Islamic finance

MAMBU

Beliefs and business

The shape of Islamic banking in 2024

Introduction

Beliefs

Beliefs shape
Beliefs **business**
Beliefs

This is true for consumers of any, or no, religious background: what we think about the world will determine the choices we make with our money. In Islam, however, the interaction of belief and business takes on a specific form in the shape of Islamic finance.

Islamic finance, Islamic banking or Shariah-compliant banking is a system where products and services comply with Islamic law, which is based on a set of moral and ethical principles that promote the public good and avoid actions and transactions likely to be against the public good.

As outlined by the Bank of England, Islamic finance or Islamic banking operates on the belief that money shouldn't have any value in itself and so you shouldn't make money from money - essentially, a system should be 'interest free'. To avoid causing harm, Islamic financial services will not invest in industries such as alcohol, tobacco and gambling, transparency partnership (Mudarabah) is encouraged, where profit and risks are shared, whether this is between two individuals, an individual and a business, or between two businesses. More than 560 banks worldwide adhere to Islamic principles, and the growth of Islamic financial assets is expected to hit $5.9 trillion by 2026.

But Islamic finance isn't just for those who practise Islam. Consumers who aren't Muslim are increasingly demanding greater ethics and transparency in their banking. Research from Mambu shows that 60% of consumers think it's important that their financial institution aligns with their personal values and ethics and more than two-thirds (67%) would like their bank or financial institution to become more sustainable in the future. Almost half (49%) say they would consider switching providers to one with a stronger commitment to sustainability. As such, embracing Islamic finance and its ethical foundations is a way for banks to appeal to Muslim and non-Muslim consumers alike.

In 2021 we conducted a global survey of Muslim millennial and Gen Z consumers to map the changing face of Islamic finance and the opportunities for financial institutions within it. In 2024 we revisit this sector with another global survey surveying millennial and Gen Z consumers in the Muslim community in Malaysia, Indonesia, the UAE, Saudi Arabia, UK and South Africa to assess the current shape of Islamic finance and explore what this means for the banking industry as a whole.

Executive summary

In 2024 the most popular type of banking among millennial and Gen Z Muslims aged 16-40 is a mix of Islamic banking and traditional/investment banking (31%), although just over a quarter (26%) solely use Islamic banking.

31%

use a mix of Islamic banking and traditional/ investment banking.

26%

solely use Islamic banking.

85%

of respondents who do not currently use Islamic banking say they would like to.

But there's a significant proportion who want to explore Islamic finance: a fifth (20%) of those we surveyed said they use traditional/ investment banking but are considering Islamic banking.

In fact, more than 4 in 5 (85%) respondents who do not currently use Islamic banking say they would like to - an increase from 80% of respondents in our 2021 survey.

Interestingly, it's male millennial and Gen Z consumers who are more likely to make use of and be interested in Islamic finance. 29% of male respondents say they use solely Islamic banking compared to 23% of female respondents, and among those who do not currently use Islamic banking, more male respondents (89%) than female respondents (83%) say they would like to.

Breaking down the data by age, it's Muslims aged 25-34 who are the most likely to embrace Islamic finance, when compared to those aged 16-24 and 25-40. 27% of Muslim respondents aged 25-34 say they solely use Islamic banking and over a third (24%) use a mix of Islamic banking and traditional/investment banking - the highest percentages across the age groups.

