi 2008, p. 33; Zerth/Kiepe/Mittendorf, p. 19 et seqq.). However, according to those facts, it is questionable why the German finance industry has not taken any action to implement the way of Islamic Banking yet. Furthermore, after the financial crises in 2008, a remarkable demand for alternative banking products and banking systems with ethical features is perceptible in Germany (cf. Abidemi 2015, p. 35 et seqq.).

This paper provides information about the basics of Islamic Banking, points out the differences to the traditional conventional banking system and focuses on chances and risks for an Islamic Banking system in Germany. Due to the German-Turkish cooperation project and the conference-forum "E2E Building a Bridge on Sciences" Munich in November 2015, this paper has a specific focus on Turkish Banks and Turkish financial institutes.

Thus, this paper investigates the following research topics:

- What is the Islamic Banking system and what are the differences to the traditional Western Banking systems?
- Is there a market potential for Islamic Banking, especially for Turkish Banks in Germany?
- How can one set up a marketing concept for Turkish Banks?

Sect. 20.2 describes the fundamental principles and notions according to Islamic Banking to understand the basic idea of the system while section 20.3 points out the differences to the common banking system known as traditional banking system in the Western world. Sects. 20.4 and 20.5 intend to meet the research questions by clarifying the market potential in Germany and discussing some thoughts about a marketing concept for Turkish Banks that is based upon Islamic Banking. A conclusion is provided with final thoughts of the authors.

20.2 Islamic Banking 101

In general, Islamic Banking refers to a banking system that is in accordance with the Islamic law, which is also known as the Sharia law (cf. among others Abduh and Ramjaun 2015, p. 72; also cf. Abidemi and Foudalmoula 2015, p. 35 et seqq.).

Beside basic economic goals like profit maximization, generating liquidity and equity, the Islamic Banking system pays attention to its fundamental principles based on social justice and human welfare as well as financial and social sustainability (cf. Geilfuß 2009, p. 4 and p. 11; Käseberg 2013, p. 12 et seqq.).

The ideas of common business and their realisation became very relevant within the last years (cf. and hereinafter Zerth et al. 2014, p. 19 et seqq.; also Sadoveanu 2011, p. 8 et seqq.): Approximately 300 Islamic Banks and financial institutes are operating in 65 Islamic and a small number in Western countries. These institutions coast assets of more than $750 billion as of 2006 (cf. Singer et al. 2014, p. 2 et seqq.). Their annual growth rates are about 10–15% of revenue which surpasses those of conventional banks substantially. And on the financial market more than thousand Islamic investment funds exist; mainly consisting of equity shares. Especially within the last years since the financial crisis in 2008/09, the demand for Islamic Banking products has increased tremendously and became more popular in Europe and especially in Germany (cf. Geilfuß 2009, p. 5 et seqq. and hereinafter Abidemi and Foudalmoula 2015, p. 30 et seqq.). E&Y, a consultancy and accounting firm, estimates that Islamic banking assets grew at an annual rate of 17% between 2009 and 2014, and will grow by an average of about 20% a year to 2019 (cf. Geilfuß 2009, p. 6).

20.2.1 Derivations of Islamic Banking

The entire Islamic system is based on Islamic law, which is the Sharia. The Sharia refers primarily to the Quran, the holy scripture of Islam, which contains the verbatim revelation of God (Allah to the Prophet Mohammed according to Muslim faith (cf. and hereinafter Käseberg 2013, p. 8 et seqq.)). Secondly, it refers to the Sunnah, which is a summary of the teachings of Muhammad, the Islamic prophet. The Sunnah is particularly used in the Islamic jurisprudence and tradition science. That is why the Sharia has an outstanding significance according to the Islamic Banking. It prescribes rules and guidance to many aspects of Muslim life, starting from daily routines, politics, penalties, inheritances, and family obligations to economic behaviour and financial dealings. Speaking in terms of business, it should be clear that all transactions of Islamic Banking are subject to the rules of the Sharia. To ensure this, every Islamic institution is supposed to have a Sharia Committee that guides, examines and ensures that all of the financial products and internal processes of the Islamic bank are compliant with the Sharia (cf. Heb 2015, p. 45 et seqq. and Tarig and Tahir Arshiya 2012, p. 10 et seqq.).

