

Islamic Finance for Future Entrepreneurs: Exploring Tunisian Business Students' Knowledge and Potential Usage of Islamic Financing Products

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Abstract

In Tunisia, especially after the revolution of 14 January 2011, the economy has experienced a recession that has attracted the new government for its resolution. The topic of Islamic finance can participate in the economic recovery by encouraging firm creation by young people and attracting Islamic foreign investors in Tunisia.

With the framework of this paper, we seek to understand empirically, from a questionnaire sent to Tunisian students, the point of view of future entrepreneurs towards the financial Islamic products in order to discern at what level these devices are able to ensure the financial requirements of small or medium firms newly created. First, many students think that Islamic finance can be a solution to economic actual crisis of the country by developing products that meet the needs of potential investors. So, it will participate in the job creation and unemployment reduction. We find that a high fraction of respondents consider that the decision to contract with an Islamic bank is founded on both cost and religious conviction. Knowledge of Islamic finance principles is also an important factor favoring the use of Islamic products. Finally, it is found that problems faced when using conventional banks can favor the development of Islamic products of financing especially partnership contracts.

Keywords: Islamic finance; new entrepreneurs; potential usage of islamic products; Tunisia

1. Introduction

Each country is faced with specific obstacles that hamper the development of entrepreneurship. However, there are some difficulties shared by the majority of entrepreneurs, such as the lack of financial resources and government regulations that often discourage entry into business. In fact, the finding of capital to start a business is commonly known to be an important problem. This statement is pertinent for both developed and developing countries.

Banks are hesitant to extend their credit to new entrepreneurs. This hesitancy is largely attributed to the high risk and high administrative cost of lending to small firms because the size of the loan is too small to cover the associated charges. However, the real reasons behind such reluctance are the mis-

understanding of the nature and the dynamics of SMEs, combined with lack of qualified bankers evaluating feasibility studies and monitoring small business loans.

Some lending institutions impose conditions such as prior business plan showing viability to guarantee the reimbursement of the credit. The problem is that these documents are hard to fulfill, especially by new and potential entrepreneurs. Commercial banks are also hesitant to take a risk in financing new project if they are not confident enough about its market potential and success.

To protect their investment and guarantee the repayment of the credit, banks request important collateral. The inability to meet the hard conditions set by commercial banks means that the entrepreneur cannot count on the conventional banking system to secure the necessary capital. He has to find another financing alternative or to abandon his investment project.

Even if the future entrepreneur will be able to satisfy the bank requests, he must be able to repay the interest charges in addition to the principal credit. The high cost of capital needed to undertake the business project imposes a heavy interest charges on the entrepreneur, which will be in a difficult position from the start, hence raising the probability of the failure of his project.

On the other hand, if the business activity ends up in failure, the entrepreneur will support alone this failure. This practice is considered as excessive, so it is explicitly forbidden in Islam. Many potential Muslim entrepreneurs do not want to deal with conventional banks for religious reasons. They consider conventional banks to be unethical institutions that amplify the break between the wealthy and the poor through their immoral interest (riba) based financial practices. Academics surveying this subject often overlook this factor despite its significance and enormous consequences. For example, according to Karim, Tarazi and Reille (2008), over 20 per cent of microenterprise owners in Algeria stated that they do not obtain loans for religious reasons.

According to Nirvana abou-Gabal, Asim Ijaz Khwaja, Bailey Klinger (2011), “despite the industry’s growth, there remains significant unsatisfied demand for Islamic financial services: approximately 72 per cent of individuals living in Muslim-majority countries do not use any form of Islamic financial services”.

In Tunisia, especially after the revolution of 14 January 2011, the economy has experienced a recession that has attracted the new government for its resolution. Some people think that the topic of Islamic finance, which is not well developed in Tunisia, can participate in the economic recovery by encouraging firm creation by young people and attracting Islamic foreign investors in Tunisia. However before introducing Islamic finance in Tunisia, several questions may arise;

- What is the opinion of students (future entrepreneurs) about Islamic finance?
- What is their knowledge of this discipline?
- What are the motivations behind the use of Islamic finance products by Tunisian future entrepreneurs?

