



How popular is Islamic finance in the USA? Findings from Google Trends

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Abstract

Islamic finance is a growing industry with global distribution in all continents including Europe and America. The aim of the current study was to examine how popular is Islamic finance in the USA during the period 2014-2019 using Google Trends. In addition, the interest in Islamic finance across different US states was also investigated. Using “Islamic finance” and “Islamic bank” as search terms in Goggle Trends, the trend curve showed decreases in search volumes, suggesting a decline in the popularity of Islamic finance in the USA with years. Search volumes were detected in seven out of 50 states, suggesting low interest in Islamic finance in the majority of US states. The order of the popularity in the seven states was: Virginia > New York > New Jersey > Illinois > Texas > California > Pennsylvania > Georgia > Florida > Massachusetts. The study used Google Trends to investigate the popularity of Islamic Finance in the USA. Therefore, future longitudinal survey studies are needed to confirm the present findings.

Keywords: *Islamic Finance, Islamic Banking, USA, Google Trends, States*

JEL classification: *G15, G17, G20*

Introduction

Islamic finance refers to the financial or banking activities that are conducted according to Sharia principles (Abdullah, 2016; Ali Syed, 2017; Hummel, 2019). It emerged as a global financial system in the last three decades (Mansoor Khan, 2008; Mostafa Khan, 2013). The main characteristics of Islamic finance are sharing of profit and loss, interest (riba) free system (Aldarabseh, 2019a; Doumpos, Hasan, and Pasiouras, 2017) and ethical conduct. Islamic finance aims at advancing the development and financial welfare of the entire community (Wilson, 2002). Moreover, Islamic finance and Islamic banking are important for Muslims to fulfill their needs to live in accordance with the teachings of Islam (Alam, Janor, Zanariah, and Ahsan, 2012).

Islamic finance services are expanding worldwide. Among the driving force behind this expansion is the rapid growth of Islam, the presence of Muslims in most world countries, and the adoption of Islamic banking by major countries in the Middle East (El Qorchi, 2005; Rahman and Riyadh, 2016). Currently, hundreds of

banks and financial institutions in an over 75 countries are adopting Islamic finance as a system for their activities (Lackmann, 2014; Mostafa Khan, 2013). This includes non-Islamic countries such as the United Kingdom, Germany, Russia, Hong Kong, Canada and the USA (Ahmad, 2010; Iqbal and Molyneux, 2016; Malik, Malik, and Shah, 2011). According to a recent study, the global Islamic finance industry had total assets of more than 1 trillion US dollars (Hassan and Mollah, 2018).

In the USA, Islamic finance started during the 1980s with the establishment of two financial institutions that used Ijarah and Murabaha to finance homes (Alharbi, 2016). During the 2000s, more Islamic financial institutions were established and today the USA hosts more than 30 Islamic financial institutions distributed in several states (Alharbi, 2015; Billah, 2019; Zinser Brian, 2019). While some studies have investigated the development of Islamic finance in the USA (Alharbi, 2016; Szczepanowicz, 2011), the popularity of Islamic finance in the USA was not examined yet.

In the current study, the popularity of Islamic finance in the USA during the period 2004-2019 using Google Trends. In addition, the interest in Islamic finance, according to different USA states during the past 5 years, was also investigated. Understanding the popularity trend will provide feedback and future insight to Islamic finance industry in the USA. Moreover, the study highlights the interest in Islamic finance in the different states, which could benefit the Islamic financial institutions in targeting certain states in their advertisements.

The paper follows the following structure: 1) Literature Review section that covers the relevant previous studies and the development of Islamic Finance in the USA. 2) The Methodology section that describes the study approach and statistical analysis. 3) Results and Discussion sections that present study findings and their interpretations respectively, and 4) the Conclusion section that covers importance of the findings, study limitations and future directions.