20.2.2 Prohibitions and Principles in Accordance with Ethical Conception of Life

The Islamic Banking system is required to adhere several principles that prohibit economic operations and transactions that are considered ethically or socially harmful of involve exploitation in any form. The main purposes of the principles are to prescribe solely in ethical investing and moral purchasing operations.

No Transactions with Interest Rates

One of the most important principles of the Islamic Banking system is the prohibition of interests (riba) (cf. and hereinafter Karl 2012, p. 12; Schulze 2012, p. 30 et seqq.; Zaman 2015, p. 14 et seqq.). According to that rule, Islamic credit institutes do not pay interests on customer deposits or charge interests on loans. Dealing with interests is prohibited because it is considered as a threat to the welfare of a society and leads to injustice and exploitation. The Quran understands interests as exploitation or menace and condemns those operations in any form. Charging interests from people, especially those with general needs, is considered ruthless and not reconcilable with Islamic principles. Besides that, interest is understood as one main reason of the gap between wealth and poverty (cf. Karl 2012, p. 22).

What is Unlawful?

Additionally transactions, which are referred to as illegitimate, are unlawful and also strictly prohibited (cf. and hereinafter Geilfuß 2009, p. 5. also as Karl 2012, p. 20 et seqq.). Those transactions are called haram and every Muslim should refrain from engaging in those business transactions. These include investing or trading with companies involved in pork, alcohol, pornography, gambling or weapons. Besides that, business investments in entities indicating a debt ratio of more than 33% are also forbidden. Furthermore, it is forbidden to realize transactions which are of excessive uncertainty and unsafe (gharar) or which are entangled in gambling (maysir) or in games of hazard (cf. Geilfuß 2009, p. 5 et seqq. and hereinafter Abidemi and Foudalmoula 2015, p. 30 et seqq.). In gambling transactions, one participant gains at the expense of another party. Or in other words, one receives the others loss which could cause in those poverty and bad luck in life. This is strictly against the understanding of welfare of a society according to Islamic understanding and is interpreted as an act of fraud or injustice (cf. Minhas 2015, p. 75).

Those kinds of prohibitions are of high importance for credit institutes operating under principles of Islamic Banking and which are engaged in derivatives transactions and insurances. Derivatives like futures and options are assumed to be invalid because the object of the sale may not exist during the lifetime of the trade. This approach triggers uncertainty and is inconsistent with the Sharia principles (cf. Sadoveanu 2011, p. 9). The cause for this forbiddance is due to the fact that it may promote unethical actions and could foster social problems and poverty.

20.2.3 Permitted Finance Instruments

To respect the ideas of Islamic banking, one is required to operate in conformity with the discussed principles, especially with the prohibition of interest, which is one of the main profit sources of traditional Western credit institutes and the idea of traditional banking. Therefore, the approach of Islamic Banking is based on two important main methods: the Profit & Loss Sharing and the Murabaha or Markup principle (cf. Singer et al. 2014, p. 2; and among others Abduh and Ramjaun 2015, p. 72).

PLS Model (cf. and hereinafter Geilfuß 2009, p. 15. also Karl 2012, p. 22 et seqq.)
According to the PLS model or Profit & Loss Sharing principle, the bank provides a part of the capital whereas the customer provides either the know-how and/or another part of capital. Under this paradigm, the generated profit and/or loss has to be shared among both parties in accordance to a pre-determined ratio. Referring to credit transactions, Islamic banks will not receive a fixed rate of interest on their outstanding loan like conventional banks. Moreover, both parties are required to share the risk and not only the customer who borrowed the money. In this way, excessive losses and profits are minimized.

As a consequence, the profit and loss sharing principle requires Islamic banks to analyse and monitor their potential customers more precisely since they aim at entering profitable business relationships and avoiding losses for both parties.

