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for Education

Alternative Student Finance

Current and future students'
perspectives

Research report

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Executive summary

Introduction

Previous research has indicated that under the current student finance system of interest-bearing student loans, some students may feel unable to undertake Higher Education (HE) or that their HE choices are limited due to their religious beliefs. The Government is therefore developing an Alternative Student Finance (ASF) model that would be compatible with some students' religious beliefs and help to mitigate choice constraints. This new research gathers detailed qualitative feedback from a range of Muslim students, graduates and potential students: exploring their decisions about HE, and the role that cultural beliefs and student finance play in these decisions; and their views on the proposed ASF model. In total 77 individuals participated in the study – through one-to-one interviews and focus groups.

Attitudes to personal finances and student finances

- Individuals feel they have a good understanding of Islamic finance, and that accruing, paying, charging or receiving interest is not permissible or at least problematic. However some Islamic scholars believe that education is important, especially where there is no alternative, so can be supported with loans. The lack of a consistent ruling causes some confusion for those making HE decisions.
- Religious beliefs have a strong influence on views of personal finances and interest in particular. Some individuals are strongly opposed to taking out loans because of the interest aspect and they tend not to take out student loans and/or not go to university. They use other techniques to generally avoid interest such as borrowing from family and friends, saving up to buy things outright, using interest-free overdrafts and donating to charity any interest gained on standard bank accounts.
- Families and cultural heritage also tend to have considerable influence on an individual's own views and actions around personal finances. Parents are often strong role models, persuading against loans or, where there was a more liberal approach to loans, normalising borrowing. However some individuals do not share the same views about finance as their families, and their own opinions about interest and loans can change over time.
- Most individuals - regardless of the strength of their Faith, family engagement with mainstream finance products, or opposition to interest - are concerned about having debt and want to avoid it wherever possible. Debt is viewed as a burden both in religious terms and in terms of negatively impacting upon future

opportunities; and some saw how their family members were struggling with student finance debt.

Decisions about HE and the role of student loans

- Those deciding against HE have no other way of financing their studies but have considerable concerns about taking out a student loan – due to the interest that will be charged and/or the size of the debt they will accrue. These are often interlinked concerns and therefore difficult to distinguish between whether take-up is deterred on religious grounds or relate to personal feelings that may be found among other groups of potential students. These concerns lead them to question the ‘value’ of HE. Financing HE study is a major barrier but is exacerbated by indecision around what subject to study or career path to aim for.
- Some of those who progress into HE feel that concerns about student loans (the interest and size of debt, again inter-related factors) makes their decisions difficult/worrying and in some cases can shape final choices. They often consider undertaking an apprenticeship instead of HE study; delaying entry to HE to save up money for their fees; choosing institutions close to home so they can live with their families to reduce costs; or choosing a vocational subject offering funding or a better chance of employment after graduation rather than a subject they would really like to do.
- Financial support from families helps some individuals to progress to HE and allows more freedom in their HE choices; whereas for others securing funding from their families comes with (perceived) additional restrictions and pressures.
- Finance however is not the only consideration influencing decisions, others include: feeling that a degree will improve career prospects, wanting to experience life at university, following in the footsteps of siblings/keeping up with peers, always wanting to go to university and/or responding to pressure from family.

Financing HE study

- Many of those who take out student loans feel they would not have afforded to study without the loan as they have no savings or their families are unable to support them. Similarly, many of those with family financial support feel they would not have been able to study without this (as they would not have taken a student loan).
- The four key motivators/justifications for taking out a student loan are: viewing HE, and thus the loan itself, as an investment; lacking any real alternative funding

source; being persuaded, encouraged or forced to take out the loan by others; and the loan being 'just what everyone does' and part of the experience of HE.

- Many individuals decide purposefully that they will not take out a loan. There is a general awareness that student loans attract interest and a key barrier to taking out a student loan is the interest aspect, rather than the repayment period or source of funding.
- Whether taking out loans or supported by their families, students also draw on other sources to 'top up' their income and pay for additional expenses such as applying for maintenance grants and institutional bursaries/scholarships, undertaking part-time paid work or using savings (built up before starting their studies). They also use strategies to reduce their expenditure by living at home whilst studying and living frugally. These strategies also help loan takers to reduce the amount of loan taken out or only take out a fee loan. Some of these actions however can negatively affect study outcomes and experiences, and relying on varied means of support is not a comfortable experience.
- Those supported by their families tend to describe themselves as lucky, but family support can also come with a sense of additional responsibility and obligation.

Views on the ASF model and its impact

- Individuals are overwhelmingly positive about the ASF model, feeling it is attractive to them, and will be attractive to their families, friends, and community and thus encourage more Muslim students to go university, particularly those who could be deterred by the need to use interest-bearing loans to finance their studies. They also feel ASF will be attractive to a wider audience, beyond the Muslim community.
- Many would have considered taking up ASF if it had been available to them when making HE decisions, and some wondered if it was possible for them to change over from a student loan to the new ASF product. However, some individuals were a little cautious of ASF and would need more details of the model and prefer it to 'bed in' a little first, before taking it up.
- ASF is generally considered to be a more acceptable, Islamic friendly, source of finance; a more inclusive and accessible form of student finance that adds choice to the market; and a positive move on the part of Government to address the needs of Muslim students (who currently have few options).
- By providing an alternative, more acceptable, source of finance, the ASF model can have the potential to influence decisions about HE. It could take the pressure off other sources of funding (family support, working for long hours alongside studying), provide additional spending money, and thus improve the social

experience of HE; relieve the 'guilt' in taking out a student loan; and make HE decision-making easier and 'more relaxed'. It could also help tip the balance towards seeing HE as a worthwhile option and broaden potential choices such as considering institutions further from home or studying subjects individuals are passionate about.

- The key attraction factors of ASF are that it is:
 - a ring-fenced pot where contributions fund the education of others (and so benefits future students) rather than go to a profit-making organisation; does not accrue interest but instead involves a fee or contribution;
 - available to everyone (regardless of background or religion); is straightforward to follow;
 - permissible under Islamic law and would be approved by a council of scholars;
 - fair, as it neither advantages nor disadvantages individuals in comparison to the mainstream student loan.
- There is some confusion however about the size of the total debt under the ASF model and a concern that ASF still involves interest. Some individuals think the ASF model means the amount to be paid back will be the same as the amount borrowed and thus smaller than the debt accrued with a traditional student loan. Several individuals therefore interpret non-interest bearing as interest-free (and thus a cheaper option). Those that understand that the ASF repayment amount will be the same as the traditional student loan debt are sceptical whether the ASF model really represents a different approach and is perhaps just using a different terminology (of service fee rather than interest).
- Scholarly approval of ASF, and representation of different schools/branches of Islam in this process, is important. Scholars are felt to have years of experience, be best able to understand the technicalities and nuances of Islamic finance, and thus provide confidence in ASF in terms of its compatibility, legitimacy and compliance with Islamic law and clarify and resolve any issues around interest.