Literature Review

Islamic Finance started in the USA with the foundation of the Amana Income Funds in 1986 that used Ijarah contract to finance homes (Mueller, 1994). Amana Income Fund total asset was about three million dollar in 1987 and grew to exceed thirty million in 2016 (Alharbi, 2016). One year after the foundation of Amana Fund, another Islamic home finance institution was founded in California State, called American Finance House-LARIBA (Ilias, 2008). LARIBA uses “declining Musharaka in rent” contract to finance homes, cars and commercial buildings (Zyp, 2009) that was approved by the Federal Home Loan Mortgage Corporation (Goud, 2009).

In 1997, the New York branch of United Bank of Kuwait approved by the OCC (Office of the Comptroller of the Currency) to provide Islamic banking services in the State through “Ijarah” contract, which is functionally similar to “secured real estate lending” offered in the states (Thomas, 2001). Two years later, OCC approved “Murabaha” as a contract to finance some Islamic bank services (Abdullah, 2016; Zyp, 2009).

In 2002, Guidance Residential adopted “diminishing Musharakah” as a contract to finance homes in three USA states (Abdullah, 2016; Meera and Razak, 2005). Currently, the company provides Islamic financial services to customers in thirty-two States with a total asset of more than 3 billion dollars. In 2003, Devon Bank founded a branch that operates according to Islamic law (Alharbi, 2015; Chiu and Newberger, 2006). In the same year, the University Islamic Financial (UIF) bank was established in Detroit, Michigan, as a fully-fledged Islamic bank to provide financial services to the Muslim community in the states (Abdullah, 2016; Alharbi, 2016). The bank has branches in several states that include Illinois, New York, New Jersey and California.

Other banks that provide Islamic financial services in the USA are JP Morgan that started in 2013, Standard Chartered Bank in New York, and MSI Financial Services (Abdullah, 2016; Jawadi, Cheffou, Jawadi, and Louhichi, 2016). Currently, the USA hosts more than 30 Islamic financial institutions distributed in several States (Alharbi, 2015; Billah, 2019; Zinser Brian, 2019).

While few studies have examined the development of Islamic finance and Islamic banking in the USA, The interest in the Islamic finance and how such interest change with years have not yet been investigated. In the current study, we used Google Trends to answer this question.

Methodology

In the current study, Google Trends (www.google.com/trends) was used to examine the popularity of Islamic finance and Islamic banking in the USA during the period 2004-2019. The two terms “Islamic finance” and “Islamic bank” were used in the search engine. The “Islamic bank” term was used as a root term to cover both “Islamic banking” and “Islamic banks”. The geographical region was restricted to the USA. The Google Trends displays the relative frequency of the entered search term to overall search volumes in a given time/geographical area (Aldarabseh, 2019b; Swallow and Labbé, 2010). The generated relative frequency scaled from zero to 100 based on the week that showed the highest number of searches of that particular term. To present the trend accurately, Google Trends deletes repeated searches from the same device over a short time period (Choi and Varian, 2012).

To better characterize the trend in the interest of Islamic finance, the examined 15 year period was divided into 5 time intervals of 3 years each. The frequency of search volumes was downloaded from the Google Trends website and saved as EXCEL document. The relative search volumes of each 3 years time interval were averaged and expressed as mean \pm SEM (standard error mean).

Statistical Analysis

Comparison of search volumes of the different time intervals was performed using Prism Statistical analysis software and ANOVA test. In addition, Bonferroni post-hoc was used to infer the statistical significance between different interval groups. A $P < 0.05$ was considered significant.

Results

The interest in Islamic finance in the USA was examined during the period 2004-2019 using Google Trends. The “Islamic finance” and “Islamic bank” terms were used as keywords in the Google Trends search engine.