This, in turn, means that the customers of an Islamic Bank also have to choose the bank wisely in order to be sure that their deposits are well looked after. Furthermore, Chapra argues that the financial system would benefit from this paradigm and that it would lead to greater discipline because the sharing of risks by both bank and customer would curb banks excessive lending practices (cf. Alexander et al. 2010, p. 22 et seqq.).

Moreover, this principle implies the significance of trust between the bank and the customer in Islamic Banking, as long-term lending under the PLS model is a lot riskier than lending in the conventional way (cf. Gassner and Wackerbeck 2010, p. 20 et seqq.).

If trust and honesty were not the foundation of all transactions, Islamic Banks would be subject to extremely high monitoring costs because long term lending takes the form of an equity-like-investment in the business that would otherwise be borrowing funds from a conventional bank (cf. Abidemi and Foudalmoula 2015, p. 25 et seqq.).

Murabaha or Markup Principle (cf. and hereinafter Geilfuß 2009, p. 15. also as Karl 2012, p. 22 et seqq.)
Murabaha is an Islamic term for a sale where the buyer and seller agree on the markup for the item being sold. In recent decades, it has become a term for the most prevalent financing mechanism in Islamic finance. As an Islamic financing structure, the seller is the lender, typically selling something the borrowing person or company needs for their business. The buyer/borrower pays in periodic instalments, and at a higher price than the seller/lender paid for the item, but with a profit margin agreed on by both parties. The profit made by the seller/lender is not regarded as interest on a loan or any kind of compensation

for the use of the lender's capital, as this would be viewed as riba[1]. Instead, it is considered as a profit on the "sale of goods". Murabaha is similar to a rent-to-own arrangement, with the intermediary retaining ownership of the property until the loan is paid in full.

20.3 Distinction to the Conventional Banking System

The commonalities of Islamic and conventional banks are that they fulfil the function of a financial intermediate and of a financial trustee of people's money in the economic cycle (cf. Minhas 2015, p. 75 et seqq.; Wentler 2012, p. 33; Schulze 2012, p. 30 et seqq.). As outlined above, the most fundamental difference between those two banking systems is that the Islamic Banking system based upon the Islamic ideology and thus offers only banking services and products which are in accordance with the Sharia (cf. Zaman 2015, p. 13 et seqq.). However, the realisation of this approach is very different and needs to be demonstrated within the next section and focuses on profit maximization and banking operations.

20.3.1 Profit Maximization Vs. Wealth Maximization

The overarching objective of conventional banks, which are predominantly based upon the concept of individualism, is profit maximization and loss minimization of the individual (cf. Schuster 2013, p. 71; Schulze 2012, p. 31; Karl 2012, p. 29).

In conventional banks one source of profit is based on transactions with interest and banking fees while the Islamic approach is based on realizing gains through trade bargains and commission fees (cf. and hereinafter Geilfuß 2009, p. 15). Conventional banks aim is to support the risk-taking individual and its profit or his wealth. The Islamic approach is more holistic: The society is in the heart of its activities and would like to do business for the prosperity of the community. In the Islamic Banking system a collective interest dominates the decision making process while in conventional banking system the interest of the individual dominates the decision making process.

20.3.2 Differences in Banking Operations

The different approaches mean that the daily transactions and usual banking transactions with customers are fundamentally different (cf. and hereinafter Geilfuß 2009, p. 15). Traditional businesses, which are based on saving accounts or loans, are not feasible as they are based on interest rates. It is also usual for conventional banks to charge default interest or compound interests as a form of penalty to minimize their own risk. This fact causes

[1] See above.

to different risk diversification of those two banking systems since Islamic Banking is not allow to charge interests to customers. So they are not able to ensure or to hedge credit defaults which lead to different readiness to assume risks within the conventional and the Islamic Banking system.

Furthermore regarding banking operations, there is some other massive difference in daily business: While conventional banks generate profit by interest and commissions because of fixed interest on loans and interests from securities, Islamic Banks on the other side primarily generate profit according to the concept of profit sharing and from commissions and fees for the supply of services to their customers (cf. Schuster 2013, p. 71; Schulze 2012, p. 31; Karl 2012, p. 29).

