

The Demand for Islamic Finance: Piety, Class, and Global Identity

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Marketing Literature

Muslims who care about using Islamic finance
use Islamic finance

Implicit logic is of *orthopraxy*: choose actions
that demonstrate one's piety outside of formal
religious contexts

Problems: atheoretical empirics, non-
representative samples, selection bias

Politics of Islamic Revivalism (1)

Modernization and Social Change

Modernization and class formation produces dislocation that individuals confront by relying on “deep” or “enduring” identities

Globalization and Identity Change

Global flows of goods, people, and information increase the local salience of transnational identities

Politics of Islamic Revivalism (2)

CLAIM: Everyday behavior reflects identity maintenance

Muslim World: veiling, dress, prayer, language

Elsewhere: “McWorld,” revivalism, “clinging to guns or religion”

Data and Context

Original national survey in Indonesia (N=2548)

Large and growing Islamic financial market

10 “sharia banks” in 2010

23 “sharia units” in 2010

wide local market presence

compete directly on price and service

Sedangkan informasi Nisbah per **Juli 2010** adalah sebagai berikut:

Jenis Simpanan	Nisbah (Nasabah)	Porsi (Nasabah)	Ekuivalen Rate
RUPIAH (Rp)			
Deposito 1 bulan	50.00	5.01	5.95 %
Deposito 3 bulan	51.00	5.11	6.06 %
Deposito 6 bulan	53.00	5.31	6.30 %
Deposito 12 bulan	54.00	5.41	6.42 %
VALAS (USD)			
Deposito 1 bulan	51.00	2.67	3.52 %
Deposito 3 bulan	51.25	2.69	3.52 %
Deposito 6 bulan	51.50	2.70	3.56 %
Deposito 12 bulan	51.75	2.71	3.58 %

Identification

Variation in reported frequency of use of “sharia financial products” among

1. bank users who
2. live where at least one person reports using sharia financial products

