Chapter 3: Research Methodology

3.1 Introduction

As discussed in Chapter 1, the objective of the study is to explore the issues and challenges in introducing Islamic finance and to provide practical ideas to the relevant parties. Thus, the legal and regulatory framework is examined and certain *Shariah* issues and risk mitigation related to *sukuk* are discussed.

Accordingly, this chapter demonstrates the research methodologies employed to achieve the objectives of research. The methodology is in accordance with the objectives of the study in order to a meaningful and applicable result.

3.2 Research Philosophy

A research is an organized, systematic, data-based, critical, objective, scientific inquiry or investigation into a certain problem conducted with the purpose of finding answers or solutions to it. The main reason for undertaking a research is to offer the needed information that guides managers to make critical decision in order to cope with the problem (Serkaran, 2003). Rowley (2003) highlights the research's pivotal contribution in responding to a change environment.

The basis of a research can be categorized into quantitative and qualitative research. Sekaran (2003) stated that quantitative approach is a way to gather objective data as generally collected through structured questions where a large number of respondents are involved and qualitative approach is a different way to gather data. It involves data-gathering from in-depth interview, observation, focus group, etc.

This study is a qualitative-based study which collects data by interviewing professionals or practitioners who are involved in Islamic finance. The reason that this study adopts a qualitative based study is because it provides a better understanding of any phenomenon which is not much known (Strauss and Corbin, 1990). This view is in accordance with the objectives to obtain the degree of feasibility in introducing Islamic finance which are less known in Korea. Moreover, a qualitative research is more appropriate to obtain new prospects on subject matters known or to collect new in-depth information which is not easy to conduct quantitatively as it is little known (Patton, 2002).

3.3 Data Collection

The study objective is to explore and provide practical insights into introducing Islamic finance in Korea where Islamic finance is still at its infancy stage in the financial market. Hence, data collection method is devised to derive professional and practical opinions in Korea.

Primary data refers to firsthand information obtained by the researcher on the variables of interest for the purpose of this study. The opinions from individuals, focus groups and panels are good examples of primary data. Interview is one of the renowned methods and it can be structured or unstructured (Sekaran, 2003). Gill and Johnson (1991) stressed that talks with professionals and practitioners are very important in an interview.

The interview can be conducted face to face or by telephone because of the synchronous communication of time and place (Raymond, 2006). He states that interviewers have a lot of chance to make a good interview ambiance. On the other hand he pointed out that face to face interview can take up a lot of time and costs. For example, interviewing in a place several kilometres away will take a few days including travelling and interviewing.

Unlike face to face interview, email interviewing, which is introduced together with the information computer technology (Nalita, 2005), is asynchronous with time and place (Raymond, 2006). Email interviewing can allow a researcher access to a hard-to-reach interviewee owing to the limitation of time and travelling. Moreover, it facilitates that interviewees respond when they like empowering them to take ownership of narratives without any noise disturbance (Raymond, 2006). In addition, in an e-mail interview it is not necessary to take notes, because the interviewers can always overlook the questions and answers that already have passed (Markham, 2004, Raymond, 2006).

A tape recording is an appropriate method as it is more accurate in a face to face interview than writing out notes. However, in most situations the interviewees would not freely accept the tape recordings and pre-consent from the interviewees is needed before using a tape recorder. Moreover, since all talks are recorded, such situations can disturb the free and frank opinion from interviewees. Among the disadvantages of tape recording is the time a transcription of the tape recording consumes (Raymond, 2006). Bryman (2001) states that one hour of tape takes five to six hours to transcribe (as cited in Raymond, 2006).

Secondary data refers to those existing information which can be obtained from ready sources such as publications, website, journals, etc. (Sekaran, 2003). It is recommended for types of literature which are particularly useful for creating ideas from articles in academic and professional Journals (Beverly, 2009).

3.4 Research Methodology

To achieve the research objective, the researcher would basically conduct email interviews with professionals and practitioners in Korea due to a limitation of place.

However, the researcher would also arrange face to face interview for interviewing with Malaysian professionals and practitioners. Face to face interview plays a critical role in providing supplementary opinions about Islamic finance in Korea, a non-Muslim country.

In an email interview, telephone contacts would be undertaken to get prior -

consent before emailing. Moreover, it provides the researcher with additional emailing in order to get further opinion and to clarify the response after the first respond have already passed.

3.4.1 Research instrument

The research instrument in this study is a semi-structured interview guideline. The interview guidelines were designed based on the review of earlier literature and in order to fulfill the purpose of the study. The semi-structured interview is best employed when the researcher will not get more than one chance to interview the interviewees (Bernard, 1988).