Another important characteristic of daily operations in Islamic Banking is the use of asset-backing. Money cannot grow without any connection to tangible assets like commodities, goods or inventories – a strong relationship is required or at least a tangible underlying asset. This requirement ensures that Islamic Banking remains a part of an economy made of tangible goods and not operating on financial markets with intangible assets (cf. Zerth et al. 2014, p. 19 et seqq.).

This is a strong contrast to conventional banking where an underlying asset element is not required. Furthermore, the conventional banking system is predominantly debt-based and fosters risk transfer whereas the Islamic system is predominantly asset-based and follows the profit and loss sharing principle where risk and return get shared among two parties. Consequently, during the financial crisis in 2008, Islamic Banks were less severely affected which was mainly due to the fact that the Sharia prohibits excessive investment practices that were the main reason for the 2008 financial crisis like investing in debt-based financial instruments (cf. and hereinafter Geilfuß 2009, p. 20). Since the majority of transactions of Islamic Banks are asset-backed, excessive leveraging is almost impossible.

20.4 Application of Islamic Banking by Turkish Banks

One of the most interesting things about Turkey regarding Islam is the way in which this conception of life is implemented and realised, although 99% of the Turkish population are Muslims (cf. Geilfuß 2009, p. 5 et seqq. and hereinafter Abidemi and Foudalmoula 2015, p. 30 et seqq.). Islam is practiced in a more moderate way and is rather considered as a guide or as an advice to life followed by ethical conceptions.

Before focussing on Islamic Banking in Turkey and discussing about its application and realisation, it is of high importance to mention that Turkey is a secular state. That implies a judicial separation between state and religion. Through the Turkey's Directorate of Religious Affairs (Diyanet), the state is in the position to control the Islamic religious practice in the country (cf. and hereinafter Geilfuß 2009, p. 20). This fact is a profound difference between Turkey and other Islamic countries like Iran, Sudan or Saudi Arabia because the Sharia is not part of the Turkish constitution. That moderate way has an impact on Islamic Banking in Turkey and also on the Turkish Banks and credit institutes.

20.4.1 Islamic Banking in Turkey

Because of the separation of state and religion, an application of Islamic Banking is on a volunteer basis and that might explain why Turkey is not considered as a hotspot for the Islamic Banking industry yet and why the Turkey Banking system is mainly characterized by the conventional system (cf. Schuster 2013, p. 71; Schulze 2012, p. 31; Karl 2012, p. 29).

Nowadays, Turkey is headquartering four Islamic Banks, but is also a window operator for conventional banks. The operating Islamic Banks which are The Albaraka Turk Bank, Bank Asya, Turkiye Finans and Kuveyt Turk Bank have a total of assets at the amount of 96 billions by the end of 2013. Although Islamic Banking has grown all over the world, the growth in Turkey has been protracted, but is still stable and increased from 2.6% in 2005 to 5% of the Turkish Banking industry. The slow, but steady increase is also illustrated by the following numbers: The amount of branches operating with the Islamic Banking idea rise from 290 in 2005 to almost 966 in 2013 (cf. Geilfuß 2009, p. 6 et seqq. and hereinafter Abidemi and Foudalmoula 2015, p. 31 et seqq.).

As an example, the Kuveyt Turk Bank can be cited. The Kuveyt Turk Bank is the largest Bank in Turkey with about 360 branches and has expanded their operations internationally to Bahrain and Germany (cf. and hereinafter Geilfuß 2009, p. 6 et seqq. and hereinafter Abidemi and Foudalmoula 2015, p. 36 et seqq.).

According to several findings of studies within the last years, Islamic Banking is still a small fraction of banking assets in Turkey. But it has been growing faster than the whole banking assets. Moreover, findings indicate a promising future for the Islamic Banking Industry and are aspiring to build a 15% market share by 2023 which would be an industry size of about 180 billion Euro.

These facts demonstrate that Turkey has managed to create a growing banking industry operating in a line of stable growth and has good chances in becoming a new Islamic financial centre in Europe[2].

