

First of its kind National Survey in Maldives

# ISLAMIC FINANCE LITERACY AND FINANCIAL INCLUSION

Presentation to the 10th  
COMCEC Capital Markets  
Regulators Forum Virtual  
Meeting ( 9 November 2021)

By: Fathimath Shafeega, Founder MCDGI



**MCDGI**  
Maldives Capacity  
Development and  
Governance Institute



# OUTLINE

- 1 Introduction
- 2 Key Findings
- 3 Conclusions
- 4 Recommendation

# SURVEY ADMINISTRATOR

Maldives Capacity Development and Governance Institute (MCDGI) established in April 2017 is a leading institute in Maldives providing training services to uplift the professional capacities of the Maldivian workforce while supporting the corporate sector to uphold the governance standards to the international level.

MCDGI research initiatives aims to offer the professional expertise of the institute in areas where research is needed in Maldives.

## OBJECTIVE OF THE RESEARCH

The main purpose of the research is to explore the perceptions and attitudes of the Maldivian people toward Islamic finance literacy in order to enhance their awareness and knowledge and sustainably achieve financial inclusion objectives.

# MALDIVES Overview

Maldives Central bank forecast that Real GDP growth for 2021 will range between 17.7% in the most pessimistic scenario, to 30.4% in the most optimistic scenario. MMA forecasts also indicate that, in the absence of future shocks, our current recovery trajectory is likely to bring economic activity back to pre-pandemic levels by the end of 2023

Maldives is one of the most affected economies due to the Covid-19 pandemic, with an estimated GDP contraction of 32 % in 2020. Tourism sector which is the bedrock of our economy, is recovering and with the new prospects for economic growth there is more potential for development of Islamic finance in the Maldives.

# MALDIVES SNAPSHOT

Maldives – a 100% Muslim country – Islamic finance was valued at USD2.9 trillion in 2019. It is expected to rebound and grow at a 5-year CAGR of 5% from 2019 onwards to reach USD3.69 trillion by 2024 (Thomson Reuters, 2020).

There is a growing demand among Maldivians for shariah-compliant financial services in the Maldives. However, generating an in-depth understanding of the extent of Islamic financial literacy among the people of Maldives warrants investigation.

# ISLAMIC FINANCE LITERACY SURVEY

People from all walks of life should be equipped with financial knowledge, skills and attitude to manage personal savings and expenses, invest wisely and borrow responsibly according to their financial goals.

The initiative taken by MCDGI to conduct the national study in an Islamic community such as the Maldives is timely to highlight the importance of Islamic financial planning, products and other issues related to Islamic financial literacy and inclusion.



# ISLAMIC FINANCE LITERACY SURVEY

Improvement of Islamic financial literacy across all segments of society requires a systematic, sustained and coordinated approach that focuses on engendering long-term behavioral change.

This report brings out in-depth insights into Islamic Finance Literacy and Financial Inclusion related matters.

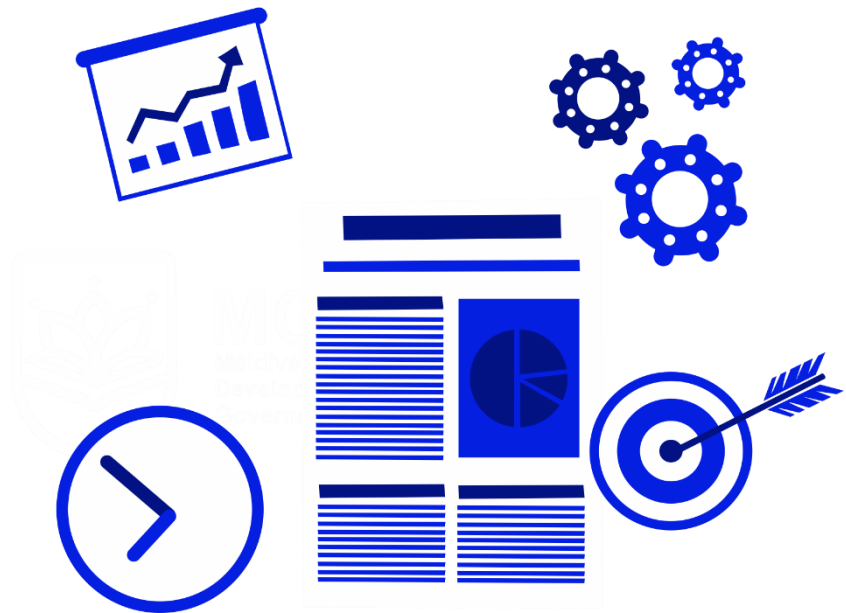




# EXECUTIVE SUMMARY

Islamic financial education is acknowledged as a complement to financial consumer protection, inclusion and regulation, improving individual decision-making and well-being, and supporting financial stability and inclusive growth.