3.4.2 Interviewee selection

It is true that there are not many professionals and practitioners who know about Islamic finance in Korea. The interviews were performed with the expectation that the experience of the interviewees would offer valuable information on the feasibility of introducing Islamic finance to Korea.

In order to select the interviewees in Korea, the researcher had collected information about the professors, CPA and practitioners relating to Islamic finance from the Korean Financial Supervisory Service (FSS) particularly including some persons who are involved with the amendment bill of the governmental taxation. In addition, the professors and researchers who have written articles about Islamic finance were also on the list.

For the Malaysian professionals and practitioners, different aspects of interviewees were considered for the difference in opinion. The Malaysian Securities Commission is the sole regulatory body governing the issuance of *sukuk* under the Guidelines on the Offering of Islamic Securities 2004 (Guidelines 2004). Hence, this study needs to hear opinions from their vast experience. On the other hand, a professor from INCIEF, who is teaching *Shariah*, was contacted by the researcher to get his opinion for in-depth *Shariah*-related matters. Next, practitioners from the financial institutions and consulting firms were considered to get practical opinions.

3.5 Rationalization of Guidelines

There are two types of interview guidelines; one is for interviewing Korean professionals and practitioners, and the other one is for Malaysian experts.

First, for the interview guidelines sent to Korea, the guidelines are divided into 4 categories.

- Section A: Legal considerations in Korea for Islamic finance which are most important and directly related to law, regulations, environments, and requirements in introducing Islamic finance in terms of legal aspect regarding Islamic banking and *sukuk*;
- Section B: Practical considerations which is composed of practical opinions of Islamic banking and *sukuk*;
- Section C: Considerations on *Shariah* issues which can be raised up

when operating Islamic finance in Korea as a non-Muslim country; and

- Section D: Risk management which is assumed for the case of real issuance of *sukuk*.

Second, for the interview guidelines in Malaysia, the guidelines would not be divided into different categories. Instead, to get an applicable as well as a general opinion it consists of 6 guidelines on the legal aspect, *Shariah* supervisory board, *Shariah* issues and risk management.

3.6 Data Collection Method

The researcher has sent an email to seek prior consent for the interview to be conducted with the Korean interviewees at first. At the same time, the researcher has made phone calls to look into the possibility of collaboration. Next, to increase the response rate, several emails have been sent with Islamic finance news. After that, the interview guidelines have been delivered to Korea.

For the Malaysians, the pre-contacts have been conducted through emails and phone calls. The researcher has been invited to the office of the interviewees due to their tight working schedule.

Table 3.1

Particulars of interviewees in Korea

Group	Respondents	Respondents' Identification
Regulators	Senior associate of FSS Korea	R1_RG
Regulators	Senior associate of FSS Korea	R2_ RG
Regulators	Senior associate of FSS Korea	R3_ RG
Academician	Researcher of 'H' institute of finance	R4_AC
Academician	Professor of 'J'[8] University	R5_AC
Academician	Lawyer of 'S' law firm	R6_AC
Practitioners	President of Islamic-finance-related firm in Korea	R7_PR
Practitioners	General Manager of 'W' securities firm	R8_PR
Practitioners	General Manager of 'H' securities firm	R9_PR
Practitioners	CPA of 'S' accounting firm	R10_PR

[8] Initial is used.

Table 3.2

Particulars of interviewees in Malaysia

Respondents	Respondents' Identification	Nationality
Regulatory authority – Securities Commission (Head/Manager)	S1-RG	Malaysia
Professor of INCEIF	S2-AC	Algeria
PhD candidate at INCEIF of Financial institution	S3-PR	Malaysia
Consultant of 'A' consulting firm	S4-PR	Malaysia
Academician	-	Germany

Above all, all collected data was not represented in the name of any organization in which the interviewee belongs to, but instead interviewed as an individual opinion.

For the Korean interviews, further emails have been sent to remind the interviewees of the interviews. After conducting the interviews, should clarifications be required the researcher will again send out emails to solicit answers. Finally, 10 interviews are collected out of a total of 13 contact points.

For the Malaysian interviews, the interviews were held depending on their preference of time and place. Each interview lasted between 60 minutes to 90 minutes. During the interview, firstly; the purpose of this study was explained to appeal legitimacy. Gathered data was validated by email after the immediate write-up.

3.7 Data Analysis

The researcher analysed the data collected in order to induce a valid and meaningful finding from the interviewees connecting literature review. Such findings are compared to other countries' cases to construe what are the differences and challenges.

Since the data from Korea is extracted via the email interview, the authentication and accuracy are high. For the face to face interview, the confirmation email supplemented the accuracy.

Apart from the interview data, the study simultaneously employed the secondary data such as book, available website, articles and so forth, whereby such information would be analyzed with interview finding to supplement it.