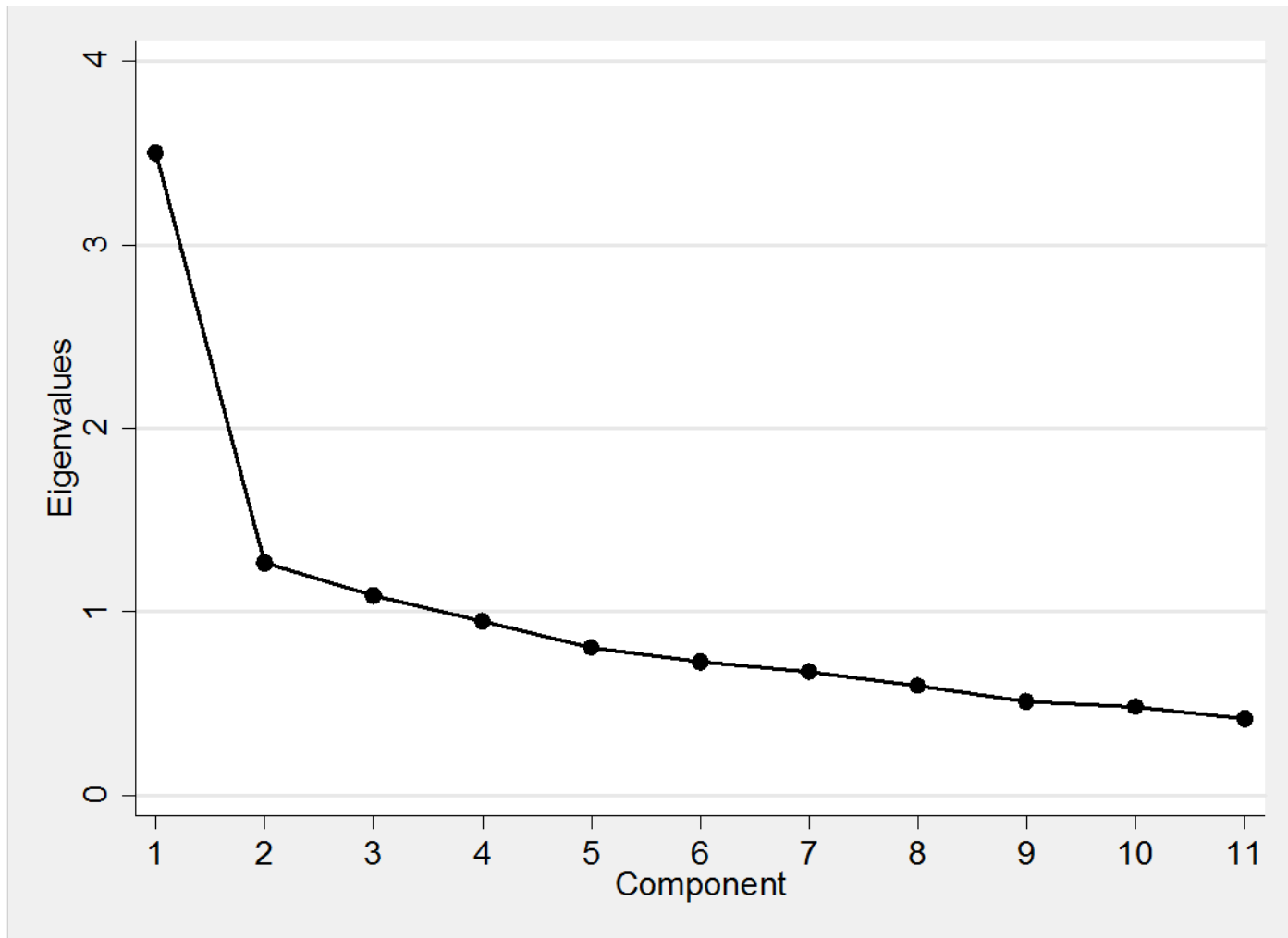
(results are robust to broader sample definition)