Marketing the ASF model

- Key channels for disseminating information and marketing messages about the ASF model are: schools and colleges and key internet sites (gov.uk, UCAS, SFE, and NUS) and social media. These reflect the sources used to find out about the financial aspects of HE when making HE decisions.
- Information about ASF should be presented alongside information about traditional student loans, and aimed at potential students and their parents/care givers. This

information should help people understand what ASF is and how it works (and the similarities and differences to traditional student loans).

- Care should be taken in how ASF is marketed, with it made clear that it is for everyone. There was a concern that, if it was marketed specifically and only to Muslim students, and presented as a religious or Islamic product it could be divisive and Muslim individuals might experience a backlash from some parts of the media and UK population.

Introduction

The HE White Paper (Success as a Knowledge Economy, 2016) set out plans to improve the quality and choice for all students and enable more people to benefit from HE. These plans included introducing an alternative student finance offer that will avoid the payment of interest in order to support students who feel unable to take on interest-bearing loans for religious reasons. The alternative offer could rest on the principle of communal interest and transparent sharing of benefit and obligation. The repayments (contributions) of participating students would be used to provide finance for future participating students. This Alternative Student Finance product (ASF) would be distinct from traditional student loans and open to everyone in England, but would not result in any advantage or disadvantage relative to a traditional student loan. ASF would therefore offer the potential to fund HE in a way that would be compatible with some students' moral and religious beliefs, and help to mitigate choice constraints.

Initial research undertaken by the Department for Education including an open consultation in 2014¹ indicates there is a demand for an alternative finance product but there is a need for clear and transparent explanation of how it would work – how it will be compliant but also how it will neither advantage nor disadvantage those who participate.

This new research builds on the current evidence by gathering further feedback from a range of Muslim students, graduates and potential students to understand their attitudes to finance, decisions about HE and role of student finance in these, and their views on and potential demand for ASF.

Aims and objectives

The DfE commissioned the Institute for Employment Studies (IES) and NatCen to undertake a qualitative study to understand the experiences of Muslim individuals who did and did not take up students loans, and who did and did not go into HE. The work was commissioned to support the development of the ASF policy and product. The research aimed to engage with a range of students and prospective students (including a small group of non-Muslim individuals) to probe on:

- attitudes to debt and the influence of cultural beliefs;
- making choices about HE;
- choices about Islamic finance and what individuals look for in such a product;

¹ The government response to the consultation can be accessed via https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/349899/bis-14-984-government-response-to-a-consultation-on-a-sharia-compliant-alternative-finance-product.pdf

- and views on a proposed ASF model.

Methodology

The research was largely qualitative and involved a number of components: a) a brief literature review; b) secondary analysis of the Student Income and Expenditure Survey (SIES) 2014/15 dataset; and c) 45 individual telephone interviews with Muslim individuals, and six focus groups with Muslim and non-Muslim students. All interviews and focus group discussions took place between August 2017 and December 2017.

The full methodology can be found in Appendix 2.

Background: Principals of Islamic Finance

In order to understand the context within which the new alternative to the traditional student loan has been proposed, it is necessary to appreciate the key principals of Islamic finance which have influenced the issue. Habermann (2015) provides an overview of these principals focusing on the two most relevant to the student loans discussion: 1) The Prohibition of Interest or Riba (the financial interest on money rather than the gains from use of physical assets); and 2) The Prohibition of Excessive uncertainty or Gharar (where there is uncertainty as to the fundamental terms of the contract, such as the subject matter, price, and time for delivery). Habermann also reviews the four main products of Islamic Finance available; Murabaha, asset-based loans; Ijara, asset based leasing; Sukuk, corporate bonds; and Takaful, mutual funds and collective insurance (Habermann 2015). This overview gives insight into the possible options for an ASF product. Abedifar provides a more in depth review of Islamic finance principals, highlighting the fact that while Sharia recognises excessive payments in business transactions, it prohibits the same on lending activities (Abedifar 2015). Islamic banks typically fund their lending with depositors' funds and their equity capital (and very rarely the employment of Sukuk bonds), a method that avoids the payment of interest or Riba.

As of September 2012 Higher Education institutions may now charge tuition fees of up to £9,000 per academic year (with allowances for inflationary rises). While individuals are studying the loan carries an interest rate of the Retail Price Index (RPI) + 3%. After graduation, when borrowers reach their statutory repayment due date, the interest rate is based on their income and will be between RPI and RPI + 3% (BIS Consultation, 2014).

Attitudes to borrowing and debt: Research evidence

In 2005, the survey of higher education students' attitudes to debt and term-time working (Centre for Higher Education Research and Information (CHERI) and London South

Bank University, Universities UK, 2005), found that the majority of students in their sample (90 per cent) had taken out a loan from the Student Loans Company (SLC). However, minority ethnic students, Muslim students and single parent students were slightly less likely to do so. It also revealed that the groups most likely to be experiencing serious financial problems were: those with dependent children; those from the lowest social class; and Muslim students. A significant minority of students working during term-time (28 per cent) were working to reduce the amount of loan borrowed from the Student Loans Company (i.e. to reduce the loan). Sixteen per cent were working to avoid taking out a student loan altogether. Reducing the value of the loan via this method was a much more important reason for minority ethnic students, Muslim students, students living with their family, and those studying in London than for others. These findings demonstrate that as a group Muslim students' attitudes and behaviours towards loans are often different from their non-Muslim counterparts.

Empirical evidence has also identified differences between Muslim students and others in their wider attitudes to debt. In 2003, the Universities UK report on 'Attitudes to Debt' found that Muslim (and Sikh) respondents were far more likely to hold strong anti-debt feelings than those of other religions or without a religion (55 per cent compared with 29 per cent) (Callender 2003, p. 47). The report notes that this is likely connected to the prohibition of interest (or *riba*) under Islamic law. Muslim students were also more likely to hold 'moralistic' attitudes to debt, i.e. to feel that borrowing was wrong (p. 49) and feel fearful of debt (p. 50). Authors conclude that prospective students' religion and attitudes to debt were the most important factors predicting likely student loan take-up, with non-Muslims three and half times more likely than Muslims to anticipate taking out a loan (p. 132). Despite higher levels of debt aversion, Muslim students were still more likely to enter HE than non-Muslims. Findings suggest this was facilitated by the greater likelihood of having savings (p. 53), choosing a local university and of living at home with parents whilst studying.

In summary, empirical evidence suggests that Muslim students hold more debt averse attitudes than students belonging to other faith groups, and are less likely to take out a student loan. However, this does not necessarily deter them from attending university.

The proposed alternative student loan model

The government has proposed a *Takaful* loan that would remove the payment of interest, making student finance accessible for Muslim students, and is now considering the detail of this structure and how best to take it forward. Like the current student loan, it would involve mutual contribution and benefit and the same debt burden to the existing student loan. The way the model would work can be briefly summarised as follows; the student would apply for funding and the alternative finance system would provide the finance to the student throughout their studies. Once they have completed their course and have

reached an income above the repayment threshold, they would then make payments back through the tax system, which would be fed back into the ASF system and used to provide finance for future students.

Experiences of Muslim students

Analysis of the Student Income and Expenditure Survey (SIES) data for the academic year 2014/15 provides additional background information on the group of Muslim students who responded to the survey and allows one to contrast findings for Muslim students with the larger group of non-Muslim students (i.e. those with other faiths or no particular faith). To provide the largest number of potential data subjects the entire SIES dataset was used – this includes individuals studying full-time and those studying part-time, those studying in England or in Wales, and those of English domicile or of Welsh-domicile. The unweighted dataset² was used, again to provide the largest number of data subjects (and so as not be affected by effective sample size).