The main purpose of this national report is to explore the perceptions and attitudes of the Maldivian people towards Islamic Finance literacy in order to enhance their awareness and knowledge and achieve financial inclusion objectives in a sustainable manner.



# EXECUTIVE SUMMARY

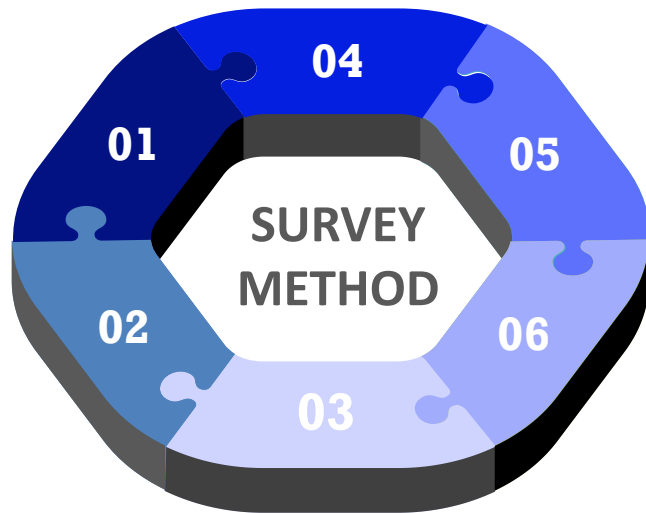
Drawing on a quantitative approach through a self-administered survey distributed across the main twenty-four atolls in the Maldives, a total of 1,562 valid responses were received and used for further analysis extracting meaningful conclusions.



# SURVEY METHEDOLOGY

The authors undertook primary data collection procedures for the research. For the primary data collection, a well-articulated questionnaire consists of the information sheet, consent form, general personal information, financial inclusion and banking activities and Islamic finance literacy-related questions adapted for collecting necessary data. The questionnaire was used mainly to measure two constructs by thirty sub-factors incorporated into the research methodology.

# SURVEY METHODOLOGY



## POPULATION

The Maldives' total population is 547,525 approx.

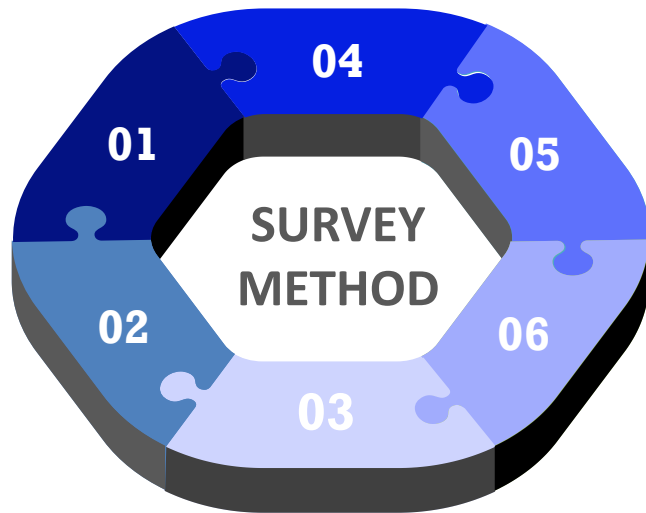
## SAMPLING

Appropriate sample size is 384

## DATA COLLECTION

Primary Data - 100% by analysing the data from the questionnaire.