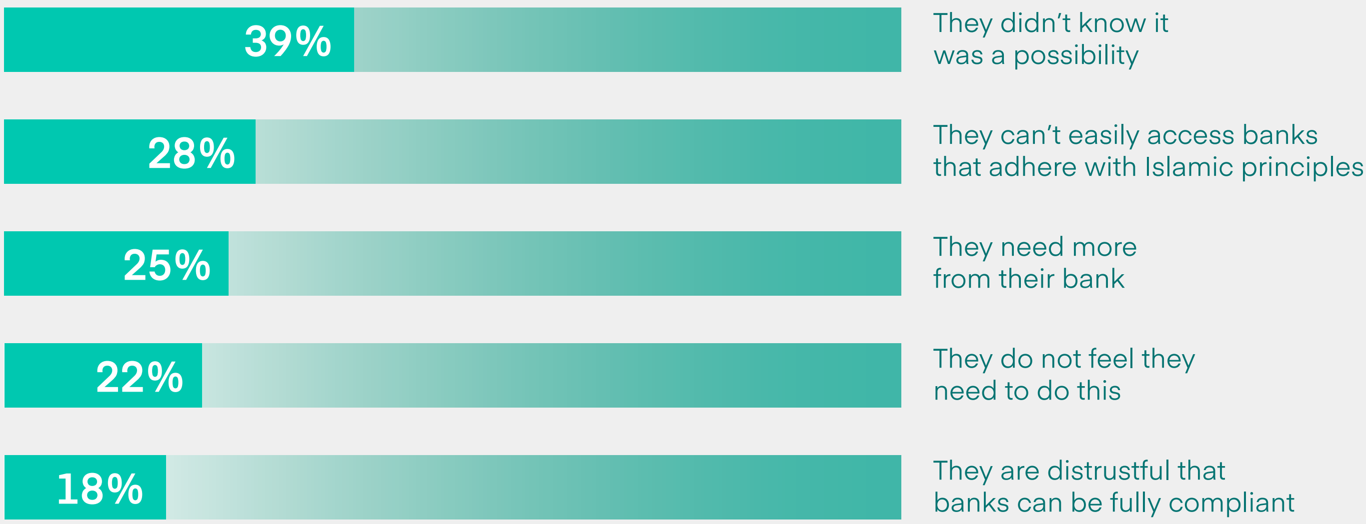
Methodology

In March 2024, Mambu carried out an online survey of 1,513 Muslims aged 16-40, across the UK, South Africa, UAE, Indonesia, Malaysia and Saudi Arabia.

Barriers to Islamic banking

Appeal doesn't necessarily translate into access and there are a number of barriers keeping millennial and Gen Z Muslim consumers from Islamic banking.

The top 5 reasons millennial and Gen Z Muslim consumers do not use Islamic banking are:



Male respondents who do not use Islamic banking are more likely to say they need more from their bank, with almost a third (30%) saying they need more, compared to 21% of female respondents. And older respondents are more likely to say they struggle with accessing appropriate infrastructure: over a third (36%) of respondents aged 35-40 who do not use Islamic banking say they can't easily access banks that adhere to Islamic principles, compared to under a quarter (24%) of those aged 16-24.

However, among millennial and Gen Z Muslim consumers who do use Islamic banking in some form, the overwhelming majority (94%) say their needs are met by their bank/institution in this regard.

Sustainable banking and ethical future

The ethics and impact of banking are hugely important to millennial and Gen Z Muslim consumers - even more so than in previous years.

85% say it is important that the investments the bank makes using their money does good in the world, an increase from 76% in our 2021 survey.

86% of the respondents we surveyed say it is important these investments are ethical, up from 74% in our 2021 survey.

83% say it is important the investments the bank makes using their money aligns with their religious beliefs. This also represents an increase in concern around the impact of investments: in 2021 just under a three-quarters (74%) agreed with this statement.

As such, the majority of millennial and Gen Z Muslim consumers are keen to avoid contributing to specific industries. 4 in 5 (80%) of respondents say it is important that their bank doesn't lend money to gambling companies, with more than three-quarters (76%) saying it is important they don't lend to alcohol companies and almost two-thirds (63%) saying it is important they don't lend to tobacco companies. Yet values don't mean ignoring viability. More than 4 in 5 (83%) of respondents say it is important the investments they make are commercially viable, which also represents an increase from 74% in our 2021 survey.

However, our research suggests there is a gap between ideal and reality. Among respondents who said at least one of the ethical and service criteria listed were important, only 77% say their bank currently makes investments using their money that do good in the world, 76% say that these investments are ethical and 75% that they align with their religious beliefs. If 85% of millennial and Gen Z Muslim consumers say it is important their investments do good in the world but only 77% can say this currently takes place, banks need to start interrogating the ethics of their business practices or they could risk customers walking out the door.

"Islamic finance plays a crucial role in the pursuit of a more socially responsible and inclusive global financial system.

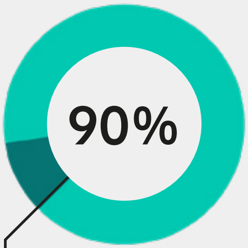
We expect Islamic Finance to increasingly gain global traction, driven by its alignment with responsible investing, digital accessibility, and appeal beyond traditional Muslim markets.