This work seeks to provide some answers to these questions. In fact, we must assess the demand market for these products in the country before introducing them.

The motivations favoring the use of Islamic products are several. Some persons prefer Islamic financing given the ethical and religious aspects it presents. However, this is not the only motivation favoring the use of Islamic products. Indeed, the obstacles encountered with conventional banks can

divert customers towards Islamic banks. Moreover, the subprime financial crisis has proved the ability of Islamic banks to overcome the crisis, so people use Islamic products to minimize risks. Motivations behind the use of Islamic finance can then be classified into three categories:

- Motivations due to the nature of the financing requirement
- Motivations due to problems faced when wanting to use conventional products of financing
- Motivations due to the knowledge of Islamic products and Islamic finance principles.

This paper will seek to know the opinion of students (future entrepreneurs) about Islamic finance and the motivations behind the use of Islamic products by Tunisian future entrepreneurs. It will be divided into three sections: the **first** will present a literature review. It will emphasize on the unique criteria of Islamic financing by presenting principles and products of Islamic finance and will explain through past studies why people use Islamic financing. The **second** section will focus on the relation between Islamic finance and entrepreneurship and on the current state of Islamic finance in Tunisia. Through the **third** section, we seek to know and explain empirically, from a questionnaire sent to Tunisian students, the point of view of future entrepreneurs towards the financial Islamic products in order to discern at what level these funding means are able to ensure the financial requirements of small or medium firm newly created.

2. Literature review

As mentioned by Yvonne Saini, Geoff Bick and Loonat Abdulla(2011), “The major determinant for the future of banking is the customers, as their preferences must be the main focus of attention”. So, nowadays, and in an intensely competitive environment, bank managers have to know the determinants of customers choice of their banks, which help to discern the client needs that banks must meet.

2.1. Principles and products of Islamic Finance

Islamic finance is an elaborate financial system founded on the guidelines of Islamic religion. According to Iqbal Zamir (1997), “describing the Islamic financial system simply as interest-free does not provide a true picture of the system as a whole. Undoubtedly, prohibiting the receipt and payment of interest is the nucleus of the system, but it is supported by other principles of Islamic doctrine advocating risk sharing, individuals’ rights and duties, property rights, and the sanctity of contracts. Similarly, the Islamic financial system is not limited to banking but covers capital formation, capital markets, and all types of financial intermediation”.

2.1.1. Principles of Islamic Finance

A transaction, to be judged in accordance with the shariah, must adhere to the following principles:

- **The prohibition of interest:** Interest or riba is forbidden in all financial transactions because interest is a “cost that is accrued irrespective of the outcome of business operations and may not create wealth if there are business losses” (Iqbal 1997, p.43). Islamic finance insists that lenders share with customers’ profits and losses.
- **Risk-sharing:** Due to the fact that interest is not used in Islamic banking, the lender and the borrower work as associates and share both the risks and returns of an investment.

- **Money is capital and is not a tradable product in itself:** money is not an asset in itself, it only becomes capital when it becomes employed with other resources to “undertake a productive activity” (Iqbal, 1997, p.43).
- **Prohibition of speculative behaviour:** Speculative behaviour that encourages transactions with great uncertainties, gambling and hazard is strictly forbidden.
- **The sanctity of contracts:** the full revelation of information before signing a contract is compulsory in order to “reduce the risk of asymmetric information and moral hazard” (Iqbal 1997, p.43).
- **Investments must conform to the shariah:** For example, investments in alcohol, gambling, and other activities in contradiction with the shariah are not allowed in Islamic banking.