Controls for regency (*kabupaten*) specific effects, demographic covariates

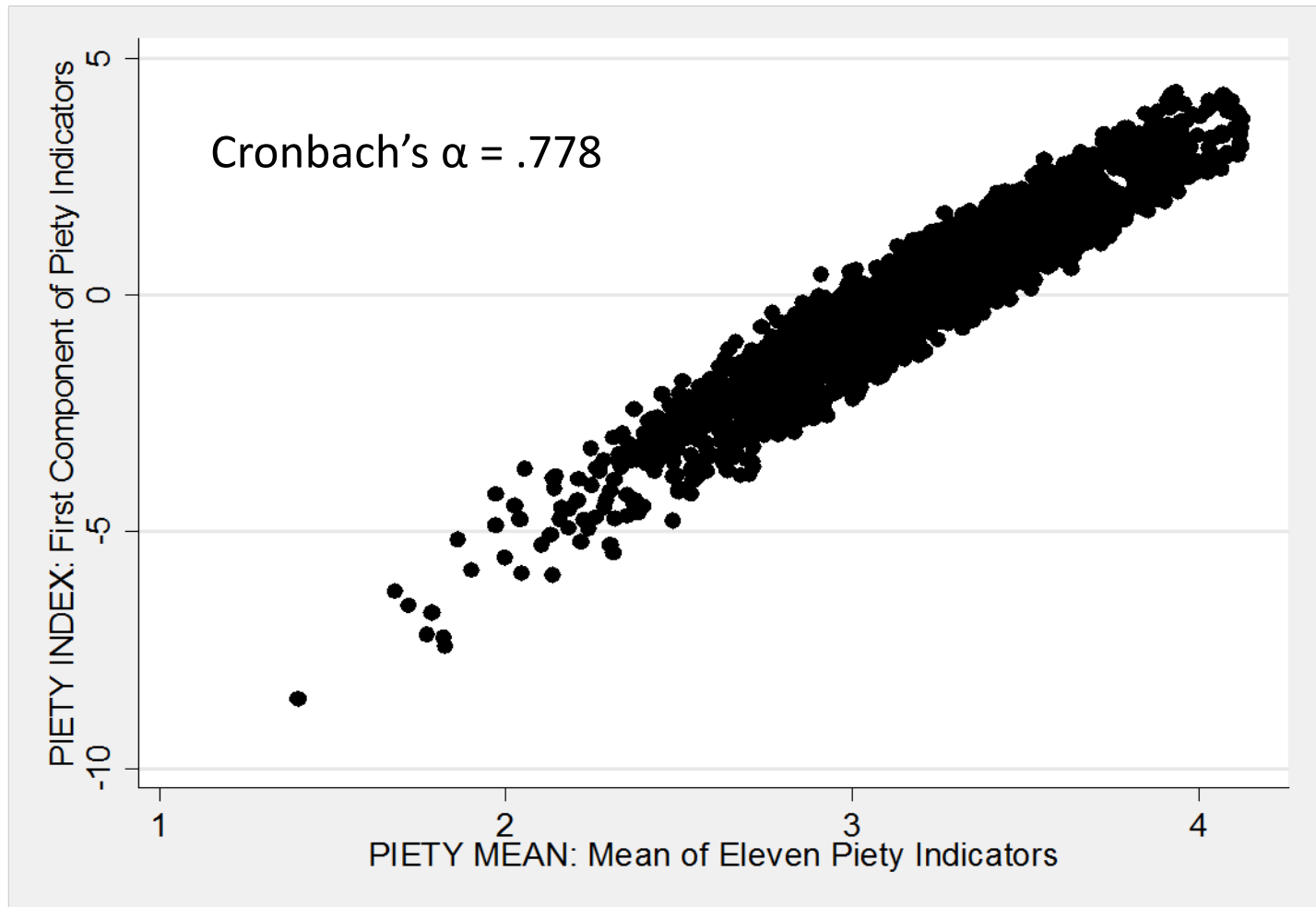
Measuring Piety

1. Religion is important to R
2. R claims to be pious
3. R thinks about religion
4. R prays at obligatory daily times
5. R fasts during Ramadan
6. R studies or reads the Qur'an
7. R attends Friday prayers
8. R performs additional (non-obligatory) rituals (*shalat sunnah*)
9. R attends communal religious meetings
10. R participates in ritual prayers for the deceased (*tahlilan*)
11. R pays *zakat* after Ramadan

Unidimensionality of PIETY



Unidimensionality of PIETY



Measuring Class and Global Identity

Class:

INCOME; interaction with *EDUCATION* yields similar results

Global Identity:

MUSLIM TIES (importance of strong relations with the Muslim world)