This sector, intrinsically linked with ethical and sustainable values akin to ESG (Environmental, Social, Governance) principles, offers a compelling alternative for investors seeking diversification and sustainability."

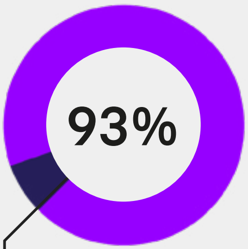
Alpesh Tailor
Executive Director, Group Head of Banking Solutions
GFT

Customer expectations

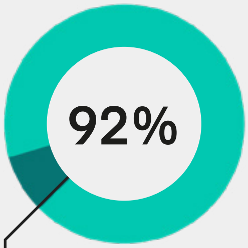
Banks looking to attract millennial and Gen Z Muslim customers should think carefully about their portfolio, but they must also consider their service.



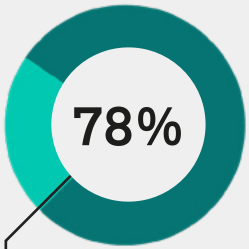
say it is important they receive great customer service during the investment process.



say it is important they can access their bank from anywhere, at any time.



say it is important that their bank offers online banking options.



say it is important that they can make an investment without seeing someone in person.

As could be expected, consumer expectations have risen as technology becomes intrinsic to our lives and service standards increase across industries. In our 2021 survey, 78% of respondents said it was important they receive great customer service during the investment process and the same percentage said it was important their bank offers online banking. As we can see, in 2024 these percentages rose to 90% and 92% of survey respondents, respectively.

We can also see an increase in the percentage of respondents who say it is important to be able to access their bank anywhere, any time (from 80% in our 2021 survey to 93% in 2024) and those who say it is important they can make an investment without seeing someone in person (70% in our 2021 survey and 78% in 2024.)

Our research shows age affects banking expectations, and it's older age groups who have higher expectations. 89% of Muslim consumers aged 16-24 say it's important their bank offers online banking options but 93% of those aged 25-34 and 94% of those aged 35-40 say it is important. And only 86% of respondents aged 16-24 say it's important they receive great customer service during the investment process, compared to 91% of those aged 25-34 and 94% of those aged 35-40.

What this means for banks

The huge appetite for Islamic finance creates a large opportunity for banks. And embracing this opportunity doesn't have to mean a complete banking overhaul.

Although

3 in 5

59% of millennial and Gen Z Muslim consumers agree that it is important to them that the **whole bank they bank with is Shariah-compliant.**

There is still

1 in 5

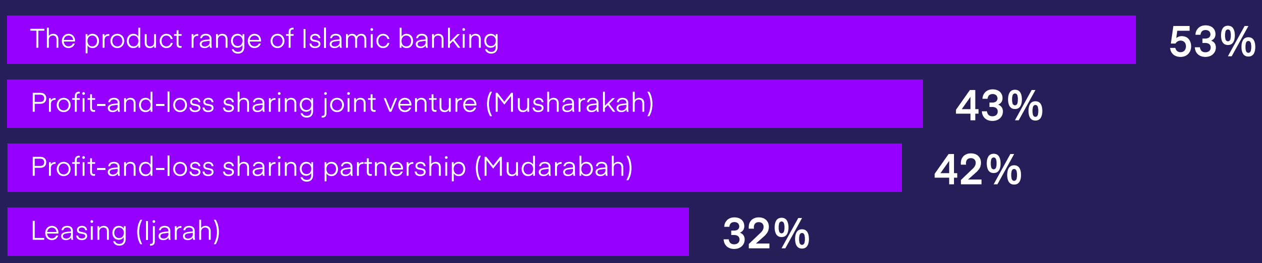
who agree that it is **only important to them that the portfolio they use with a bank is Shariah-compliant** and the whole bank doesn't need to be.

This means that even gradually beginning to incorporate Islamic banking services can see banks immediately start to win Muslim customers.

Products and Services

Banks can also help themselves win millennial and Gen Z Muslim customers by openly sharing about their Islamic banking services.

The respondents awareness of Islamic Finance products



These services need to be digitally enabled - as we saw with consumer expectations, online banking is of great importance to millennial and Gen Z Muslim consumers.