Profile

Analysis of the Student Income and Expenditure Survey (SIES) 2014/15 finds that over 300 individuals, representing approximately five per cent of the responding population of students (including English-domiciled and Welsh-domiciled students), described themselves as Muslim. The largest groups in the SIES population were those who described themselves as having no particular religion (56 per cent) followed by those who described themselves as Christian (34 per cent). Other religions reported included Sikh, Hindu, Buddhist and Jewish but the number in each group was less than 50.

Analysis of the unweighted dataset indicates that the group of Muslim respondents were mostly from Asian backgrounds or mixed ethnic backgrounds (74 and 12 per cent), and were fairly equally split between males and females (49 and 51 per cent respectively). Popular discipline areas for the group of Muslim students were: STEM subjects (Sciences, Engineering, Technology, Mathematics and IT, at 34 per cent), followed by Human and Social Sciences, including Business and Law (30 per cent).

The group of Muslim students were slightly younger than non-Muslim students (44 per cent were aged under 20, compared with 36 per cent), and were significantly less likely to be mature students; and disabled students were under-represented in the Muslim group.

² Note that the dataset was weighted to account for the sampling design and to be representative of English and Welsh-domiciled students studying in either England or Wales. However as religion was not one of the characteristics used in the weighting calculations, the weighted dataset would not necessarily be representative of Muslim students. The unweighted dataset was used to provide raw analysis of student profile, engagement with various forms of financial support, and attitudes towards finance.

Muslim respondents were also significantly more likely than those from non-Muslim backgrounds to be from families where their parents had no experience of HE (71 per cent compared with 52 per cent), and consequently significantly less likely to be from a managerial or professional socio-economic background (22 per cent compared with 50 per cent). The pattern of a higher proportion of Muslim than non-Muslim students from lower socio-economic backgrounds was also found in the 2011/12 SIES data.

A key finding is that the majority of Muslim respondents lived at home with their parents during their studies (56 per cent), and this represents a significantly higher proportion than found among non-Muslim students (25 per cent). Muslim students were also more geographically concentrated in London than found for the responding group as a whole, 23 per cent lived in London compared to just seven per cent of non-Muslim students.

These raw data would therefore suggest that Muslim students are more likely to live at home whilst studying (and thus possibly narrow their choice of institutions), and are potentially less likely to be supported financially by their families as they are likely to be less well off. However it would not suggest that Muslim students defer entry to any great extent. This is worthy of further exploration.

Financial circumstances

SIES explores whether student respondents receive any of a number of potential sources of income to help towards paying for study costs – that is tuition fee costs, wider study costs and living costs. In general, the 2014/15 SIES found Muslim students were relatively more likely to receive income from the main sources of student support from the government (90 per cent compared to 82 per cent), and which on average account for the vast majority of student income. These main sources include Tuition Fee Loans, Maintenance Loans, Maintenance Grants and Access to Learning Funds.

Digging deeper however, Muslim students were no more or less likely than non-Muslim students to take out a Tuition Fee Loan (both at around 75 per cent) but were considerably more likely to receive a Maintenance Grant (61 per cent compared to 35) and correspondingly were marginally less likely to take out a Maintenance Loan (which is likely to reflect the greater proportion living at home whilst studying, 56 per cent compared to 60 per cent, although amongst those taking out a Maintenance Loan there was no real difference in the average amount borrowed). Grant support would therefore appear to be relatively more important to Muslim students but this is likely to reflect their socio-economic status (which is related to grant eligibility). Additional analysis of SIES indicates that when controlling for socio-economic background, Muslim students were still significantly more likely to receive (and arguably rely on) a Maintenance Grant. This is worthy of further exploration.

Looking at other potential sources of finance, in contrast to non-Muslim students, Muslim students were more likely to receive money from a bursary or scholarship from their university or college (28 per cent compared to 18 per cent). This aligns with the pattern of greater support from government maintenance grants. However, they were relatively less likely than non-Muslim students to gain income from their families (61 per cent compared to 82 per cent). Both these patterns are likely to reflect the difference in socio-economic background. However, again when looking within each socio-economic grouping, Muslim students were significantly less likely to get support from their families.

Muslim students were also less likely to receive income from paid work – either during the academic year (44 per cent compared to 62 per cent) or the long summer vacation (33 per cent compared to 53 per cent). Again when exploring the patterns by socio-economic background, it is Muslim students from routine and manual work backgrounds or from intermediate work backgrounds that are less likely to work than non-Muslim students from the same backgrounds. Muslim students from managerial and professional work backgrounds were however equally likely to work alongside their studies as those from non-Muslim families.

Attitudes to finance

SIES 2014/15 included a number of attitudinal questions to explore the influences of finances pre-entry. Students were asked to think back to when they were applying to university or college and the funding that was available at that time. They were then asked: how they had expected to pay for their fees and living expenses whilst at university or college; whether the student funding and financial support available to them had affected decisions about HE study in any way, and if so, in which specific ways and which particular funds.

Many of the findings for Muslim students are likely to reflect the pattern that this group of students were much more likely to come from lower socio-economic/less advantaged backgrounds than non-Muslim students.

- Muslim students were significantly more likely than non-Muslim students to expect to pay towards their fees and living expenses with a government grant (28 per cent compared to 21 per cent) or with money from their university or college (12 per cent compared to eight per cent). This reflects the reality of funding, as indicated above.
- Muslim students were relatively less likely to expect to pay towards their costs by working (either during term-times with 20 per cent compared with 27 per cent reporting this; or holiday work, 20 per cent compared to 31 per cent), by using their own savings (20 per cent compared to 28 per cent), and they were also less likely to expect support from an employer.

- Muslim students were significantly more likely than non-Muslim students to report that their decisions about HE had been influenced by the student funding and support available to them (46 per cent compared to 40 per cent), and were also more likely to say that the cost of tuition fees had influenced their decisions (40 per cent compared to 25 per cent). Of the group that had been influenced by the support arrangements, they were significantly more likely to say this had influenced them to study at a nearby university so they could live with their family (43 per cent compared to 29 per cent), and whether or not to study in London (23 per cent compared to 16 per cent).
- Interestingly, the group of Muslim students who had been influenced by student funding/support were significantly less likely than similar non-Muslim students to report that they would not have studied without funding (53 per cent compared to 64 per cent). Similarly the costs of fees were relatively more likely to influence this group to study close to home, and study in London.

Attitudes to student and personal finances

This chapter draws on the interviews and focus group discussions and captures students' and potential students' understandings of, engagement with, and views on Islamic finance in comparison to mainstream products. It examines their thoughts on the rules around Islamic finance and the adherence required. It also explores the types of Islamic finance they are aware of, for example that used by their families. It looks at their views on: debt, borrowing and taking out of loans, and paying interest; how these are influenced; and how these views, in turn, influence financial behaviours. This provides a basis from which to understand how these views might inform decision-making about higher education.