20.4.2 Market Potential in Germany

Interestingly, Islamic Banking has become the focus of greater attention in Western countries in the recent years.

In particular, the UK has pioneered a greater interest and growth in this sector so much so that it is now considered as the global hub for Islamic Banking in the West. The high demand has mainly been fuelled by the repatriated funds by Muslims living in the UK. Furthermore, it should be noted that the number of non-Muslim customers has been growing tremendously and the Al Rayan Bank has reported a considerable increase

[2] See above.

in applications for savings accounts by non-Muslims, accounting for 55% of applicants in 2012 (cf. and hereinafter Sadoveanu 2011, p. 19).

Nevertheless, despite the fact that Germany is home to the majority of Muslims in Europe with more than 4 million, it was not until 2015 that steps were taken to implement Islamic Banking in Germany.

The Turkish Kuveyt Turk Bank became the first Islamic bank to obtain a full banking license in Germany which enables it to provide complete Islamic banking services to its' clients. In the summer of 2015, it opened an associate branch in Mannheim and Berlin and it plans to expand its operations in Germany and the EU (cf. Heb 2015, p. 45 et seqq.).

Nevertheless, the implementation of Islamic Banking has a huge potential of success in Germany. This is due to the fact that a big market potential in Germany exists due to different target groups.

Firstly, Muslims in Germany have been demanding Islamic Banking products and can finally satisfy their appetite for Sharia compliant banking. Moreover, an Islamic Bank itself and the financial advisors are Muslims and the mutual comprehension and cultural background creates trust between the customer and the banker which might foster their relationship and increase the customer's willingness to invest.

Secondly, the ethical banking sector is an emerging industry and is increasing in importance and popularity in Germany. Since the criteria for ethical banking bear resemblance to Sharia compliant products, German non-Muslims who have lost trust in conventional banking and demand sustainable and ethical investment practices can identify with the principles of Islamic Banking.

Thirdly, the main target group which explains a considerable market potential in Germany are the Turkish community: The majority of the Muslims in Germany are of Turkish origin (2.5–2.7 million) of whom 85% describes themselves as religious. Thus, they form the largest and most religious group of all Muslims in Germany.

Furthermore, approximately 720,000 Turkish households exist in Germany with an average of 3.8 persons per household and an average income of €1917 per household. German households, on the other hand, have 2.4 persons with an average income of €2596 (cf. Chaboune and El-Mogaddedi 2008, p. 719).

Nevertheless, Turkish households generate a remarkable saving rate of about 17.7% which is almost double that of the saving rate of German households (10.8%). Consequently, these numbers result in a potential annual saving volume of €3.4 billion for all Turkish households (cf. Alexander 2010, p. 90).

Furthermore, the Turks show a high demand for and affinity to Islamic banking products and, according to a study conducted by the consulting company Booz & Company, the highest demand is for real estate financing, followed by Islamic insurances (Ijarah) and Islamic funds (cf. Gassner and Wackerbeck 2010, p. 250 ; Ernst, p. 113).

20.5 Becoming Alive: Fragments of a Marketing Concept

The Islamic Marketing Conception combines the traditional marketing elements with the discussed requirements of Islamic Banking (cf. and hereinafter Geilfuß 2009, p. 6 et seqq.; also e.g. Meffert and Burmann 2014, p. 75 et seqq.). The goal is to create an ethical marketing conception for a holistic implementation and realisation. In order to ensure a smart overview, the five elements of the marketing mix (product, price, communication and distribution policies) are presented separately, although the marketing mix is in real a holistic instrument. The individual marketing policies presented in this section will be discussed by their general and specific requirements that occur in combination with the use of Islamic Banking. These explanations will be completed by examples of practical design options and some critical assessments. The descriptions have the intention to work out the opportunities for the German Banking industry.