# SURVEY METHODOLOGY



## VALIDITY & RELIABILITY

- Face and content validity
- Cronbach's Alpha reliability coefficient

## DATA ANALYSIS TECHNIQUE

- SPSS (Statistical Package for Social Sciences)
- Regression Analysis

## RESEARCH ETHICS

- Strictly adhere to and follow the ethical measurements
- No alteration for the original data and personal information collected

## KEY FINDINGS - DEMOGRAPHY

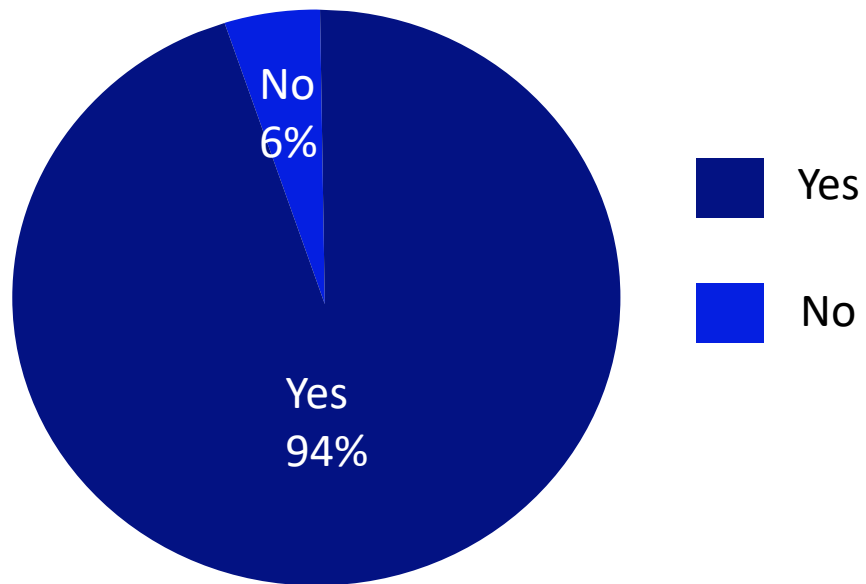
	CATEGORYA	FREQUENCY	PERCENT
AGE	18-35 Years Old	1014	64.9
	36-55 Years Old	398	25.5
	Older Than 55 Years	46	2.9
GENDER	MALE	797	51.0
	FEMALE	661	42.3
MARITAL STATUS	SINGLE	430	27.5
	MARRIED	952	60.9
	OTHERS (DEVORCED & WIDOWED)	76	4.9

## KEY FINDINGS - DEMOGRAPHY

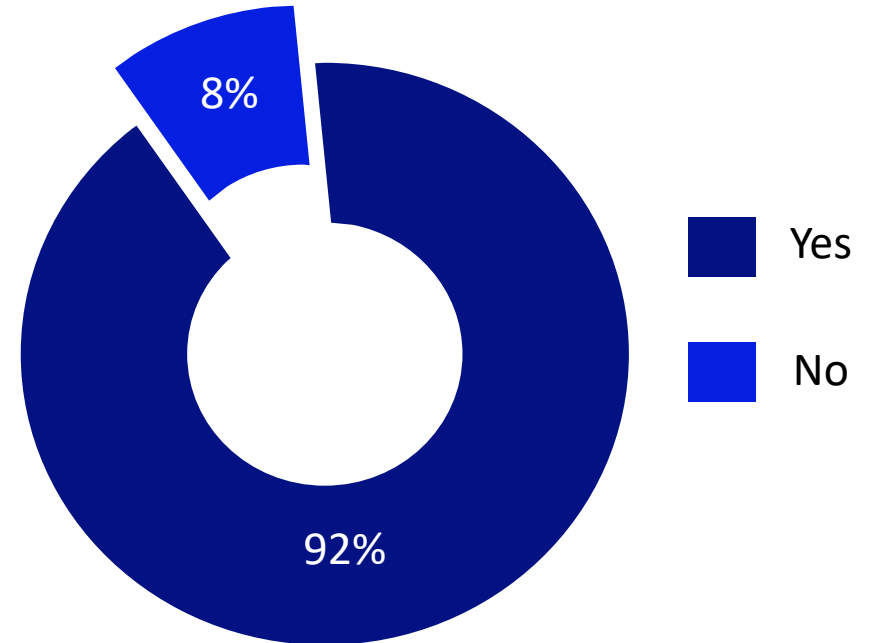
	CATEGORYA	FREQUENCY	PERCENT
EDUCATION LEVEL	PRIMARY LEVEL	281	18.0
	SECONDARY / O'LEVEL	486	31.1
	HIGHER-SECONDARY / A-LEVEL	134	8.6
	FOUNDATION / CERTIFICATE 4	94	6.0
	DIPLOMA / PROFESSIONAL LEVEL 5	188	12.0
	ASSOCIATE DEGREE / PROFESSIONAL LEVEL 6	48	3.1
	BACHELOR'S DEGREE / BECHELORS (HONS) DEGREE / PROFESSIONAL LEVEL 7	139	8.9
	POST-GRADUATE CERTIFICATE / POST-GRADUATE DIPLOMA / PROFESSIONAL LEVEL 8	27	1.7
	MASTERS DEGREE / PROFESSIONAL LEVEL 9	93	6.0

## KEY FINDINGS – BANK ACCOUNTS, ATM CARDS

Have ever opened or operated a bank account under your name?