Understanding and use of Islamic finance

Interest is not permissible or should be avoided

Many individuals felt they had a good (although not necessarily expert) understanding of and knowledge about Islamic finance/financial techniques. This group tended to report that the accruing, paying, charging or receiving of interest was not permissible or at least problematic. Several talked about how taking out a loan was permissible as long as one pays back the same amount:

'When it comes to loaning money - to loan somebody money and not expect it back, or loan money and increase the loan repayment time – these are praiseworthy acts, but to charge interest or expect more money back this is not accepted by Muslims' (Individual who had decided against HE).

Those who had not taken out a student loan tended to state firmly that interest (or riba) was not permissible (haram) which meant finance products such as traditional mortgages, repayment loans such as car loans were not allowed:

'a key basic tenet is that to make money from money, e.g. interest from a loan, is impermissible or 'haram'... it is not just about avoiding 'haram' activities'...I think many Muslims are of the view that if you do dabble in interest then you lose the...we call it barakah... so you lose your blessing if you were to go for an interest-based loan' (Graduate who had not taken out a student loan).

Not all interviewees felt they had a strong understanding of Islamic finance or the different forms of Islamic finance, and indeed interviewees spoke of Islamic finance being 'niche' and how many people *'don't invest time into really understanding Islamic law'*. There was a general agreement however that most Muslims would understand that interest is impermissible, and should be avoided wherever possible. Although confidence

in being able to delineate why interest is prohibited was difficult for several interviewees, and this was often driven by a lack of engagement with Islamic finance products. Interviewees also noted that there are different opinions within Islam about whether loans for education were permissible (see below), and discussed how it was difficult to avoid interest and loans more generally. For example, one graduate felt it was difficult to practice in modern life without banking and another highlighted what they saw as the balance between practicing their faith and following 'normal' practice in British society, viewing finance as one area where it was necessary (although not desirable) to make compromises.

However loans could be permitted in some situations

Interviewees acknowledged there were different schools of thought about interest within Islam and amongst scholars, and how even within families there could be different interpretations. Some interviewees (those who had taken out a student loan and those who had not) understood that taking out loans could be considered acceptable if there are no other options, particularly in relation to something as important as education which is regarded as critical for self-improvement. Thus loans could be taken out in some circumstances, with education being an exceptional case:

'the basic foundations of Islamic finance are that Muslims do not like having to pay interest or charge interest.. When it comes to paying interest we tend to avoid it but if there's no other option then we're allowed' (Graduate who had taken out a student loan).

Here individuals reported the advice of particular Scholars that the concept of interest does not fit with the arrangements for fee loans, and that the student loan is 'semi-permissible' because faith should not be a barrier to education, particularly for working class students. One graduate described how this creates a 'middle-path' where education is prioritised over religious tenets.

However the discussions highlighted how this appeared to be a contested area, with no general consensus, and the conflicting viewpoints within and across Muslim communities could be confusing for those making decisions about higher education and about student loans. Individuals were aware of the argument permitting loans and some agreed with it and the proponents of this view, and others did not arguing that student loans are still haram because of riba:

'a handful of Muslim leaders have said student loans are fine to take because it's sort of the only alternative. But I think the majority of people know that it's not correct. It's sort of black and white in the religion that anything with interest is not allowed' (Graduate who did not take out a student loan).

Understanding and/or beliefs about finance can change over time

A few individuals noted how their feelings about finance, and loans changed over time. Here interviewees described having little understanding of Islamic finance or misunderstanding the loan system at the time of applying for university (i.e. that interest is accrued whilst studying), and upon gaining greater understanding of the financial arrangements and/or of religious teachings became troubled about taking out a loan:

'I didn't really see the harm in it and it was only later in life that I started doing a bit more research into it that I found that it isn't really a good thing, that you shouldn't really have interest. So I did regret it' (Graduate who had taken out a student loan).

Others described how their religious views about debt changed over time, generally becoming more averse to loans and debt.

Limited awareness of Islamic finance products

Generally individuals felt they knew very little about Islamic finance products, other than the existence of Islamic bank accounts, and knew little about their families' financial situation. A few ascribed their lack of knowledge about Islamic finance products to their age, and financial circumstances, as they had no call yet to think about mortgages and/or had little money of their own. However some interviewees described the Islamic funding that they and/or their families used and these included: Islamic bank accounts that are non-interest bearing, car financing offering zero percent interest, and Islamic mortgages available from Islamic banks. One interviewee described a type of Islamic funding often used for mortgages – where another party could buy the house and lease it to an individual using a type of 'rent to buy' model. A few talked about crowd-funding, and felt this could be used as a form of Islamic finance. For example, one interviewee described how a relative had purchased a property using crowd-funding so he could rent it out to pay back the loan; and another talked about a specific education focused UK website to crowd-fund their HE.

In contrast, others described ways their families used to avoid traditional finance products such as renting their properties or buying them outright rather than take out a mortgage.

In some cases, particularly among those who took out a student loan, their families mixed Islamic products with non-Islamic products. For example, one graduate noted how her family all bank with a high street bank as the bank offers an Islamic finance option however some of her family do also have credit cards; and another noted how his parents have an Islamic finance model for their car insurance but have not been able to do so for their home insurance. Indeed, using traditional (non-Islamic) finance products was not unusual, and individuals described how their families had standard bank

accounts, finance arrangements for cars, credit cards and mortgages; and some interviewees described having traditional savings or current accounts.

Islamic finance products are scarce

Some individuals felt that finding Islamic finance products was difficult, that there were few options and that these were not very visible and/or fairly new (particularly when it comes to financing HE), and were not very convenient. A few also felt that where Islamic products were offered, such as mortgages, these were more expensive than non-Islamic products. The scarcity/limited availability or relative expense of Islamic finance options was felt by some to mean that Muslims took out mainstream or Western financing:

'living in a western country, you can't always follow the rules of Islamic finance...there is not much out there to cater for Muslims, if there was I would take up the Islamic option but in the absence of an Islamic option I will go for the Western/mainstream option' (Graduate who did take out a student loan).

'unfortunately there is not a model out there where it is easy for us to kind of access finances without compromising certain parts of our faith' (Graduate who did take out a student loan).

One individual felt the problem – a lack of compliant products - was part of a broader issue of living in a secular society as a practicing Muslim.

Despite feeling that Islamic products were limited some felt there has been an improvement over time in their availability; and perhaps a change in attitudes between generations reflecting the greater availability of products. For example, one graduate who noted how when his parents came to England from India in the 1950s there was a lack of any alternatives to traditional loans, and so he feels his parents are more accepting of loans; whereas his own generation has more options of products compliant with Islamic finances have more power over their choices.

Views on borrowing and debt

Many individuals had strong negative views on borrowing and debt. The discussions indicated that perhaps interest was viewed negatively on religious grounds whereas as debt was viewed negatively due to cultural reasons.

Concerns about the burden of debt

Most interviewees were concerned about debt/owing money and the thought of debt was stressful, and something they wanted to avoid or get rid of as soon as possible. Even those for whom debt was regarded as 'normal' for them and/or their families (generally

those with student loans), were uncomfortable with it. These views were often shaped by their family but also their cultural and religious identities/backgrounds.