20.5.1 Product Policies

Questions regarding product policies become more important through the emergence of new customer markets and products. The AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) has currently developed 41 Sharia standards for Islamic financial products (cf. Schulze 2012, p. 31 et seqq.). Islamic Banking is nowadays more than ever in competition with conventional banks. Therefore, the main focus is of course to follow up the principles of Islamic Banking. But on the other side, a bank cannot be so far away from conventional structures and traditional operations because they need also non-Muslim customers. Coming up next basic requirements and selected products will be discussed and illustrated with examples (cf. Schuster 2013, p. 71; Schulze 2012, p. 31; Karl 2012, p. 29).

20.5.1.1 General Requirements

For product policy the guiding principle is the following (cf. and hereinafter Geilfuß 2009, p. 6 et seqq.; also e.g. Meffert and Burmann 2014, p. 75 et seqq.): The product must completely fulfil the needs of the customer. Starting point for a development of new products is firstly the unique customer benefit that will be generated by the product and secondly that it will not be offered at the same time by any competitor. In this context, the term "USP" is often stated and is about the differentials of the product from its competitors and about the reasons why it is in focus of the sales pitch. Based on the identified specific customer benefits, the product can be designed. Elements of the product designs are characteristics e.g. performance, quality and brand name. There is a risk of imitation of the products by the competitors especially regarding financial products because those are not very unique and easy to copy. The specific nature of banking services and the increasing competition situation questions regarding quality and brand management become more and more important. That is why the product policies task is to increase the customer's loyalty and to decrease the price senility of the customers. For a successful implementation of product policy, the discussed requirements need to be fulfilled. Especially the legal compliance of Sharia-products is a huge challenge in non-Islamic countries (cf. Chahboune and El-Mogaddedi 2008, p. 32 et seqq.).

20.5.1.2 Specifications for Turkish Banks with Examples

Compared to conventional product policy, moral factors need to be incorporated to Islamic Banking in order to realize the ethic ideas. Based on Damirchi and Shafai (2011) carved out the following five important characteristics to create successful products: (1) Legality, (2) Ensuring wealth preservation, (3) Availability, (4) Identification of all additional costs and (5) operating in the belief of God and respecting the principles of the Islamic understanding of justice and equality (see also Alexander et al. 2010, p. 10 et seqq; Abduh and Ramjaun 2015, p. 71 and/or Catociv 2014, p. 198).

Account Management, Payments, Cards and Saving Accounts (cf. and hereinafter Geilfuß 2009, p. 6 et seqq.; also e.g. Meffert and Burmann 2014, p. 75 et seqq.)

Account management, payments and cards are the basis of all transactions in conventional banking as in Islamic Banking. Classic current accounts are offered in two kinds: the Wadiah- and the Qard-Hassan model:

Wadiah-Model, Qard-Hassan Model and Murabaha Model[3]

Within the Wadiah model, deposits are received and administered by the bank in trust. After approval through the customers, the bank invests in Sharia compliant asset transactions. Risks arising from the use of funds are paid by the bank. Instead of getting a credit interest rate, customers mostly get small gifts from the bank. That is the main difference from the Qard-Hassan model. There is no compensation for the non-held interest payment. The basic idea of Qard-Hassan model is based on the idea that the bank customers provide deposits as an interest-free loan to the bank. Savings accounts are also offered in Islamic Banking. The objective of that offer is the safe custody of assets with very low interest. Furthermore, the Murabaha model is an option: The bank is working with the deposits and the customer will receive a defined revenue share. Special feature is that the customer can at any time withdraw its deposits and both participate in profits as well as the losses.

Cards

In addition to the various accounts, debit-cards (EC-Cards) and credit cards are offered (cf. and hereinafter Geilfuß 2009, p. 6 et seqq.; also e.g. Meffert and Burmann 2014, p. 75 et seqq.). Due to the rising level of wealth and the growth of online business, those cards have become more attractive for customers and banks. The customer balances his payments without cash and receives a monthly bill. No interest is required. The invoice amount can be paid off in instalments or in one single payment.

[3] See above.