Do you have an ATM card?

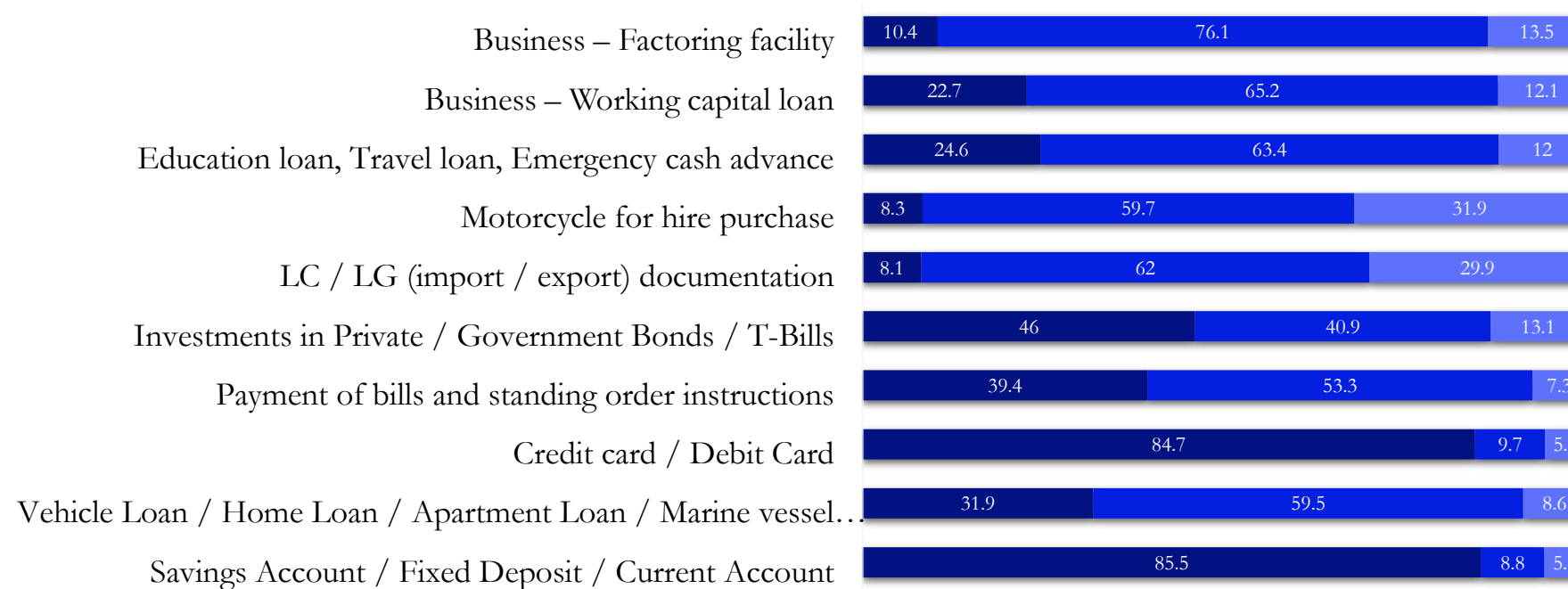




# KEY FINDINGS – DEALING WITH BANKING SERVICES

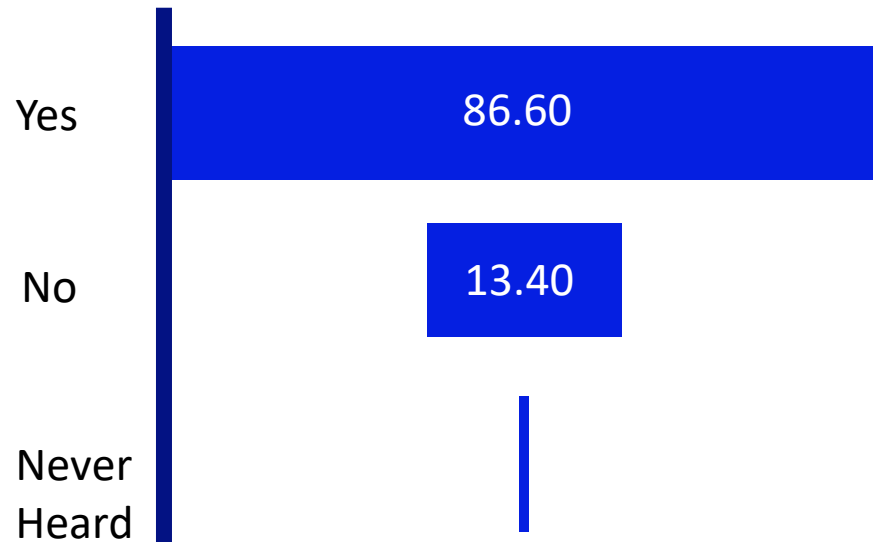
Have you ever used any of these services offered by a bank or financial institution?