Nearly all individuals noted how they did not like having debt, and would not want to build up debt if they could avoid it. Instead, individuals talked about preferring to save up if possible to buy things outright (rather than with finance packages), preferring to borrow from friends and family (someone they know and trust and who follows the same religion), carefully managing their finances or postponing purchases or deciding against them:

'it makes sense really. Be responsible for your actions, responsible for your spending. Spend within reason - don't be extravagant but don't just get only cheap stuff...Don't buy things you don't need, and plan ahead' (Graduate who did not take out a student loan).

One graduate described how he never likes owing people money, even his parents, so whilst at school he started selling chocolate and canned drinks to make a bit of money so he was able to do what he needed without having to ask anyone for money.

Interviewees were particularly worried by the thought of paying back a large amount of money for a long time, and *'having it [debt] hanging over their head'*. A few talked about members of their families struggling with student finance debt, and/or having to pay back loans over many years which concerned them; and some therefore noted how life experiences could also influence or shape their views about personal finances and loans:

'I can see the strain that debt can bring...tense moments at home often stemming from owing money to banks for mortgages etc.' (Graduate who had not taken out a student loan).

Debt was regarded as a burden, both in religious terms and in terms of negatively affecting future opportunities, particularly the ability to obtain mortgages and other forms of finance:

'people who borrow are not able to move forwards in life if they are in debt because they are still paying off' (Graduate who did not take out a student loan).

It is worth noting that concerns about debt are not necessarily the preserve of Muslim individuals and that these views might not be distinct from other groups that could not be interviewed for the purposes of this study. Indeed, a few interviewees noted their aversion to debt was not necessarily related to their faith:

'it is just that I don't like the idea of debt hanging over me' (Graduate who took out a student loan).

Acceptability of borrowing in general if it is for a good reason

As noted above, it was understood that borrowing could be permitted if it was for a just cause. Therefore although some individuals personally would prefer to avoid borrowing,

debt and particularly interest, they felt they could justify (to themselves and their families) borrowing for the purposes of education and career progress/development:

'I am not comfortable with having a lot of debt but it depends on what it is for. If it's just for 'an item', then I would definitely not go there, but if it's for education, and the ability to improve, I can consider it... if the pros outweigh the cons then I would go for it' (Graduate who did not take out a student loan).

'Debt - nothing good about it but sometimes to get further in life you have to get a loan so that you can go to university' (Graduate who took out a student loan).

However, there was some confusion around acceptability of the interest that tends to accompany loans/debt. Some interviewees when talking about debt being acceptable did not mention the interest aspect, others mentioned interest but felt it was acceptable if it was fair, whereas others said they would not take out an interest bearing loan (and indicated an Islamic product would be preferable if it were available).

Normality of debt

For some (generally those who had taken out a student loan) using finance products, borrowing and thus having debt was considered normal in their families, although a range of finance products might be used and whether or not to take out a loan was considered a personal choice. This meant that for family contexts where borrowing was normal practice, taking out a student loan was not seen as problematic or troubling as it could be for other Muslim families and individuals:

'Some people would be wary about it [student loans] but I personally was OK with it, my siblings were the same...I mean my house has a mortgage; a couple of my siblings have financed cars. So it's taken a bit more lightly in my household. But there are people out there that would mind that and that would see that as a big, big problem' (Graduate who took out a loan).'

'it [student loan] was the only option... and obviously both my parents went to university so they kind of wanted me to go as well. They realised that it was the only way I could go....a lot of the people here [in the religious community]... understand that it's just the system. A lot of people are just OK with it' (Graduate who took out a loan).

Family and cultural influences on financial views and behaviours

Families, as well as religious beliefs, tended to have a considerable influence on interviewees' own views on finances and/or their actions around personal finances. Several noted how culture, family and religion all mixed together to influence them. For example, one individual noted how his views were influenced by an (indistinguishable) mixture of religious and cultural identity, and to a certain extent personal preferences.

Others also talked about their cultural heritage (e.g. Pakistani or Indian etc.) and described how their views about finances were part of their culture:

'I would describe myself as debt averse from a cultural perspective (from a Pakistani background) but many cultures are debt averse such as the Russian culture... personally I would not want to acquire debt' (Graduate who did not take out a student loan).

Parents were often strong role models, either normalising loans or persuading against loans:

'My parents...they tell me not to buy anything I don't have money for' (Graduate who did not take out a student loan).

Parents could also act as a financial buffer. One interviewee described how his family try to keep financial 'reserves' to avoid debt, and he knows that if he were struggling, he would probably approach a relative for help. He feels that he has benefitted *from 'sound financial planning and privilege'*, and that his family, while not rich, have sufficient funds to support him.

A few interviewees did not however feel that their families had influenced their views about finance but these tended to be in the minority. Instead, this small group talked about the influence of media and social media, the importance of doing their own research and reading of Islamic teachings, and how they tend to come to their own conclusions about finance.

Although interviewees often reported that they and their families shared the same beliefs around finance, it is interesting to note that for some individuals the views of their families were perhaps contrary to their own (developing) views. Some interviewees described having more or stronger concerns about borrowing and debt than their parents or siblings or partners whilst others talked about having fewer concerns than their families. For example, graduates who had not taken out a loan described how their siblings had done so in order to go to university:

'my brother wasn't too fussed about taking the loan, didn't delve into the detail of Islam about whether interest is allowed or not ...for him he wanted to go to university, so that was a sacrifice he was willing to make'

Similarly, another interviewee (who did not go to HE) noted how she was brought up not to get into debt but feels this is a generational thing and her younger brother does not think twice about debt and credit. Another interviewee described how he was delaying entry to HE so he could save up to pay for the fees and noted how his views were quite the opposite to those of his parents:

'my mum and dad begged me take out a student loan and encouraged me to get a standard mortgage. They don't care about the interest. I think they are more long-sighted about wanting me to have a degree and a property. But I don't believe the end justify the means. I also think that because they have not been in debt they are not qualified to

comment on this... whereas I have friends who have been to university and have debt through student loans who said they regretted it. They haven't got jobs and so can't start paying it off'.

Conversely, a mature graduate, who had taken out a student loan, described how his wife and some of his wider family did not agree with loans, accruing interest and having debt due to their religious beliefs. They were not very happy about him taking out loans, but generally understood that he did not have any other option.

Religious influences on financial views and behaviours

Religious beliefs had a strong influence on personal finances for several interviewees, in particular on their views about interest.

Almost all interviewees described themselves as practicing Muslims, and how religion was part of their identity. Interviewees generally noted that they were brought up in the faith, although very few went to an Islamic school. Some interviewees talked about how levels of faith varied within their families with some members, interviewees included, having stronger beliefs and stricter adherence. One interviewee noted how religious scholars, rather than his family, had a particular influence on his views about finance:

'they [his family] are not knowledgeable enough about Islam. So I look for information from well-read scholars with a good reputation, such as [name of a local scholar working in East London]' (Current student, who did not take out a student loan).

Some felt they personally were very religious, adhering strictly to their faith (*'I follow the rules'*), took it very seriously and described how religion meant a great deal to them, was important in their daily lives and influenced the decisions they make in life:

'Religion is very important, it is the primary source of how I interact with others and the choices I make in life' (Individual who did not go to HE).