Almost 9 in 10 (85%) of those we surveyed agree that it is important that they are able to access the bank's services online or through a mobile app. In fact, 4 in 5 (80%) of those we surveyed said the availability/unavailability of online/mobile Islamic banking is a dealbreaker for them. Those aged 25-34 are most concerned about this among the age groups we surveyed: 82% of those aged 25-34 say the availability/ unavailability of online/mobile Islamic banking is a deal-breaker compared to 79% of those aged 35-40 and 76% of those aged 16-24.

This insistence on online and mobile banking represents an increase from the percentages we saw in our 2021 survey, where 74% of respondents said they felt it was important they were able to access their bank's services online or through a mobile app and 76% said the availability/ unavailability of online and mobile Islamic banking was a deal-breaker.

80%

of those we surveyed said the availability/ unavailability of online/ mobile Islamic banking is a dealbreaker for them.

Through meeting this demand for digital and increasing the ease of financial services, banks have the opportunity to not only attract but create customers.

Although 85% of respondents who do not use Islamic banking say they would like to, three quarters of that percentage (64% overall) say they would like to if it was easy and only 21% say they would like to regardless if it was easy or difficult. It's a sentiment previously seen in our 2021 research, where 53% of respondents said they'd like to use Islamic banking if it was easy, compared to 27% who said they'd like to use Islamic banking regardless of if it was easy or difficult.

If banks, then, can offer Islamic finance to consumers in a way that improves on their current banking experience, they can help create demand they can subsequently meet.

21%

say they would like to use Islamic banking regardless if it was easy or difficult.

Dr Hatim
El Tahir
Leader, Islamic Finance Knowledge Centre

Deloitte

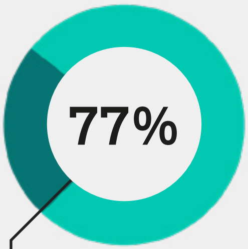
"Islamic finance has made significant social and financial inclusion impact in the last couple of decades and has expanded even in the countries where Muslims are in minority. The expansion is mainly driven by its value proposition, which is based on Islamic principles and ethical business practices, all of which resonate to the emerging global investment and finance governance practices.

As evident from the survey results, there seems to be a strong business case for Islamic financial products and services. Moreover, these service offerings also help financial institutions to widen their customer base and further deepen their presence. Equally, it helps improve revenue diversification providing institutions with a tool to mitigate some of the risks associated with traditional banking activities.

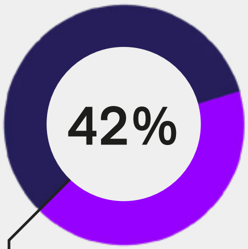
It is also worth noting that Institutions offering Islamic Financial Services (IIFSs) are increasing embracing technology to enhance efficiency and accessibility, leveraging digital platforms for customer engagement, transaction processing, and product distribution. This will undoubtedly attract the younger generations like millennials and Gen Z and improve financial and social inclusion in several ways, leveraging the emerging digital, artificial intelligence and machine capabilities to develop products and services that suit their needs and attain their aspirations."

Malaysia

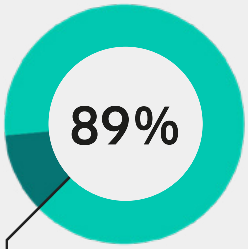
Among all the countries we surveyed, millennial and Gen Z Muslims in Malaysia use Islamic banking the most.



use Islamic banking in some capacity.



say they solely use Islamic banking.



Among those who do not use Islamic banking, 89% say they would like to.

The biggest reason Malaysian respondents who do not use Islamic banking give for this is that they didn't know it was a possibility (39%), and this is closely followed by the response that they need more from their bank (36%).

Banks wishing to court Malaysian consumers should take note that millennial and Gen Z Muslims place high value on religious alignment as well as commercial viability. More than 9 in 10 (91%) of Malaysian respondents say it is important the investments the bank makes with their money align with their religious beliefs - the highest percentage among all the countries surveyed. Yet 9 in 10 (91%) also say it is important that the investment they make are commercially viable; again, the highest percentage among all the countries surveyed.

Additionally, Malaysian respondents are the most likely to want their whole bank to be Shariah-compliant.

Almost three-quarters (74%) of Malaysian respondents agree that it is important to them that the whole bank they bank with is Shariah-compliant. In contrast, just over 2 in 5 (43%) UK respondents say it is important the whole bank they bank with is Shariah-compliant. Similarly, just 15% of Malaysian respondents say it is important that the portfolio they use to bank with is Shariah-compliant and the whole bank doesn't need to be.