■ Yes ■ No ■ Never Heard

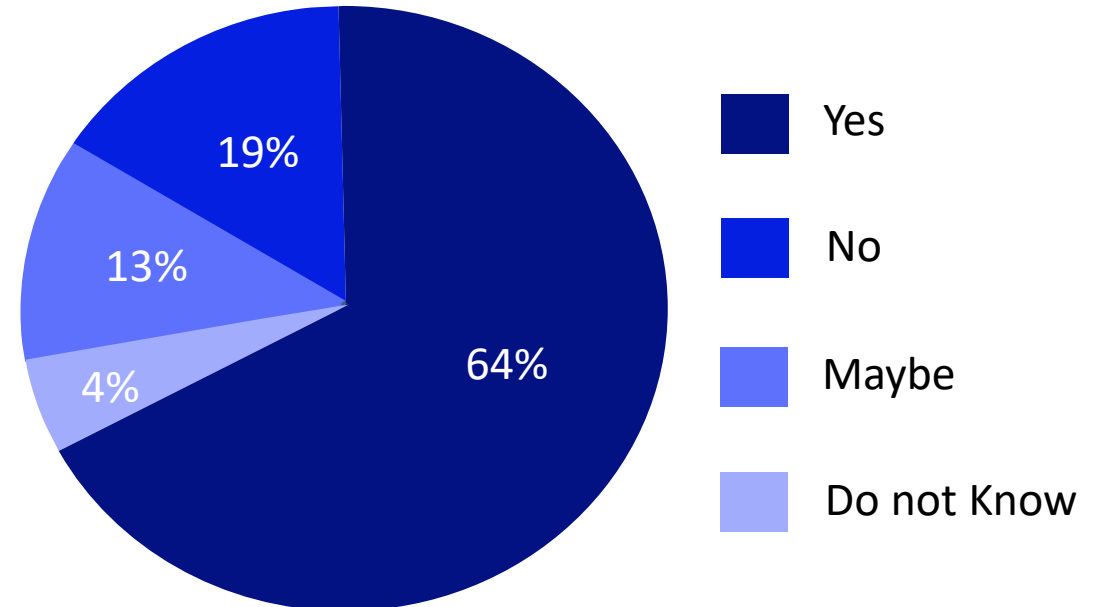


## KEY FINDINGS – ISLAMIC FINANCE

Do you believe Islamic banking & conventional banking are two different things?