2.1.2. Islamic Financial Contracts (or products)

The world of Islamic finance proposes a wide range of financial products, each having a different function, to meet the diverse needs of entrepreneurs. Its main modern tools of the small and medium-sized enterprise can be divided into two types of contract, partnership contract and other one of financing, different financial tools such as letters of credit, contact of agencies and others are available, but in this article only the first two categories of contracts will be approached.

The partnership contracts

We find two types of partnership contracts; (Mucharaka), and the passive partnership (Mudaraba). The major difference between both contracts affects that parties bring to the partnership.

- **The active partnership contract ‘Mucharaka’**

A musharaka contract is exactly a partnership between the customer and the financing institution. This contract can be employed for both assets and working capital. Both parties share profits or losses according to a predetermined ratio. According to Zaher and Hassan (2001), this contract type is similar to a joint venture as “both parties provide capital for a project which they both may manage”

The musharaka is made according to one of the following two prospects: either definitive or degreasing musharaka. In the first types, the bank suggests to its customers penetrating into their enterprises as partners by providing capital, while benefiting from profits and incurring losses, each party according to the contribution in the capital.

Concerning the degreasing musharaka, the bank contributes to the financing of a project with the intention to withdraw gradually. The entrepreneur will shall constantly the part of the bank into the capital.

This mode, which attracts more than 80 percent of respondents, presents the mode of financing which more, meets the needs of future entrepreneurs to start their business.

- **The passive partnership contract ‘Mudaraba’**

For this contract, the bank acts as the sponsor and the client acts as the manager who implements the project. The profits related to this project are distributed according to a pre-set ratio and the losses are entirely supported by the financier. A Mudaraba contract implies that one party contributes by capital and

the second run the business. In the case of a loss, “the bank earns no return or a negative return on the investment and the agent receives no compensation for his effort” (Zaher and Hassan 2001, p.165).

This contract can meet the needs of students who do not arrange financial means and estimate to start their business without granting bank credits.

The financing contracts

This category includes four Instruments: Murabaha, Ijara, Salam, Istisnaa and Quard hasan

- **‘Murabaha’ contract** (Sale with differed settlement)

The Murabaha contract is undoubtedly the most common Islamic banking product available today. It is an asset-based sale operation used to finance goods required as working capital. Usually, a client informs the institution of the goods that need obtaining. The Islamic bank will then purchase this asset for the customer and add a fixed profit that the client will pay back in portions. The bank continues to possess the asset (and assume its risk) until the final instalment is paid. With Murabaha contracts, the consumer is responsible for discussing all the commercial terms with the seller of the asset, the price of which cannot be changed at any time during the period of the contract. Typically, the size of this mark-up is determined “in relation to an interest rate index such as the London Inter-Bank Offered Rate, or US short T-bills rate, and is also a function of a clients’ credit rating, the transaction size and the type of good being financed” (Zaher and Hassan 2001 p.160).

This financing instrument can support future traders to acquire goods and purchase of raw materials for the industrialists. The murabaha financing may involve medium-sized equipments, depending on the customer’s payment capacity.

- **‘Qard Hassan’** (or a benevolent loan)

It is a loan for which only the principal has to be repaid to the lender, that is why this loan is often considered to be a type of charity. In some cases, a small administrative can be charged in order to cover the administrative costs related with this service. For example, The Islamic Development Bank of Jeddah in Saudi Arabia charges between 2 to 3 percent for qard hassan loans in order to cover their costs (Ajaz Khan (2008)).

- **‘Ijara’ contract** (Leasing)

An Ijara contract is used to finance the acquisition of equipment and machinery, the client rents a product from a banker for a predetermined cost. The period of the lease must be clearly specified in the contract. The finance institution keeps ownership of the asset and is responsible for its maintenance. The contract ended when the asset finishes providing the client the service for which it was rented, or if the leasing agreement comes to an end.

Ijara is an agreement in conformance under which the landlord allows the taker to use the good for payment of a renting fee.

This contract can take the form of a simple lease contract, or be followed by a sale contract (Ijara wa Iqtina) allowing the taker of lease to acquire the property at the end of a period determined in advance.