As in Indonesia, millennial and Gen Z Muslim consumers in Malaysia are largely knowledgeable about Islamic banking services. The majority (65%) say they are aware of the product range of Islamic banking (a significantly higher percentage than in the other countries surveyed) and 60% say they are aware of profit-and-loss sharing partnership (Mudarabah).

74%

of Malaysian respondents agree that it is important to them that the whole bank they bank with is Shariah-compliant.

Toby Brown
Managing Director, Global Banking Solutions

Google Cloud

"Google Cloud recognizes the immense potential of Islamic finance, particularly among younger demographics.

Our collaboration with Bank Muamalat exemplifies how our technology empowers financial institutions to meet the evolving needs of Muslim millennials and Gen Z. By ensuring Shariah compliance while delivering innovative, accessible solutions, banks can build trust and drive growth in this dynamic market."

Indonesia

In Indonesia, 65% of respondents use Islamic banking in some capacity.

The most popular way of banking among millennial and Gen Z consumers is a mix of Islamic banking and traditional/investment banking (39%) - the largest percentage for this category among all the countries we surveyed. Along with their UAE counterparts, Indonesian respondents who do not use Islamic banking are also the most likely to want to, standing at 92%.

Agus Muljady
Executive VP

PT Mastersystem Infotama Tbk

"In 2024, there will be many opportunities related to the spin-off of Shariah business units in Indonesia. The Financial Services Authority in Indonesia (OJK) has issued POJK 12/2023, which requires the separation or "spinning-off" of Shariah business units (UUS).

This regulation stipulates that UUS, which have an asset value of 50% from conventional commercial banks or a minimum asset amount of 50 trillion Indonesian rupiah (nearly €3 billion) must submit an application for permission or approval no later than two years after the POJK is issued to become its own entity. This will have an impact on the increasing need for conventional banks, which currently still have Shariah business units in their systems, to separate themselves and have a new system as part of Shariah commercial banks.

The process of offloading lending and funding from the existing system will be a challenge because it is now very dependent on the old system, which already covers end-to-end systems from front-end to downstream, such as general ledger (GL) and also reporting. Therefore, we need to prepare a complete ecosystem to support the needs of Shariah commercial banks, especially related to specific needs such as Shariah contracts, journal entries according to the Indonesian Shariah Banking Accounting Guidelines (PAPSI), and also the needs of Shariah regulations."

However, a big barrier banks must overcome in Indonesia specifically is lack of trust. Indonesia was the only country among those we surveyed where the biggest reason respondents gave for not using Islamic banking was not a lack of knowledge that it was a possibility, but a mistrust of banks. 43% of respondents in Indonesia say they do not use Islamic banking because they are distrustful that banks can be fully compliant. In contrast, only 11% of respondents in the UK and Saudi Arabia said the same.

Millennial and Gen Z Muslims in Indonesia have high requirements for Shariah banking: 64% agree it is important that the whole bank they bank with is Shariah-compliant (higher than in the UK (43%), South Africa (40%), and UAE (60%)). Additionally, only 16% agree it is only important to them that the portfolio they use with a bank is Shariah-compliant and the whole bank doesn't need to be, in contrast to 29% of UK respondents and 30% of South African respondents.

When considering Indonesian consumers, the ability to bank remotely should be a key component. 84% of Indonesian respondents said it was important they can make the investment without seeing someone in person - the highest percentage among the countries we surveyed. Like South Africa, customer service is also extremely important with the same percentage (94%) of respondents saying it is important they receive great customer service during the investment process.

Banks should also understand they are dealing with a market in Indonesia that is largely knowledgeable about Islamic financial services. Almost three quarters (74%) Indonesian respondents say they were aware of profit-and-loss sharing partnership (Mudarabah), compared to under a quarter (24%) of respondents in the UK. Over half (56%) of Indonesian respondents say they are aware of the product range of Islamic banking.

83%

of Indonesian respondents say it is important that the investments the bank makes using their money does good in the world.

81%

say it is important these investments are ethical.