Figure 1 showed the popularity of “Islamic bank” term during the period 2004-2019. The trend curve clearly indicates a decrease in search volumes with years in the USA. To simplify the trend curve, the 2004-2019 period was divided into 5 time intervals of approximately 3 years each and the mean search volumes was calculated in each interval (Figure 2). The results showed significantly higher search volumes in the first (2004-2007) and second (2008-2010) intervals compared to later time intervals ($P < 0.001$). In addition, the mean search volumes was lowest in 2017-2019 interval compared to other intervals confirming the decrease in popularity observed on the trend curve (Figure 2). When the different states were examined in the past 5 years (Table 1), the relative search volumes of “Islamic bank” term was highest in Virginia State (100%), followed by New York (92%), New Jersey (58%), Illinois (48%), Texas (38%), California (38%), Pennsylvania (38%), Georgia (29%), and Florida (24%). No search volumes were detected from other States indicating low interest in Islamic banking in most USA States.

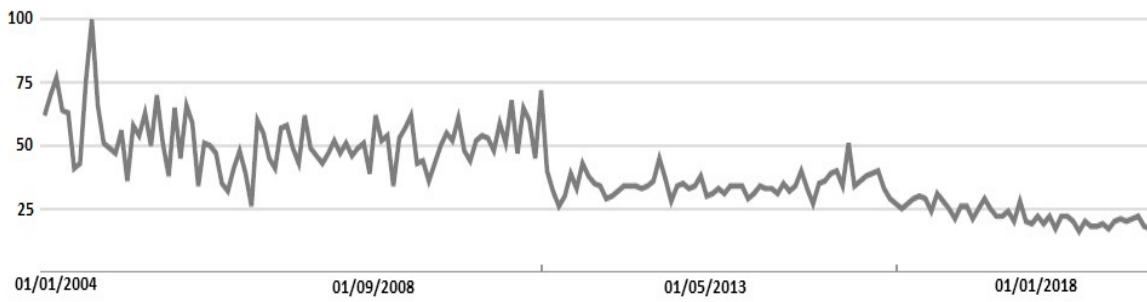


Figure 1. The popularity of “Islamic banking” in the USA during the period 2004-2019

Source: Google Trends.

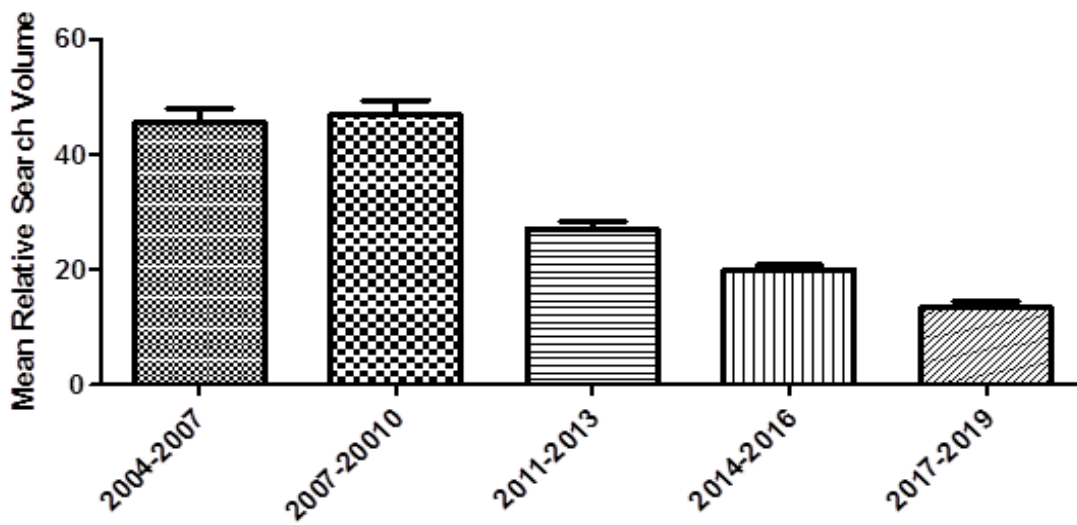


Figure 2. Changes in the popularity of “Islamic banking” in the USA.

Note: A decline in the popularity was observed with years.