- **‘Salam’ contract** (Forward sale)

The Islamic bank pays in advance the amounts for the future delivery of goods. Funding is designed to build or produce the good in question.

This type of instrument is appointed to support the production, construction and the harvest of short-term farm produces.

- **'Istisnaa' contract** (Financing of the long-term production)

Istisna appears as a contract of manufacturing or construction, after which the constructed good is bought by the seller who will deliver it when the manufacturing or the construction is finished. Indeed, the settlement of the purchase price can be achieved either in one lump sum at the completion of the agreement, or in several payments with the progress of work.

Within this structure, the property must be manufactured, built or converted.

We can thus point out the advantage that could benefit future entrepreneurs of Islamic financial instruments to create their own jobs, especially that, the various products can be tailored to various requirements while complying with Shariah and provide a model that is both ethical and profitable.

The problem which we have identified by our contact with the interviewed students is that they haven't enough information about the principles of Islamic financing to choose it as an alternative. It is in this context that, 60 percent of students claim that they do not know the principles of Islamic financing and 85 percent expressed (after having explained the funding instruments offered by Islamic banks) that they are interested in this funding.

There remains a need to popularize the culture associated to this financing mode among young Tunisians whose the majority are unaware of the principles or instruments of Islamic financing.

2.2. motivations favoring the use of Islamic products

Muhamad Rahimi Osman and Dan Husniyati Ali (2008) attempt to know "the factors that encourage entrepreneurs to seek financing from the banks offering Islamic mode of financing as an alternative to the conventional financing". Using a questionnaire, they include many factors that may explain the use of Islamic products. These factors are: Knowledge and understanding of Islamic financing, Quality of products and services offered by the Islamic financial institutions and religious beliefs. They found that "the majority of respondents know about the availability of Islamic finance and its advantages and that 85% of the entrepreneurs choose Islamic financing as it is based on Islamic principles. The Muslim entrepreneurs understanding of Islamic financing is considerably good. The findings also show that the majority of entrepreneurs perceived that in general conventional banks offer better services".

Fatih Savaşan, Mehmet Sarac and Temel Gurdal (2013) investigate about perception and evaluation of Islamic banking in Turkey from the businessmen perspective. They found that "there is a lack of knowledge and consciousness regarding Islamic finance / fiqh muamalat (Islamic commercial law) among conservative businessmen in Turkey. In fact, more than half of the participants stated that they take the cost as the only criterion in financing decisions regardless of the bank type. More than 60 percent do not believe that Islamic banks are Shariah-compliant. This can be due to both absence of an effective Shariah supervision process in Islamic finance sector and lack of sufficient knowledge on Shariah within the society".