Whereas other interviewees thought they were less strict/had more moderate views than others in their community:

'Religion is important but not as important as education, I try my best to be a practicing Muslim but I am not completely focused on it' (Graduate who took out a loan).

There was no clear or definitive alignment between self-described strength of faith and whether or not interviewees took out a student loan, or indeed whether or not they went to HE.

There were some interviewees who were strongly opposed to taking out loans because of religious reasons relating to the interest aspect:

'There's things that I do that I'm not meant to do but I can justify them but with interest, it's a continuous thing and it's quite a major sin...because if it was a one-off thing... but

with interest it would be paying off every single payment with interest ... that would not sit well with me' (Graduate who did not take out a student loan).

Interviewees gave examples of how their religious views affected how they conduct their personal finances and the decisions they make. One graduate (who did not take out a student loan) explained how she withdraws the interest she gains with her 'standard' current bank account and donates it to a charity. This was a common practice among interviewees and their families. Another current student (who has not taken out a loan) noted how he always avoids interest-based loans but that he does use his interest-free overdraft as it is not haram. Similarly a current student who has not taken out a loan noted how they would not want to take out a mortgage or bank loan and would rather borrow money from friends and pay them back '*...as religion is important to me*'. Another graduate (who had not taken out a loan) described how the financial principals derived from the legal code within Islam had influenced his decisions to a great extent and how he tries to stay within these principals - he had taken out an interest free bank account, he avoids insurance as there is an element of uncertainty (which is prohibited) but he takes it out where it is compulsory e.g. car insurance but would not take out life insurance.

Decisions about HE and the role of student loans

This chapter explores how decisions about student loans were made and the impact student finance and student loans in particular had on decisions about higher education. It examines where, how and what aspects of student finance impact upon key elements of HE decisions such as whether to study, when to study, and where and what to study. It looks at whether individuals felt they had to make compromises or sacrifices to their study plans and ambitions. It also explores wider influences on decisions, and the sources of information about finances when making HE decisions.

Influence of the student finance model on decisions about HE

Deciding against HE

The narratives of the interviewees who decided against HE highlighted how financial aspects influenced their choices, and how some prioritised faith in their decisions.

Although each story is different, there were some common themes. These individuals generally had no other way of financing HE studies, other than taking out a student loan, and they and/or their families tended to have considerable concerns about the aspects of student finance. These concerns led them to decide against HE or to at least question whether going to university would be right for them. Among the group of interviewees who had decided against HE, there was a split between being more concerned and deterred by student finance out of religious concerns relating to accruing interest and being more concerned/deterred out of general concerns about having debt and in particular the potential size of the debt (made worse with the increase in fees). Indeed, some individuals described how the tuition fee increase had effectively put HE beyond their reach and they were concerned that fees would continue to rise.

The stories illustrated how individuals had often seriously considered HE and explored their options and some had made considerable progress in deciding what and where they would study before deciding against HE. The stories also demonstrate how decisions were often made as a family, and reflect how influential families could be on decisions about HE and personal finances.

Financing was clearly an issue in considerations about HE but this was often coupled with other challenges or barriers, and could depend heavily on personal circumstances. For some, the issue of financing meant they (or their families) questioned the value of HE particularly in terms whether HE would lead to a good job after graduating in such a highly competitive labour market, and thus whether compromising their beliefs would be 'worth it'. Indeed, some individuals talked about HE being a 'gamble'.

For example, one interviewee who decided against HE noted how he does not like the idea of getting into debt, especially for a university education as he does not see it as a good investment. Interestingly indecision around subject of study and career path could exacerbate these concerns. Another interviewee described how she had dropped out after her first year due to a combination of concerns about the interest aspect of her student loans making her feel very guilty but also not enjoying her course which she had felt pressured into taking for its employment prospects, both of which affected her mental health. This interviewee explained how the guilt pervaded every element of her life, the interest from the loan being in the food she ate, and being passed to her mother in the money she gave her to cover living expenses. Another noted how she gained a place through clearing but for a course she did not really want to do so questioned *'going into all this debt for something that I might not continue with'*. These perspectives are at odds with several of the interviewees who had taken out loans to go to university and who viewed this as an investment (see below).

Below are some further examples of how and why interviewees decided against HE, and illustrate how some issues are specific to Muslim students but others might be applicable to a wider group of students, particularly those from more disadvantaged backgrounds.

One interviewee described how when she finished her A-levels with good grades she thought she would go into HE and was looking into different universities. She described how a student loan had been the only option as her family would not have been able to support her. She researched student finance and found that the interest rates were an issue for her (despite her older siblings going to university financed by student loans), and she felt it was not something she could do *'it was definitely not worth compromising my faith...the rules are really important to me and my family'*. However, she was also finding it hard to decide what she wanted to do at university and started to question what she would get out of it. There was an option at the time to undertake a degree in mental health nursing with interest-free funding from the NHS and she applied for this but ultimately she felt that it would not be worth pursuing this if she was not passionate about it. However, she would have preferred to go to university rather than work had there been a way to finance her studies.

Another interviewee noted how in her culture (Bangladeshi) women tend to become homemakers and as the financing of education is not easy, university becomes less attainable. She had considered going to university and had looked into possible funding options but quickly realised that, as her family would not be able to finance her studies (as they had paid for her brother to go to university), a student loan was the only option and this would incur interest. At that time, her father was very against the idea of the loan although his views have softened over time. She is still considering HE but finds that the system keeps changing and is putting HE further beyond her reach: *'Every time I'm ready to go things keep changing and it's quite annoying...'*

Another described how initially she had wanted to go to university possibly to study psychology as she had done well in her A-levels, but when the fees were increased to £9,000 it became 'too difficult' and she was concerned about the level of debt she would accrue (not just with the fee costs but all the other costs associated with studying). She noted how her family could not afford to pay for her so she would have had to take out a loan. Additionally she was not sure what she wanted to study, and was worried about the career options had she studied psychology. She decided instead to undertake an apprenticeship. She felt that if she were given the opportunity to go to HE now then she still would not go; she would make the same decision. She learned a lot in her apprenticeship. She noted how her friends who did degrees are now working in different jobs to those they had anticipated and were unrelated to their subject of study. She feels she has '*worked her way up*' and she's '*in a better position*' than her friends. Although she feels others look down on her because she did not go to university, as '*uni has become the norm*'.

Creating concerns and constraining choices

Concerns about student finance also influenced the decisions of those who were able to progress to HE. The stories of these interviewees highlighted how worries about the amount of debt and/or the interest aspect with using student loans to finance their studies had led to individuals: seriously considering alternative options, in particular apprenticeships; delaying entry to HE in order to save money to fund their studies; choosing institutions close to home so they could live with their families in order to reduce costs; and choosing a subject or course that would enable them to pay back the loan, rather than a subject they were passionate about. Again, the issue that the loan attracts interest causes concern but this is closely linked with worries about the size of the debt accrued with student loans and which is increased further with the interest charged. It is often hard to disentangle these concerns and tease out the relative weight placed on each of these factors.

a) Considering alternatives or deferring entry to save up

Other narratives indicate how concerns about student finance have led to individuals adopting alternative approaches to funding their studies, particularly deferring entry whilst they save money. One current student noted how he was almost put off going to university and had seriously considered undertaking an apprenticeship. He described how religion plays an important role in his life and how Sharia Law dictates that when taking out a loan you should only pay back the amount you borrow, and any loans with interest are prohibited. He was deterred from going to university straight after college by the size of the tuition fee and how he would pay for this without taking out an interest bearing loan. Instead of undertaking an apprenticeship he had taken a two year gap to earn money for tuition fees to allow him to graduate without taking out a loan and accumulating any debt. He noted how his family had supported his decision to delay

entry. He also felt that he was not completely sure about what he wanted to study, so the delay in entering and the work experience he gained during this time allowed him to make a more informed decision about course choice.