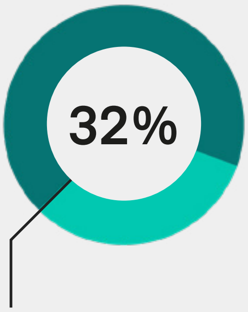
81%

say it is important the investments the bank makes using their money aligns with their religious beliefs.

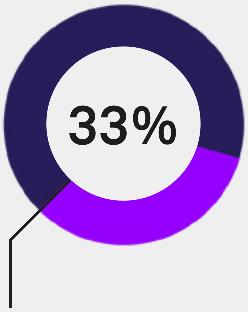
REGIONAL BREAKDOWN

UAE

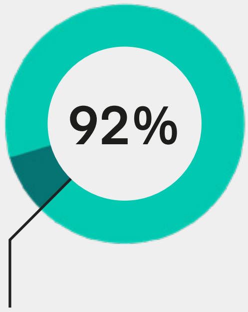
In the UAE, use of Islamic finance is very popular.



make use of Islamic banking.



A further 33% say they use a mix.



Of those who do not use Islamic banking, 92% say they would like to. (The same as Indonesian respondents and the highest among the countries surveyed).

But there are still barriers to banking. Among UAE respondents who don't use Islamic banking, just under a third (32%) say they didn't know it was a possibility, 30% say they can't easily access banks that adhere with Islamic principles and 27% say they need more from their bank.

Though 60% of UAE respondents say it is important to them that the whole bank they bank with is Shariah-compliant, 18% say it is important to them that the portfolio they use with a bank is Shariah-compliant and the whole bank doesn't mean to be. **All these findings means there is still opportunity for banks to win over new customers in the UAE, but they will have to meet high ethical and service standards to do so.** Among Millennial and Gen Z Muslim consumers in the UAE, 88% say it is important the investments the bank makes using their money does good in the world, 89% say it is important these investments are ethical and 84% say it is important investments the bank makes using their money aligns with their religious beliefs.

When it comes to banking, it's also important for 80% of UAE respondents that they can make the investment without seeing someone in person. High-quality customer service is additionally crucial: 9 in 10 (90%) of UAE respondents say it is important they receive great customer service during the investment process.

Although the majority of the millennial and Gen Z Muslim consumers we surveyed in the UAE were using Islamic banking in some form, there is still work that can be done promoting a range of Islamic banking services. 51% of respondents say they are aware of the product range of Islamic banking but only 32% are aware of profit-and-loss sharing partnership (Mudarabah), 47% say they are aware of profit-and-loss sharing joint venture (Musharakah) and only 23% say they are aware of leasing (Ijarah).

REGIONAL BREAKDOWN

Saudi Arabia

In Saudi Arabia, 32% of millennial and Gen Z Muslim respondents solely use Islamic banking - the second joint highest percentage of respondents among the countries we surveyed, tying with UAE.

A further quarter (25%) say they use a mix of Islamic banking and traditional/investment banking and an additional 20% say they use traditional/investment banking but are considering Islamic banking. Of those who do not use Islamic banking in some capacity, 9 in 10 (91%) say they would like to.

Banking provision appears to be a significant barrier to Islamic finance in Saudi Arabia. Almost 2 in 5 (37%) respondents who do not use Islamic banking say they need more from their bank which is the highest percentage among the countries surveyed, although this is closely followed by respondents in Malaysia (36%).

Value-led banking is very important to millennial and Gen Z Muslims in Saudi Arabia. 87% of respondents say it is important that the investments the bank makes using their money does good in the world, 89% that these investments are ethical and 86% that they align with their religious beliefs. However, 84% of respondents in Saudi Arabia still say it is important the investments they make are commercially viable.

As with every other country surveyed, except the UK, the majority of respondents in Saudi Arabia are aware of the product range of Islamic banking (54%). One third (33%) say they are aware of profit-and-loss sharing partnership (Mudarabah) and 41% are aware of Profit-and-loss sharing joint venture (Musharakah). However, they are the country where respondents are least likely to be aware of leasing (Ijarah) with only 21% saying they are aware.

Respondents in Saudi Arabia place large importance on Shariah compliance.

70%

say it is important to them that the whole bank they bank with is Shariah-compliant - the second highest percentage among the countries surveyed.

14%

say it is only important that the portfolio they use with a bank is Shariah-compliant and the whole bank doesn't need to be - the lowest percentage among the countries surveyed.