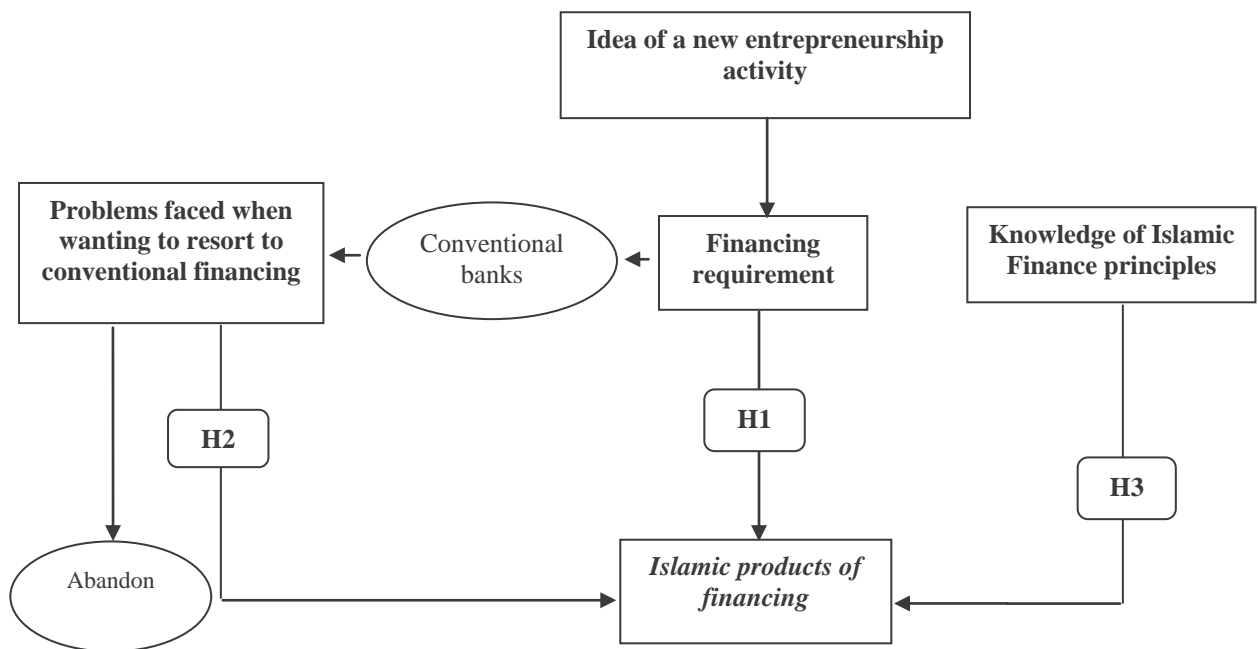
The paper of Yvonne Saini, Geoff Bick and Loonat Abdulla(2011) investigates the level of consumer awareness and use of Islamic banking products in South Africa. The authors sought to determine "the factors that are important in the choice between Islamic or conventional banks. It was found that Muslims are aware of Islamic banks, but their rate of use is low, as Muslim customers regard efficiency, lower bank charges, the availability of automatic teller machines and an extensive branch network as important

factors when it comes to choosing a bank, rather than religious motivations for compliance with Islamic conventions. It was concluded that, if Islamic banks wanted to attract and retain customers and remain relevant in the South African context, they would have to develop relevant strategies designed to meet customers' needs. Religion as the sole motivation for choosing Islamic banks is inadequate".

In our paper, three hypothesis will be tested:

- **H1:** Motivations behind the use of Islamic finance are due to the nature of the financing requirement
- **H2:** Motivations behind the use of Islamic finance are due to problems faced when wanting to resort to conventional products of financing
- **H3:** Motivations behind the use of Islamic finance are due to the knowledge of Islamic products and Islamic finance principles.

The conceptual framework can so be presented as follow:



3. Islamic finance, entrepreneurial activities and current state in Tunisia

3.1. How Can Islamic Finance Support Entrepreneurial Activities?

Islamic Shariah stipulates rules to govern economic, social, political and cultural characteristics of Islamic people. Qur'an and Sunnah are the main sources of Shariah. Islamic financial system supports wealth creation and distribution. The ultimate aim is socio-economic justice.

The prohibition of interest (riba) in Islamic economics has drawn much attention. Many western economists consider the prohibition on interest as anti-capitalist and an obstacle to the functioning of a

modern economy. They think it would limit, if not delay economic development and growth. But the other argument is that there is no ethical or financial justification to charge or receive interest. They describe interest counterproductive as it adds to the burden of the entrepreneur. An interest-based economy, they say, can't provide socio-economic justice.

Money generated out of "rent-seeking activity" including interest creates new but artificial capital which, by no means, is the life-blood of the markets. The essence of the market is entrepreneurship. Trade, not banking, is the primary function of markets, they maintain.

Partnership contracts between the financier and the entrepreneur, specified in Islamic finance, replace interest gains in conventional finance. Islamic finance stipulates the instruments of profit or loss sharing as alternatives to interest-based arrangements employed by conventional banking.