Similarly another interviewee considerably delayed entry to HE out of concerns about how he would be able to meet the 'daunting' level of tuition fees without taking out a student loan, which he views 'a sinner loan': *'it wouldn't just be a one-off sin but would be a residual sin for 10-20 years'*. For him, interest was an issue which he viewed as a fine or a fee for not immediately paying back the loan (if he was not earning a high enough amount), and he was worried about the debt amount increasing with the earning of interest. He felt he would rather have say over how much he pays back and when, rather than paying back a small amount over a long time; and he wants to be free to pursue a career that makes him happy rather than being driven by the need to pay off the debt. He is planning to go to university this year and is therefore currently working to save money so he can go without taking a loan.

b) Deciding to study close to home

Many of the interviewees who had gone to university had chosen to study at a local university to be near family and/or to reduce costs by living at home with their parents or wider family members. This would enable them to reduce the monetary burden on their families, who might be lending them money so they can avoid taking out a loan; or to reduce the level of student loan they would need to take out. Although not necessarily discussed as such, this had naturally constrained their choices. Where this was specifically raised as an issue, individuals cited a need to apply to universities within a certain geographical area, to stay local to keep their costs down, or to overlook their preference to move out of home/attend a 'better' university. Interestingly for one student, trying to reduce costs meant she felt she needed to move away from home – she was from London and felt it was too expensive to study in the city.

Some Muslim interviewees described how they had sought bursaries as well as taking out student loans which allowed them to venture further afield and/or attend more prestigious universities (even those close to home); whereas others had not taken up loans and thus felt more limited. For example one student noted how she had received offers from UCL and Edinburgh but felt bad about asking for the extra money from her family (who were supporting her) that would enable her to move out of home and study further away: *'I did want to move out but, because it was ridiculously expensive, I decided to stay at home. My parents could finance me to move out, it's not a problem, but it was just in terms of being sensible about it – if we live in Manchester then there's no point moving out'*. Another noted how the university he attended was his fifth choice as he could live at home, but as all the others were further away from home he could not afford it as he only took out a tuition fee loan rather than a maintenance loan.

Trying to reduce costs was a strategy shared by a wider group of students. Among the small group of non-Muslim students who participated in the research, several mentioned that they had also chosen to study locally to save costs. A few students had received offers from London universities or came from London but had decided not to study in London because of the high costs of living associated with the city.

c) Needing to choose a subject offering funding or good employment prospects

Interviewees highlighted the constraints that financial restrictions had placed on their choice of subject. One law graduate felt he might have made different choices if funding in general had been less of an issue for him. He described how attending a Russell Group university had been important and he felt he had to choose a course that was 'economically viable'. He had been interested in Media Studies but felt that this would not have been considered appropriate (culturally). Another described how she had to justify her choice of sociology to her family (who were supporting her) with a career plan to show it would lead to positive employment. Also a small number of interviewees had chosen to undertake funded courses, which they did not feel they were sufficiently interested in or dedicated to, leading them to drop out before the end of the course.

These views may be shared by other groups of potential students who are concerned about debt, but for Muslim students there appeared to be added anxieties as interviewees discussed feeling a pressure to choose the right subject, one which justified the sacrifices they needed to make in terms of taking out a loan that attracts interest or the sacrifices their families needed to make in order to fund their studies.

But student finance is not the only consideration

Finance was just one of the aspects or factors individuals considered when making decisions about HE - whether to go at all or where to study. For many a range of factors were considered and weighed up in their decision-making. As illustrated elsewhere in this report, for some individuals the anticipated benefits of HE in terms of enhanced employability and the 'student experience' were insufficient (or not satisfactorily guaranteed) when measured against the need to take out an interest bearing loan. For others, particularly for those who did take out a student loan, the issue of having access to suitable loans was not the sole factor or indeed necessarily the most important factor in decisions about HE, and so was outweighed by other considerations. These other considerations included: always expecting to go to university and/or responding to pressure from family; the anticipated experience they would gain from HE, and here individuals were often encouraged by the positive experiences of friends and family; following in the footsteps of family and keeping up with friends; and wanting to get a degree qualification, and feeling that a degree would open up career paths and opportunities:

'I was thinking more about trying get experience because my siblings had all moved out...even my brother when he went to Leeds he lived out for a year. It's a given that it opens your eyes and shows you things about the world that you wouldn't necessarily be revealed to when you're living in the comfort of your own home, with obviously your parents providing you with everything. It's always good because it teaches you about finances and independence and how you conduct yourself as an individual... I always wanted to go out there and experience that' (Graduate who took out a student loan).

'I wouldn't be happy in any other job that isn't science-based and you need a degree for a science-based career' (Graduate who took out a student loan).

Information used about finances

Importance of schools and colleges as information sources

Several interviewees noted how at the time of thinking about going to university they had some information provided to them about student finances (loans, bursaries, grants etc.) through their schools or colleges, that there were advisors at their schools/colleges that they could talk to about financial aspects, and/or were given advice by personal tutors. For some this was useful but for others this was insufficient, biased or failed to make an impression:

'We had a couple of people who would come into school and do presentations for us – it taught us about the pros and cons a bit' (Graduate who took out a student loan).

One interviewee (who had decided against HE) felt that the funding information provided whilst she was at college was confusing and unclear, she had wanted more information on what she could get, what she could apply for, and the paucity of information had partly influenced her decision not to apply for university. Another interviewee who also decided against HE noted how her college tutor had tried to make her aware of the financial options/support available but how she did not really take it in:

'I didn't have much of an understanding at all...I didn't really give anybody the chance to sit me down and talk it through' (Individual who did not go into HE).

One interviewee described attending lectures on student finance options, but felt the information was not balanced: *'the majority of times they were for student loans but these didn't have much religious evidence to back them up'* (Individual who did not go to HE).

The internet, social media, community groups and families

Some individuals also used the internet to find out about student finances, looking at government websites (e.g. gov.uk) and the UCAS website. This was a key source

common to Muslim and non-Muslim individuals in the research. The small group of non-Muslim students interviewed appeared to rely more on the internet than other sources and to use this channel for information; whereas Muslim individuals appeared to use the internet for information but also for personal feedback and advice. For example, a few Muslim interviewees talked about using the internet to look for examples of people in similar situations to see how they had managed without the student loan, these included a graduate who had not taken out a student loan and an interviewee who had not gone to university. Another individual (who decided against HE) had used YouTube and (other) social media channels to listen to religious leaders discuss student finance options.