Murabaha

Murabaha is the most well-known credit product in Islamic Banking (cf. and hereinafter Geilfuß 2009, p. 20 et seqq.; also e.g. Meffert and Burmann 2014, p. 80). The Murabaha contract is about a sale with an announced profit markup. In most cases, with the Murabaha a deferment of payment is integrated which is comparable with a regular instalment transaction. The bank in this case acts as a third party between buyer and seller in that business. Compared to ordinary business practices in conventional banking which are about sales contracts and loan agreements, in Islamic Banking the financing part is also part of the deal.

Sukuk

Sukuk are defined by the AAOIFI as certificates representing equally ranking, undivided shares in ownership of tangible assets, usufruct and services or ownership of assets of a particular project or a particular investment activity (cf. Geilfuß 2009, p. 25 et seqq.). They were created as a replacement for conventional bonds. The basic idea behind Sukuk is in co-ownership of the underlying assets. These are acquired by the issuer trustee for the Sukuk holders, the issuer refinanced thus its payment obligations arising from the hedged item. These are acquired by the issuer for the Sukuk holders; the issuer refinanced ran thus its payment obligations arising from the hedged item.

Takaful

Takaful is about an Islamic insurance business which is Sharia-compliant[4]. The essential feature of this insurance is the common liability which is in contrast to conventional insurance products because those are comparable with a "sale of life" or gambling and so are not compliant with the Islamic idea. The main feature of an Islamic insurance product is the income and loss-participation of all members. In general, earnings and not required contributions get distributed directly back to the members. Takaful is Sharia compliant because it does not work with interest, gambling and uncertainty; profits and losses get shared and the funds are invested in Sharia compliant assets by the banks.

20.5.2 Communication Policies (cf. and hereinafter Geilfuß 2009, p. 26 et seqq and Alexander et al. 2010, p. 10)

A few years ago, Islamic Banks had a high scarcity on the market (see also Alexander et al. 2010, p. 14 et seqq; Abduh and Ramjaun 2015, p. 74 and/or Catociv 2014, p. 201). But recently numerous providers have shown up which has changed the situation tremendously. That's why communication skills need to be strengthened, to develop and to be adapted.

[4] Cf. and hereinafter Geilfuß 2009, p. 25 et seqq.; also e.g. Meffert and Burmann 2014 on several pages.

20.5.2.1 General Requirements

The specific characteristics of banking services need to get attention to the communication policies because some products require more explanation and special needs to be communicated (cf. Geiluß, p. 30 et seqq.). Regarding a communication policy on one hand, economic goals are important e.g. sales volume, market share and revenues. Furthermore, on the other hand, non-economic psychological goals are important, e.g. improving the image and awareness of the products. We distinguish several forms of communication tools. These instruments are used with the aim to influence the opinion of the customer.

Some general principles need to be fulfilled within the communication policies in Islam:

1. Prevention of false and misleading advertising
2. Rejection of the manipulation of customers and other deceptive sales tactics
3. Waiver deceptive promotions[5]

When it comes to business, purchase-relevant documents will be exchanged only if they contained all information about specifications, quality, quantity, price, type of delivery and payment. The access to that information can be defined as a fundamental right in Islamic Banking.

20.5.2.2 Specifications for Turkey Banks with Examples

In the middle of communication the customer as an **exclusive, modern person** (see also Alexander et al. 2010, p. 15) is the focus of advertising in respect to the basic Islamic values. By using Islamic symbols, the sense of belonging to the Islamic community is trying to be highlighted: honesty, trust, right choice, pure source, legality of even the best of both worlds. These keywords are often used in combination with graphs and drawings.

The **family** (cf. and hereinafter Geilfuß 2009, p. 31 et seqq.) is also quite often a factor of advertising messages. To create family-friendly feeling, advertising messages with children, happy people and wealth will be presented e.g. by using symbols like family houses with garden.

In the **public**,[6] the image of a modern bank in conditions with the principles of Islamic Banking has to be communicated. That's why the religion is one important cornerstone of advertising messages. To close a gap between modern life and traditional religion, Islamic symbols are used e.g. the Islamic crescent, the Islamic prayer beads Tashibh or quotations from the Quran. To represent the modernity, the Islamic symbols are often combined with modern symbols like laptops, mobile phones or even modern televisions.