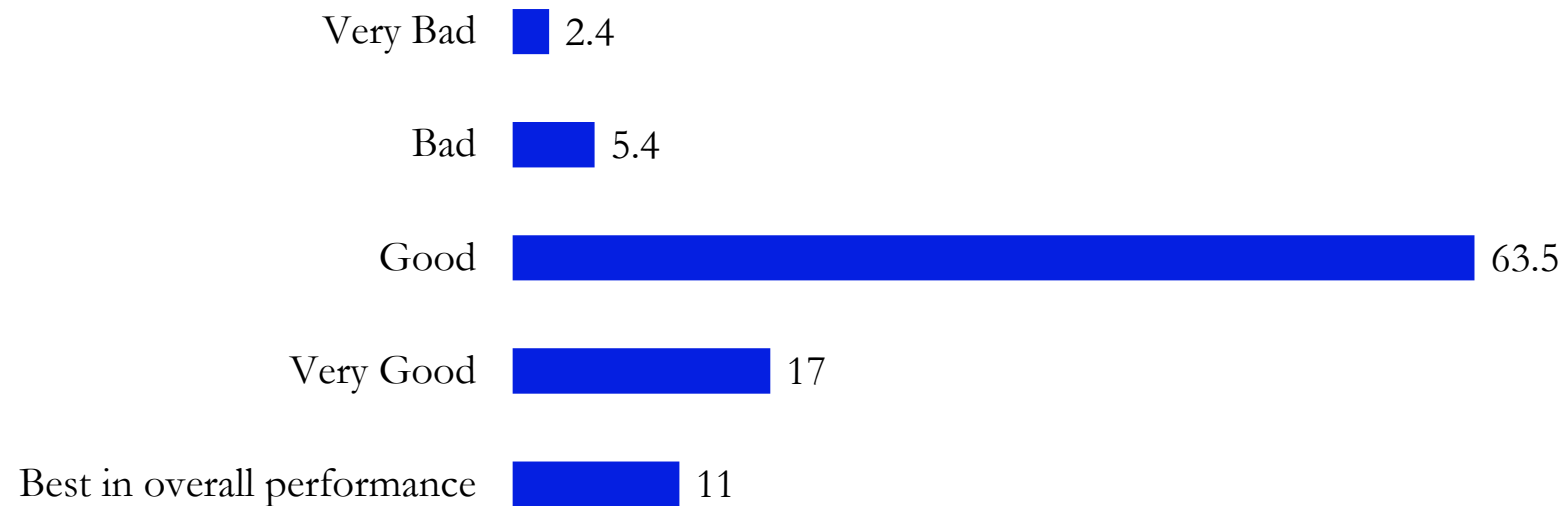


Islamic banks do not invest in industries with products & services involving alcohol, pork and gambling. Do you think this is beneficial, for the welfare of society?