Islam prohibits paying or receiving interest at predetermined rates on money borrowed or lent. Interest tends to push the poor into greater poverty to create more prosperity for the wealthy without doing effort or sharing the risk involved a business undertaking. Riba further interest creates wealth money lent without actual productive economic activity or transaction. Islam, therefore, considers all interest-based financial activities to be unfair, unjust and ethically unjustifiable. It also considers money generated by such lending to be unearned money. That is why it made interest unlawful. Not surprisingly, all the major religions including Judaism, Christianity and Islam, as Buddhism and Hinduism denounce interest as unethical and immoral.

The modes of financing by Islamic Intermediaries continue to be developed in accordance with Charia board; they can support entrepreneurial activities in the following ways:

- ✓ Many Small and Medium Enterprises want to have a partner who shares profits and risks on their venture. In fact, in case of loss, they have not to pay interests on loans, which may aggravate their financial distress. Besides, the IFI's as investing partners in projects would offer expertise to the entrepreneur, ensuring other elements of success in the improvement of the venture.
- ✓ The principle of loss and profit sharing pushes the Islamic Financial Institutions to focus on the projects providing a return in line with the return requirements of the fund providing resources.
- ✓ The IFI's, in their search for profitable activities, tend to involve entrepreneurs themselves in managing the treasury and investment functions of the institution.
- ✓ For IFI's, the only criteria of distinction between projects are the feasibility of the venture and the predictions related to the development of the project.

3.2. Islamic Finance in Tunisia

Tunisia had a very limited number of institution specialized in Islamic finance, this is due to the previous authoritarian government that have limited and refused to promote Islamic finance for ideological reasons.

Until today, there are only two Islamic institutions, namely; 'Al Baraka Bank' and Zitouna Bank'. The first one is the pioneer of Islamic finance in Tunisia since 1983, an offshore institution, it was founded as part of the policy of the Tunisian government, which by developing socio-economic relations between Muslim countries, aims to encourage investors from the Gulf to start their business in Tunisia.

The bank's mission is to meet the financial needs of communities throughout the world, by practicing the highest standards of professionalism and mutual sharing profits with its customers. Among the products presented by the bank, we find, Murabaha, Deferred sales, Musharaka, Mudharaba and Taajir.

The second one named 'Zitouna Bank', is created in October 2009. It is a universal commercial bank, which comply with the laws governing banking activity in Tunisia. The bank's mission is built around four axes:

- Participate actively in the modernization of banking and financial system and contribute to national economic and social development of the country.
- Respond to a request for more pressing for financial products and services consistent with the principles of Islamic Finance.
- Customers accompany the different phases of funding and / or placement.
- Customers ensure a high quality service and a dedicated board. (banquezitouna.com)

The products offered by this bank are similar to that proposed by Al Baraka bank.

With the developments and changes known by Tunisian country due to the revolution of January 14, 2011, it will be unfortunate to the Tunisian economy to abandon Islamic finance, which may participate to the economic recovery, by encouraging the creation of business by unemployed graduates of higher education and attracting foreign investors to make their business in Tunisia.

"Amen Bank" CEO "Ahmed Karam" said, in his remarks during a discussion meeting, organized by the African Development Bank (ADB) on 'Islamic finance and its development prospects in the region of North Africa', that « introducing Islamic financing in Tunisia, would complete the existing financial and banking landscape and contribute to the revival of economic growth, it would also encourage saving and attract foreign Islamic investment ». (tap.info.tn)

Islamic finance has strong growth potential, supported on the one hand, by the financial crisis that generated a repulsion to certain conventional financial practices, and secondly, by the Arab Spring after which « "Ernst & Young", estimates that Islamic assets worldwide are expected to reach 1,100 billion by end 2012" ». (lechiffredaffaires.com)

4. Empirical study: future Tunisian entrepreneurs and Islamic financing

In this section, we seek from a questionnaire send to Tunisian students, to understand the motivations favoring the use of Islamic products by Tunisian future entrepreneurs. We seek to know the point of view of future entrepreneurs towards the financial Islamic products in order to discern at what level these devices are able to ensure the financial requirements of small or medium firm newly created.