Table 1: Interest in Islamic finance and Islamic banking according to USA states in the past 5 years

Region	Islamic Banking	Islamic Finance
Virginia	100	100
New York	92	93
New Jersey	58	-
Illinois	48	63
Texas	38	40
California	38	30
Pennsylvania	38	-
Georgia	29	-
Florida	24	-
Massachusetts	-	67

Source: Google Trends

The popularity of “Islamic finance” term during the period 2004-2019 is shown in Figure 3. Similar to “Islamic Bank” term, the trend curve also indicates a decrease in search volumes with years. When 2004-2019 period was divided into 5 time intervals, high search volumes in the first (2004-2007) and second (2008-2010) intervals was observed compared to later time intervals ($P < 0.001$, Figure 4). Moreover, the mean search volumes was lower in 2017-2019 interval compared to other intervals confirming the decrease in popularity observed in the trend curve (Figure 4). When the different states were examined in the past 5 years (Table 1), the relative search volumes of “Islamic finance” term was highest in Virginia State (100%), followed by New York (93%), Massachusetts (67%), Illinois (63%), Texas (40%), California (30%). However, no search volumes were detected from other states indicating low popularity in Islamic finance in most USA states.

Discussion

Using two independent terms, Google Trends showed a decrease in the popularity of Islamic finance/Islamic banking in the USA with years. This finding is very hard to explain given the fact that the Islamic finance market is expanding globally (Hassan and Mollah, 2018; Lackmann, 2014; Mansoor Khan, 2008). One of the explanations of the observed popularity trend is related to the lack of legislation that specifically regulate Islamic financial institutions in the USA (Alharbi, 2016; Askari, Iqbal, and Mirakhor, 2011; Ibrahim and Salim, 2017; Mansoor Khan, 2008). Thus, Islamic finance institutions are subjected to the same legislations that regulate the conventional US financial institutions. This creates challenges in the face of Islamic finance in the USA such as bank ownership of real estate, taxation, profit/loss sharing deposits, and others (Alharbi, 2016). In addition, the lack of legislation limits the services and Islamic products that can be offered by Islamic financial institutions to their customers. In fact, Islamic financial services in the USA remain largely confined to home finance (Jammeh, 2010; Zyp, 2009). Thus, the existence of a law that specifically regulates Islamic financial institutions will foster the development of Islamic finance in the USA.

Another factor that might contribute to the observed interest trend is related to the growing Islamophobia in the USA (Morgan, 2016; Short, 2018). This decreases the interest in Islamic products by non-Muslims. Therefore, the Muslim community in the US should work hard to change the misperception about Islam and Islamic products.

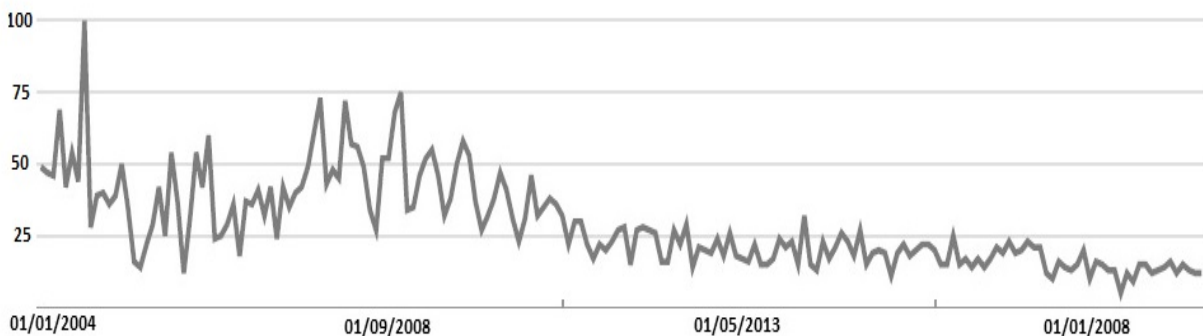


Figure 3. The popularity of “Islamic finance” in the USA during the period 2004-2019

Source: Google Trends.