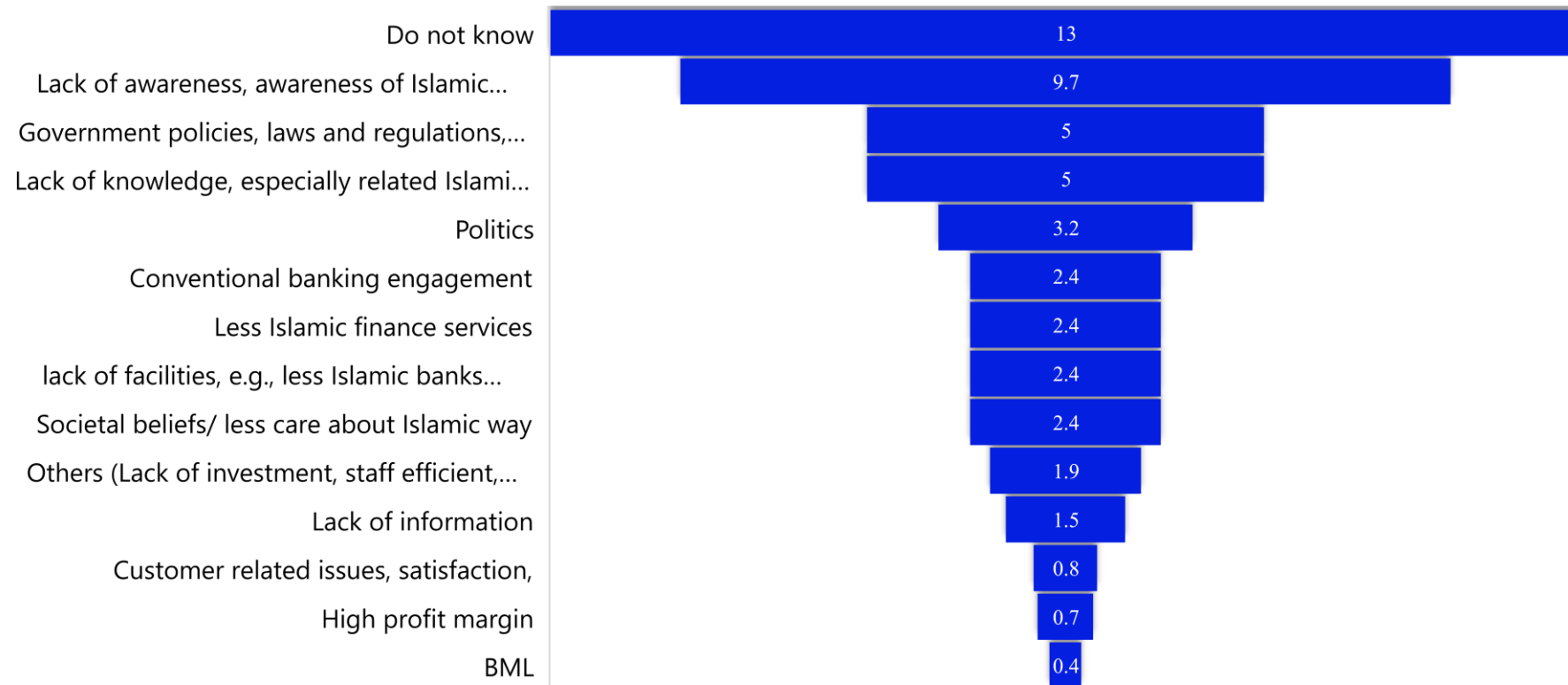


# CITIZENS' EVALUATION OF ISLAMIC BANKS DURING 2008 FINANCIAL CRISIS

How would you evaluate the efficiency and performance of Islamic banks during the 2008 financial crisis?



# CHALLENGES HINDERING THE SUSTAINABLE DEVELOPMENT OF ISLAMIC FINANCE IN THE MALDIVES



# TIMELINE

PRE-SURVEY

REPORT



SURVEY

October 2019: Research and interviews starts

October 2020: Developing and pre-testing the survey

January 2021: Data Collection

April 2021: Data analysis

November 2021: Final Report Dissemination

## CONCLUSION



The vast majority (above 90%) of people in the Maldives have their own bank account and ATM cards, 65% frequently use internet banking services, and savings accounts, fixed deposits and current accounts are the most used services among citizens (86%).

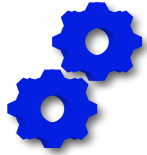


In contrast, 70% of surveyed people would not spend money to educate themselves financially by participating in banking or financial service-related activities, e.g., training, courses, seminars, and workshops.



A substantial majority (87%) of the respondents believe that Islamic banking is completely different from conventional banking.

# CONCLUSION



66% have never been clients of an Islamic bank, believing that Islamic banks provide enough products and services and operate efficiently.



61% of people surveyed believe that Islamic banking services could serve as an alternative to the conventional banking system.



The majority of the respondents (84%) believe that interest (Riba) and profits are not the same. They knew the fact that Islam prohibits Riba from their teachers and schools, and meanwhile, they know that conventional financial institutions are involved with interest.



Responses were overall positive on Shariah-compliant monetary and financial activities.



Respondents believe that lack of awareness, awareness of Islamic finance is one of the main challenges that hinder the sustainable development of Islamic finance in the Maldives.

## OVER ALL

People generally lack an adequate Islamic financial experience and background or understanding to navigate today's complex market as they are in fact not clients of Islamic banks and due to limited Islamic finance experience.



It could be deduced that for the Maldives emerging economy, financially educated consumers can help ensure that the financial sector makes an effective contribution to real economic growth and poverty reduction.

Hence, relentless efforts must be made to impart financial knowledge to promote positive financial behavior among the public and improve awareness of the innovation of Islamic financial products and services and their implications.



**SPECIAL THANKS to Associate Professor Dr. Aishath Muneeza for her valuable support**

**Key members of the Survey Team**

Thought leader	: Fathimath Shafeega
Lead Consultant	: Mr. Muath Mubarak
Lead Research Analyst	: Mr. Nashwan Bin Saeed
Lead Researcher	: Dr. Shahuneeza Naseer
Researcher and Editor	: Ms. Mariyam Shawadhin Abdulla)
Survey Coordinator	: Ms. Zuleykha Faheem

## SUPPORTERS OF THE SURVEY



## CONTACT MCDGI FOR MORE DETAILS

[Admin@mcdgi.edu.mv](mailto:Admin@mcdgi.edu.mv)

[www.mcdgi.edu.mv](http://www.mcdgi.edu.mv)

<https://www.facebook.com/mcdgi.edu.maldives>

# THANK YOU!



**MCDGI**  
Maldives Capacity  
Development and  
Governance Institute

[Admin@mcdgi.edu.mv](mailto:Admin@mcdgi.edu.mv)

[www.mcdgi.edu.mv](http://www.mcdgi.edu.mv)

<https://www.facebook.com/mcdgi.edu.maldives>