We observed, from the questionnaire distributed to students, that, generally, the current assets to meet investment requirements needed for the start of the activity is insufficient. Thus to cover the need it is obligatory to choice other funding sources such as the financial institutions. To do this, the investor must prove the interest and the profitability of his project. Besides, we noticed that the needs of the future entrepreneurs are almost the same, since most of the interviewees:

- Express their need for capital; this is why over 50 percent of the respondent will have bank loan.
- Look for the most suitable duration of refund of loan, that is their credits will be reimburse in medium long term
- Seek for profitability and security of their projects more than morality and compliance with Islam.
- More than 90 percent of respondents indicate that they will choose to borrow from Islamic banks if their credit demands will not be held by the classic banks, instead of giving up their projects.

From 101 questioned students, 76 are interested in Islamic finance, 18 are indifferent and 7 aren't interested in Islamic products. Our aim is to know which variables can explain these differences of opinions. Factor Discriminant Analysis will be used in order to discriminate between these three groups.

4.1. Sample Description

Table 1: Profile respondents

			Interest to the Islamic finance		
			Not interested	Indifferent	Interested
Gender	Male	44	3 (6.82%)	6 (13.64%)	35 (79.54%)
	Female	57	4 (7.02%)	12 (21.05%)	41 (71.93%)
Marital situation	Single	79	6 (7.59%)	16 (20.25%)	57 (72.16%)
	Married	22	1 (4.54%)	2 (9.09%)	19 (86.36%)

Table 1 presents the socio-demographic characteristics of interviewees. All the respondents are in their final year of academic education at University. So, they have approximately the same age and are in majority not married (only about 20% are married). 58% of the respondents are female while the remainder of respondents are males.

4.2. Discriminant Factor Analysis

The Discriminant Factor Analysis (DFA) was performed. The aim of this technique is to predict the membership of an individual to a qualitative group defined as a preliminary. In our paper, we want to investigate which variables discriminate between the opinions of questioned students about Islamic finance. Three opinions were specified: (0) not interesting, (1) Indifferent or (2) interesting. For that purpose, we questioned 101 students. Discriminant variables (which can explain these different opinions) are the motivations behind the use of Islamic products of financing; they can be classified into three categories:

- Motivations due to the nature of the financing requirement
- Motivations due to problems faced when wanting to resort to conventional financing
- Motivations due to the knowledge of Islamic products and Islamic finance principles.

The DFA assesses new synthetic variables called "discriminant factors", which are linear combinations of the selected PCs, and allows a better separation of the center of gravity of the considered groups. For each group, the distance from the various centers of gravity of the groups is calculated. Comparison of the assigned group to the real group is an indicator of the quality of the discrimination.

Discriminant analysis could then be used to conclude which variables are the best predictors of student opinion about Islamic finance.

Assumptions

Sample size: Imbalanced sample sizes are acceptable. The sample size of the lowest group must exceed the number of predictor variables.

Normal distribution: we assume that the variables are normally distributed. However, violation of the normality assumption does not affect the results since the resultant significance tests are still reliable (Tabachnick and Fidell 1996).

Homogeneity of variances/covariances: Discriminant Analysis is very sensitive to heterogeneity of variance-covariance matrices.

Non multi-collinearity: If one of the independent variables is very highly correlated with another, the matrix will not have a unique discriminant solution. So, there must be low multi co-linearity of the independents.

4.3. Results

Box's M test tests the assumption of homogeneity of covariance matrices. For our data, the test is not significant so we conclude the groups don't differ in their covariance matrices, verifying an assumption of Discriminant analysis.

Table 2: Test Results

Box's M		33.353
F	Approx.	1.481
	df1	15
	df2	415.517
	Sig.	0.109

Since the dependent variable (future entrepreneurs' opinion) has three groups, the number of discriminant functions computed is two. The Eigen values indicate how much of the variance in the dependent (opinion) is accounted for by each of the functions.