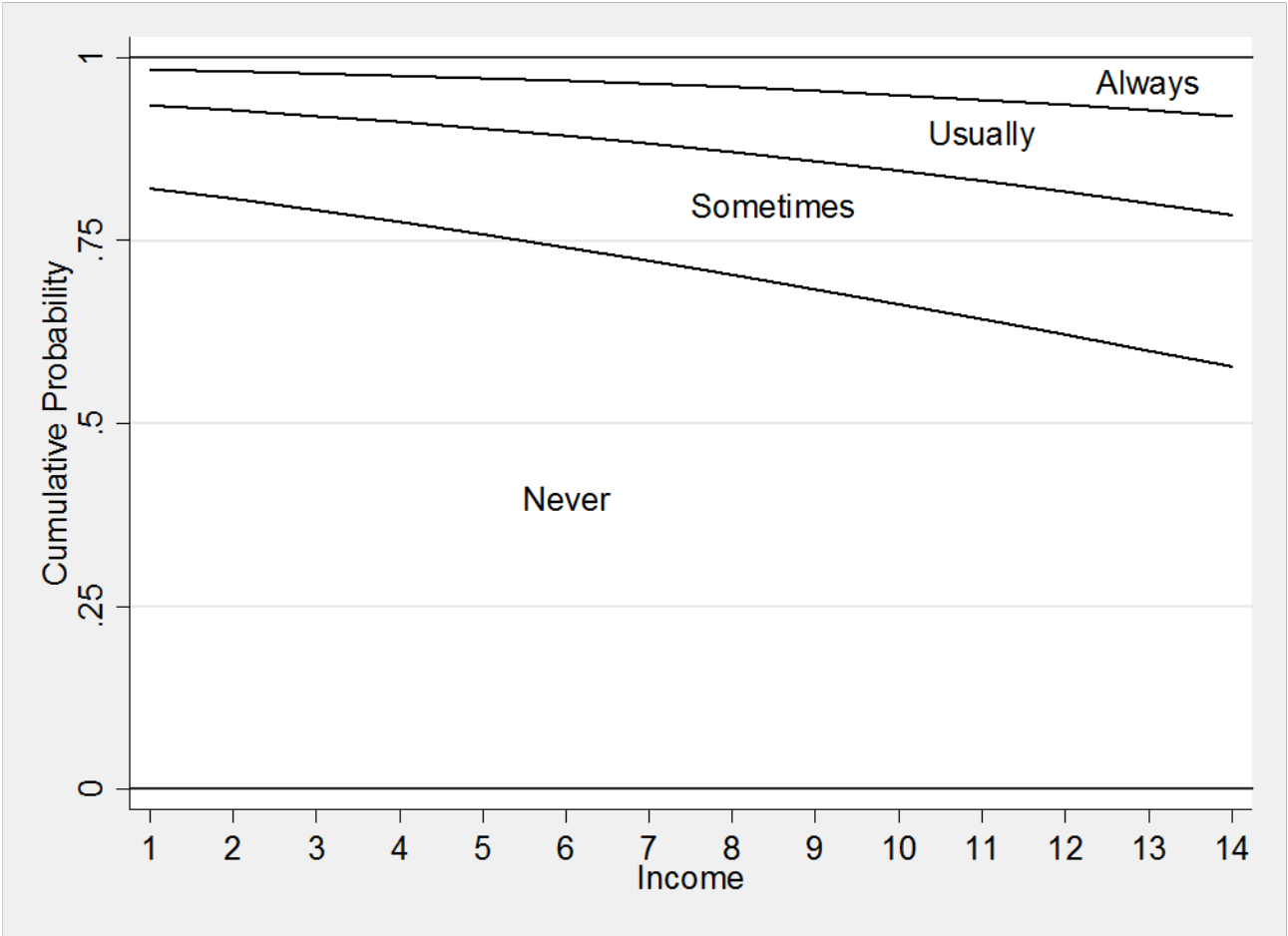
PRO SAUDI (personal views of Saudi people)