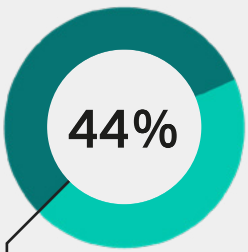
REGIONAL BREAKDOWN

UK

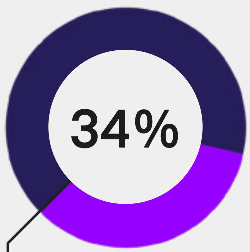
In the UK, 33% of respondents use Islamic banking in some capacity, the lowest proportion among the countries we surveyed and half the proportion recorded among Malaysian respondents (77%).

This, then, is an invitation for banks to expand their Islamic financial services in the UK, especially as 31% of millennial and Gen Z Muslim consumers say they use traditional/investment banking but are considering Islamic banking. Furthermore, although UK and South African respondents who do not currently use Islamic banking are the least likely to want to try it, the vast majority still do: 81% of UK respondents and 76% of South African respondents say they do not use Islamic banking but would like to.

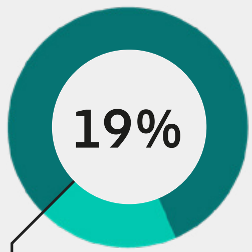
But if banks want to reach millennial and Gen Z UK Muslim consumers with Islamic finance services, they have education and access work to do.



of UK respondents say the reason they don't use Islamic banking is because they didn't know it was a possibility - the joint highest percentage among the regions surveyed, along with Saudi Arabia.

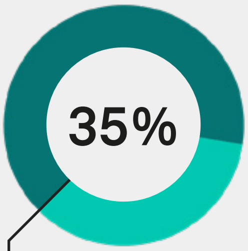


of UK respondents say they can't easily access banks that adhere to Islamic principles.

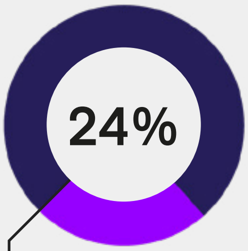


When it comes to millennial and Gen Z Muslim consumers who do not currently use Islamic banking, it's those in the UK who are least likely to say they do not feel they need to do this, just slightly below their counterparts in Saudi Arabia (20%).

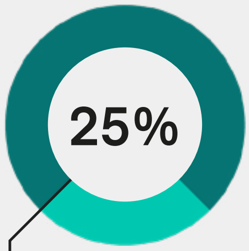
Education should also extend to the types of Islamic finance that are available. Of all the regions surveyed, the UK has the lowest proportion of respondents who say they are aware of the product range of Islamic banking. In fact, the UK is the only country where less than half of respondents say they are aware of the product range of Islamic banking.



of UK respondents say they are aware of the product range of Islamic banking - the lowest proportion of respondents surveyed.



are aware of profit-and-loss sharing partnership (Mudarabah).



say they are aware of profit-and-loss sharing joint venture (Musharakah).

In some ways, it's easier for banks who haven't traditionally offered Islamic finance to start winning over millennial and Gen Z consumers in the UK. Just over 2 in 5 (43%) of UK respondents agree it is important to them that the whole bank they bank with is Shariah-compliant, compared to almost three quarters (74%) of Malaysian respondents. And 29% agree it is only important to them that the portfolio they use with a bank is Shariah-compliant and the whole bank doesn't need to be, the second highest percentage after South Africa.

However, faith-based and ethical values are still very important to millennial and Gen Z Muslims in the UK. 82% say it is important the investments the bank makes using their money does good in the world and the same percentage say it is important these investments are ethical, while 77% say it is important that investments the bank makes using their money aligns with their religious beliefs.

85% of millennial and Gen Z Muslim consumers in the UK say it is important they receive great customer service during the investment process and 9 in 10 (90%) say it is important they are able to access their bank from anywhere, at any time. 88% say it is important their bank offers online banking options (the lowest percentage among the countries surveyed) and 76% say the availability/ unavailability of online/ mobile Islamic banking is a deal-breaker for them, the second lowest percentage after South Africa (74%).

South Africa

As seen above, millennial and Gen Z Muslim consumers in South Africa often feel similar to those in the UK and are also more reticent to embrace Islamic finance than other countries.