The standardized discriminant function coefficients in the table below indicate the relative importance of the independent variables in predicting the dependent.

Table 3: Standardized Canonical Discriminant Function coefficients

	Function	
	1	2
Alternative to conventional financing	0.009	0.792
solution to economic actual crisis of the country	0.239	-0.708
knowledge of Islamic finance principles	-0.631	0.007
Islamic finance as ethic	0.515	0.142
Islamic finance as real and integral	0.479	0.579

We conclude that most of students consider the Islamic products as an alternative if rejected by conventional banks. Problems faced when using conventional banks can so favor the development of Islamic products of financing especially partnership products. It appears that difficulty of lending procedures and process (which may be due to factors like lack of information and documentations, lack of specific programs for SMEs, obligation to have a collateral) is among the reasons for the lack of access to

finance on the demand side. So In order to promote and encourage greater demand for Islamic finance products, Islamic banks should simplify the lending process.

Results show also that knowledge of Islamic finance principles is an important factor favoring the use of Islamic products. Many students consider Islamic finance as ethic, real and integral. Tunisians have a long tradition of conventional banking and changing this tradition will not be easy. An Islamic bank has to offer returns which surpass conventional banks to be able to divert clients to Islamic financing products, since a high fraction of respondents consider that the decision to contract with an Islamic bank is founded on both cost and religious conviction. Besides, Islamic financial institutions need to focus on their staffs in order to train them well and adequate them with the information about Islamic SMEs financing. In fact, staffs are intermediaries between future entrepreneurs and Islamic banks. To ensure a successful position and to provide better services of Islamic financing, Islamic institutions must understand consumers' needs and be aware of disparities across market segments. Training programs can then be a suitable device for improving the managerial skills of Islamic bank staff and how to behave with clients.

Finally, we find that many students think that Islamic finance can be a solution to economic actual crisis of the country. This is a positive factor favoring the development of Islamic finance in Tunisia; the Islamic banks must seize this opportunity and develop products that meet the needs of potential investors to participate in the reduction of unemployment and job creation, while using a good strategy targeting promising projects and regions

4.4. Validation

Finally, we assess how well the discriminant function works, and if it works equally well for each group of the dependent variable. Here it correctly classifies about 76.2% of the cases.

Table 4: Classification Results^a

		Interest to the Islamic finance	Predicted Group Membership			Total
			Not interested	indifferent	interested	
Original	Count	Not interested	3	2	2	7
		indifferent	0	6	12	18
		interested	1	7	68	76
	%	Not interested	42.9	28.6	28.6	100
		indifferent	0	33.3	66.7	100
		interested	1.3	9.2	89.5	100

a. 76,2% of original grouped cases are correctly classified.

5. Conclusion

The Tunisian experience in the field of Islamic finance is little developed, it is for this reason that several conferences on this theme have been and will be concluded to make understand the principles of Islamic financing for Tunisians whose most of whom have few or no information on this funding mode, that is why, it will be essential for the smooth running and practice of Islamic finance to introduce the topic of Islamic finance at the university course. In this sense; it is necessary to encourage the academic

institutions to launch an educational program to solve the problem of insufficient basic training beside the students. Besides, the in-service training of the principles of the Islamic financing to business owners is necessary to encourage them to take advantage of Islamic financial contracts. Finally, the state must intervene to support the creation of Islamic banks in Tunisia and pushing the people to invest according to ethical and moral norms of Islamic law.

As a conclusion, we say that it is essential to raise awareness and develop a culture of Islamic financing in Tunisia, to guide the behavior of future entrepreneurs toward starting a business based on principles consistent with Islamic jurisprudence, because the Islamic financing establishes a system which attracts more and more of countries, whether Muslim or not, as it presents a promising sector and an opportunity to be exploited and developed.

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