Methods

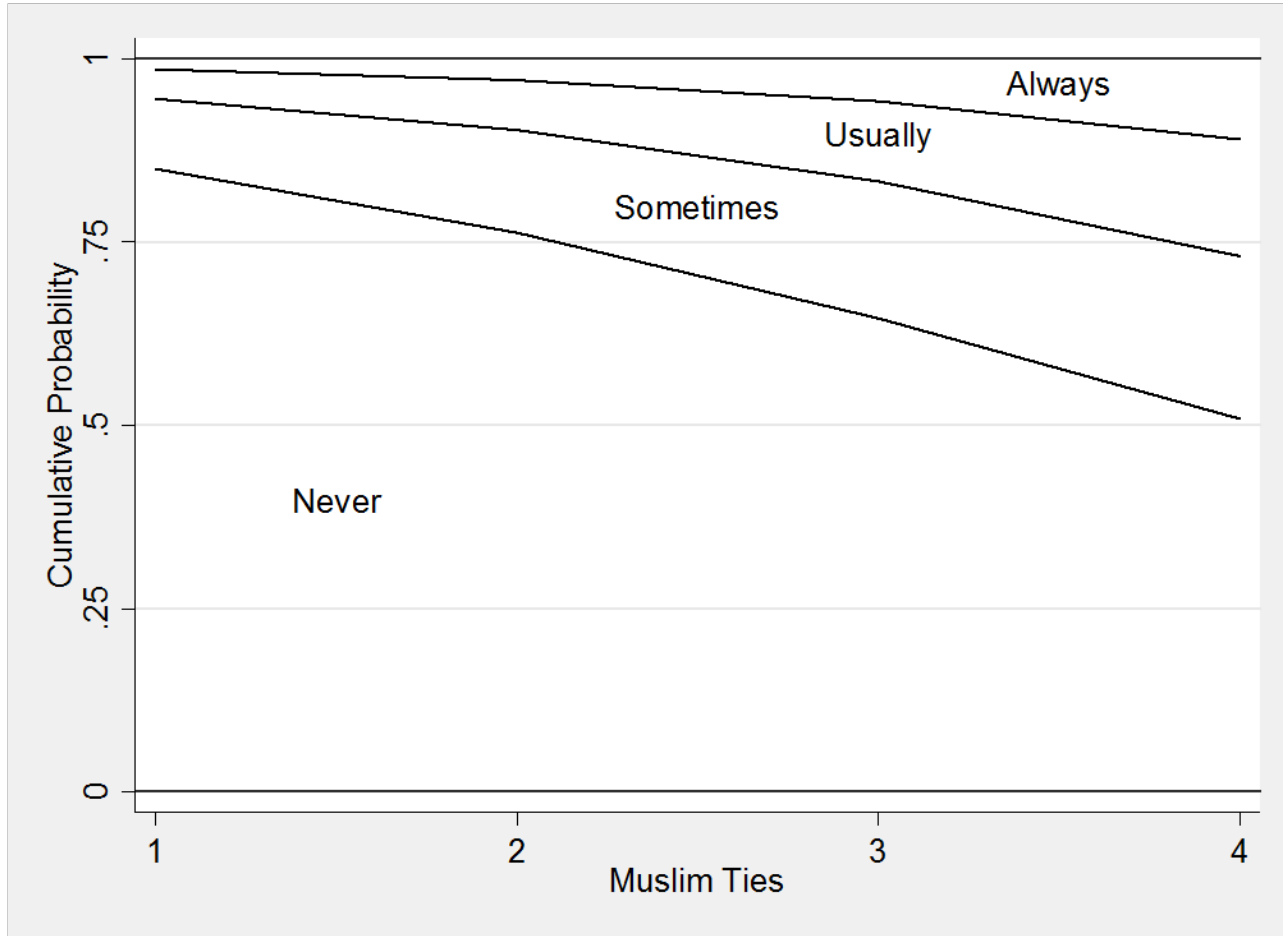
OLS with FEs, Conditional Logit, Ordered Probit
(with and without FEs)

	Model 6.1	Model 6.2	Model 6.3	Model 6.4
<i>PIETY INDEX</i>	0.042 (0.028)			0.030 (0.026)
<i>INCOME</i>		0.035*** (0.010)		0.032** (0.012)
<i>MUSLIM TIES</i>			0.241*** (0.061)	0.214* (0.081)
<i>Constant</i>	0.419*** (0.009)	0.184** (0.065)	-0.441* (0.211)	-0.535 (0.294)

Probability of Using Sharia Banking Products, by Income Level



Probability of Using Sharia Banking Products, by International Orientation



Conclusions

Support for political economy perspective on “commodified religion” and “aspirational piety” (Fealy 2008): *consumption as identity*

Surprisingly little evidence that piety or orthopraxy matter in the way that the literature suggests: *against consumption as piety*