Overall, 46% of South African respondents use Islamic banking in some capacity. But like UK respondents, South African respondents are much less likely to currently use solely Islamic banking (11% currently do). And South African respondents who do not currently use Islamic banking are the least likely to want to try it, with only three-quarters (76%) of respondents who do not use Islamic banking saying they would like to.

As with every other country - bar Indonesia - the biggest reason respondents in South Africa do not use Islamic banking is because they didn't know it was a possibility (38%). But the second biggest reason (25%) is because respondents say they do not feel they need to do this. However, value-led banking is still important to South African respondents. 77% say it is important the investments the bank makes using their money aligns with their religious beliefs, 85% say it is important these investments do good in the world and 84% that they are ethical.

Like the UK, South Africa appears an easier market to begin gradually introducing Islamic banking services. That's because only 40% of respondents agree it is important to them that the whole bank they bank with is Shariah-compliant - the lowest percentage among all the countries surveyed. Furthermore, 3 in 10 agree that it is only important to them that the portfolio they use with a bank is Shariah-compliant, the whole bank doesn't need to be, which is the highest percentage among the countries surveyed.

If banks want to attract Muslim customers, then, they'll need to ensure they're offering an excellent service, especially as South African respondents appear to have high customer service standards. 94% of respondents say it is important they receive great customer service during the investment process - the same percentage as for Indonesian respondents and the highest in the survey.

Interestingly,

95%

of South African respondents say it is important their bank offers online banking options - the highest percentage among the countries surveyed.

It's less of a deal-breaker than in other countries.

74%

of South African respondents say the availability/unavailability of online/mobile Islamic banking is a deal-breaker for them - the lowest percentage of all countries surveyed.

What's next?

Our research shows Muslim millennial and Gen Z consumers around the world are increasingly keen to embrace Islamic finance as part of their banking.

So, what does this mean for banks? Here are 3 steps financial institutions should consider:

1. Examine your portfolio

Banks don't need to completely overhaul their processes to begin courting Muslim customers.

This is demonstrated by the fact that 31% of millennial and Gen Z Muslim consumers use a mix of Islamic banking and traditional/investment banking and 1 in 5 agree that it is only important to them that the portfolio they use with a bank is Shariah-compliant, the whole bank doesn't need to be. If banks can start making some of their portfolio Shariah-compliant they stand to win some of the many Muslim consumers who do not currently use Islamic banking but would like to.

Even if banks cannot bring their portfolio in line with Islamic finance, they should be exploring more ethical investments. 86% of millennial and Gen Z Muslim consumers say it is important that the investments the bank makes using their money are ethical and non-Muslims consumers are similarly seeking ethical options.

2. Revisit your messaging

There's also work that can be done to promote and educate Islamic banking services among millennial and Gen Z Muslim consumers.

The biggest reason they are not using Islamic banking is because they didn't know it was a possibility (39%), rising to 44% among those in the UK and Saudi Arabia.

Additionally, just over half (53%) of respondents globally say they are aware of the product range of Islamic banking while 43% are aware of profit-and-loss sharing joint venture (Musharakah), 42% are aware of profit-and-loss sharing partnership (Mudarabah) and 32% aware of leasing (Ijarah). There's a demand for Islamic banking and banks can help themselves meet this by working to increase awareness of financial options as well as Islamic banking more generally.

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3. Focus on service

Millennial and Gen Z Muslim consumers still expect high-quality, tech-enabled service to underpin Islamic banking.

9 in 10 (92%) say it is important that their bank offers online banking options and 90% say it is important they receive great customer service during the investment process. Embracing Islamic finance shouldn't mean ignoring the high standards consumers have come to expect in banking - in fact, it's vital if banks want to win younger Muslim customers.

About Mambu

Mambu is the cloud banking platform where modern financial experiences are built. Launched in 2011, Mambu fast-tracks the design and build of nearly any type of financial offering for banks of all sizes, lenders, fintechs, retailers, telcos and more. Our composable approach means that independent components, systems and connectors can be assembled in any configuration to meet business needs and end user demands. Mambu supports hundreds of customers in over 65 countries - including N26, BancoEstado, OakNorth, Raiffeisen Bank, ABN AMRO, Bank Islam and Orange Bank.

Mambu's advanced cloud-native banking technology enables you to launch Shariah-compliant financial solutions. From Wadiah to Wakala, our flexible, composable platform allows you to build and launch the products you need to meet demand and delight your customers.

Curious to learn more?

Contact us