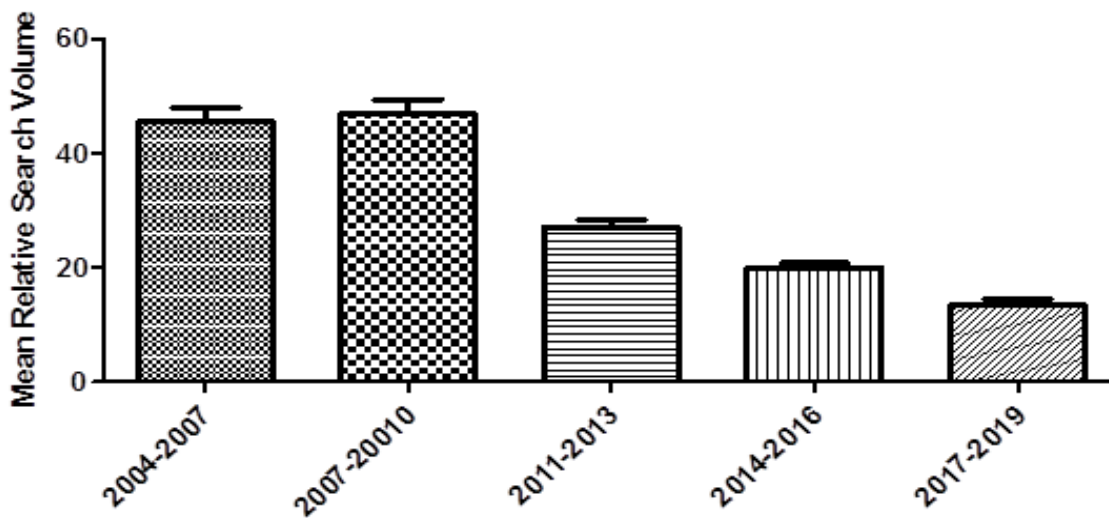


Figure 4: Changes in the popularity of “Islamic finance” in the USA.

Note: A decline in the popularity was observed with years.

With respect to distribution of interest in Islamic finance across different US states, the order was Virginia > New York > New Jersey > Illinois > Texas > California > Pennsylvania > Georgia > Florida > Massachusetts. The relatively high number of Muslims in these states could explain the order. In addition, Islamic finance institutions are very active in these states. For example, LARIBA was established in California (Ilias, 2008) while United Bank of Kuwait opened its first Islamic branch in New York city (Thomas, 2001). In addition, University Islamic Financial bank is a fully-fledged Islamic bank that actives in several states that include Illinois, New York, New Jersey and California (Alharbi, 2016). Since low volumes in Google Trends appear as 0 (Choi and Varian, 2012) and no signals were detected from other states, this indicates low popularity of Islamic finance in the majority of the US states.

Conclusion

The study examined the popularity of Islamic finance in the USA during the period 2014-2019 using Google Trends. The trend curve shows decreases in the search volumes, suggesting a decline in the popularity of Islamic finance in the USA. In addition, search volumes were detected in seven states out of 50 with the following orders: Virginia > New York > New Jersey > Illinois > Texas > California > Pennsylvania > Georgia > Florida > Massachusetts. Thus, the popularity of Islamic finance is low in the majority of US states. The decline in popularity of Islamic finance in the USA as presented by google trends is alarming. Islamic financial institutions in the US should push for legislations that specifically regulate Islamic financial institutions in the USA. The present findings provide feedbacks to the Islamic finance industry in the USA to improve their performance. Islamic finance institutions in the states should offer more finance services other than home and car finance to satisfy their customers. The distribution of popularity according to different states provides valuable marketing information to US Islamic financial institutions. Among the limitations of the current study is that the popularity of Islamic finance was examined using Google Trends, future studies that include longitudinal approaches are needed to confirm the present findings and to help explaining the present findings.

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