Even **colours**[7] are used in advertising messages symbolically. Thus, the colour green is prevalent in Islam and often mentioned in the Quran as the prophet Muhammad preferred this colour for his clothes. In addition, the famous mosque in Medina has a green roof.

[5] See indirect above.
[6] See here and hereinafter above.
[7] See here and hereinafter above.

Thus, the green colour has become a catchy symbol for Muslims and is therefore often used as a colour for logos.

As **advertising media** (cf. and hereinafter Geilfuß 2009, p. 40 et seqq.) the same **channels** for conventional banks can be used for Islamic Banking, e.g. television, radio, newspaper, magazine, posters (e.g. bus stops etc.) or Internet.

Publicity and sales promotion (cf. and hereinafter Geilfuß 2009, p. 41 et seqq.) are also available as communication policies in the banking sector e.g. seminars, exhibitions or classical sponsorship can be used. Also donations for public welfare purposes are a popular measure in Islam compliant banks.

20.5.3 Distribution Policies

Under distribution policies, a bank needs to make decisions about where, how and when a service is offered.

20.5.3.1 General Requirements

Also for the distribution policy the basic principles are presented:

1. Not tamper the availability of a product to exploit customers.
2. Avoidance of marketing activities that include any means of coercion.

Unethical practices in the distribution policies are e.g. the choice of packaging design which does not protect the product. Unsuitable packaging is banned accordingly (cf. and hereinafter Geilfuß 2009, p. 52 et seqq.). It is also forbidden to transport dangerous or toxic products on public highways. From an Islamic point of view, such practices are hazardous, not forgivable and are considered as an unfair marketing process.

20.5.3.2 Specifications for Turkey Banks with Examples

The **negotiation** (cf. Geilfuß 2009, p. 55) between the bank and customer must follow a specific logic and needs to meet the requirements of distributive justice. To close a deal, it is essential to ensure that the customer is valued as an individual and could make his decisions freely. Yavuz (2011, p. 26) also found out that in small talk personal issues like family or lineage will love to be in dialogue with Muslims. Religious and political issues, however, are avoided.

The **establishment of branches** (cf. Karl 2012, p. 66.) for distribution can be designed similarly to the distribution of conventional services. These can be designed classic or modern. Islam-compliant banks in Turkey often use two-story facilities for their branches in order to ensure a high level of discretion.

Online Banking is gaining as a complement to traditional branches-business in Islamic Banking (cf. Karl 2012, p. 70). By offering online services to complement, the retail shop in the sores, the advantage is in the cost savings. Elbeck and Dedoussis (2010, p. 273) quantify the potential savings by 25 to 30% in relation to the cost of the bank branch.

Lady Banking is an innovation in Islamic Banking (cf. Karl 2012, p. 72 et seqq.). The Dubai Islamic Bank (DIB) as the pioneer intends to expand with special offers (e.g. Credit Cards and Insurances) for the female target group. Because of the special status of women in Islam, banking transactions are performed usually by men. Lady Banking is an exclusive service which is offered to celebrate the contribution of women to economic life and to offer the opportunity for women to participate in individual business and own decision-making. The aim of the introduction of Lady Banking is the fair distribution of resources in society. That's why Turkish Banks create several new Offices in Turkey exclusively for the female population.

Conclusion

From several point of views, the Islamic Banking system is a new perspective not only regarding the design of new products, but also in terms of the presence on the market. Aspects, especially from the marketing view, should be recognized und provides new chances and challenges, but at the same time risks for conventional banks regarding their corporate governance. Especially for Turkish banks, the market in Germany seems to be very attractive because of the moderate application of Islamic Banking which allows interesting opportunities. The consideration of design patterns for marketing seems to be highly recommended and useful before an application.

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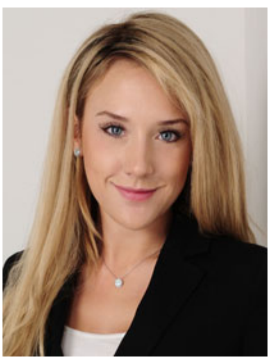

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