For students in the non-Muslim focus groups, they primarily found information about student finances online rather through other channels. Most accessed the Student Finance England, UCAS or other Government websites. However, a few students also reported that they had received some information about HE funding at school or college, either through talks or being given materials.

Muslim students also looked to other sources for advice, guidance and personal experiences of financing HE studies. A few interviewees described approaching local community groups/leaders, consulting with Imams, or speaking to other students/graduates (including siblings) to see what they had done.

Some interviewees talked about speaking to their siblings who were at or had attended university. As noted, elsewhere the experiences of siblings could have quite a profound effect on prospective students (negatively or positively) – with interviewees seeing siblings struggling to pay back student loans, or siblings enjoying their time at university. Several noted how they were not able to get information about sources of student finance from their parents. For example, one student (who did not take out a student loan) noted how his parents were first generation migrants and so did not have an in-depth understanding of student loans, so they trusted him to carry out his own research. However, some individuals had quite proactive parents. For example, one focus group participant from a Muslim background had been told about a local HE scholarship by his mother. She had investigated the eligibility criteria on his behalf, and having established that he qualified, gave him the application form to complete.

Financing HE study

This chapter examines the different ways Muslim individuals financed their HE studies and the options that were considered. It explores their understanding of and views on the existing system of student finance, and their engagement with student loans in particular, looking at the reasons why some decided to take up student loans and others did not.

How are studies financed

1: The 'student loan' group

The design of the interviewee sample meant that one third had taken out a student loan. This included individuals who had taken out a loan for both tuition fees and maintenance expenses/living costs; those who had taken just one of these loans (generally the fee loan), and those who had taken out a loan for just part of their studies. Additionally many students in the focus groups had also taken out student loans. In general, the group who had taken out a loan felt that they would not have been able to afford to study without the loan often as they had little or no alternative sources of finance.

The loan group also reduce their costs and supplemented their study expenses with other support including maintenance grants/scholarships, living at home whilst studying, and doing part-time paid work. Although it was acknowledged that working whilst studying could be difficult and affect their studies, many worked (feeling they had no other option). Jobs described included tutoring, retail work, waiting and call centre work, and the hours worked ranged from 10 to 20 hours per week. For example, one graduate noted how he had only taken out a loan for tuition fees as he received a grant for maintenance and was able to find a part-time job to help with wider study costs:

'I worked part time, doing 20 hours per week...I would start work at 4am, finish at 8am then head straight to university. ...It really wasn't an option for me to just sit at home and study. I had to work in order to fund the travel costs' (Graduate who took out a student loan).

Other options considered at the time of taking out a loan were student bank accounts but these also charged interest, maintenance grants and student bursaries (but interviewees were not necessarily eligible for these), and family savings/support from their parents. For example, one graduate noted how before he took out the loan he spoke to his parents, as they thought they might have had enough savings to pay for his tuition fees but found they were not affordable .

All the students in the non-Muslim focus groups had taken out both the Tuition Fee Loan and Maintenance Loan (so were more likely to take on greater debt), but echoing the themes that emerged from discussions with Muslim students, they described a range of strategies to supplement their income from the loans. These too included working part-

time (weekends and holidays), looking to their families for support, using savings, and applying for additional sources of funding such as university hardship funds or bursaries (although they were often not eligible). Some students were living at home to save costs, but (in contrast to the group of Muslim interviewees) many others lived independently away from their families during term-time.

2: The no loan group

Another one third of interviewees had been to or were at university but had not taken out a student loan, and some of students in the focus group discussions had also decided against using student loans to finance their studies. In the main these individuals relied on their (extended) families or in some cases family friends to finance their studies; either borrowing from their families or their families paying their fees and expenses for them.

They often also lived at home and worked alongside studying. Work was critical for some to help make ends meet although it was felt it could negatively affect their studies or the university experience. Indeed, working appeared to be undertaken with a sense of obligation by those supported by their families in order to reduce costs/help repay funding as their families were helping them or to provide additional extra funds (that they would not have to justify to their families). Some also used savings, one interviewee described how he had used interest free student bank accounts and overdrafts, and some received maintenance grants, grants towards fees or university bursary or scholarship support. This grant or bursary support was very important to some interviewees, and there were concerns that these sources of funding appeared to have been withdrawn or reduced so would not be available to new/potential students. There was a sense from the interviewees that relying on a combination of funding sources was not a comfortable experience. Indeed one graduate felt it meant the university experience was 'hand to mouth' but that it did give him a sense of personal investment and ownership in his degree.

Interestingly those who gained support from their families described themselves as lucky. For example, one graduate had been funded through her degree by her uncle, who himself had been to university, but she also worked whilst studying and received a maintenance grant:

'My uncle was the first the person to go to university from my mum's side, and I was the first granddaughter in the family after my uncle to go. So he wanted to me to go, and was willing to pay. I have an agreement where I pay him back in instalments of £100 per month, and aim to pay it back before I am 30. Whilst at uni I worked in an office for 15 hours per week, so I could start paying back the loan straight away...I'm very fortunate, because I know that not everyone has the ability to just go and ask a family member....I feel more responsible, because it is a family member so I feel like...like I have to push myself a bit more so that that money's paid' (Graduate who did not take out a student loan).

Another student explained how she had been prepared to take out a loan *'although it wasn't ideal'* but her parents stepped forward and offered to pay for her to go to university. She felt this was a decision mostly driven by interest not being permissible in Islam, although she feels they would have offered to do this anyway, as her parents did not want her to get in debt. She noted how they do not expect her to pay back the money and so she feels *'both bad and lucky'*, in that she understands it's a lot of money and that some people she knows people who had to compromise their faith to go to university.

Some interviewees were not supported by their families but still tried not to take out a student loan. One current student described how she worked full time plus over-time as she was unable to get any financial support from her family. She also did not want to compromise on her degree and so chose to live away from home in order to be able to do the best degree at the best university. In addition to work, she financed herself through various scholarships and grants. With so much going on she has found university life very stressful and tiring, stating: *'My university experience has been stressed out...I'd go to work, work a 12-hour shift and go to uni for a full day the next day'*. She noted how her grades are falling as she often has to miss classes to catch up on sleep.

Even though individuals in this group had not taken out a loan, some recognised how others (including their peers) may have to take out a loan otherwise they would not be able to go to university.

Engagement with student loans

Understanding of student loans

Although there were some individuals who felt they had little knowledge of student loans (generally those who did not take out a loan, or had decided against HE), there was a fairly good understanding of the key aspects of the student loan system among the interviewees. The key features (of the system in place at the time of their decision-making) they described were: the earnings threshold to trigger repayments (of £21,000); the percentage of salary paid in the repayments; and the time limit on repayments (i.e. that the debt is written off after 30 years, or 25 years for those taking out loans before 2012). There was, however, some confusion about the interest rates charged even amongst those who had taken out a loan, with one graduate noting that he had assumed interest would only start to accumulate when he finished his course but had only just learnt that it starts to accumulate at the start of the course. The confusion may be, in part, caused by changes to the student finance system/package over recent years.

Of those who had taken out loans, some were still studying and others had not yet reached the earnings threshold so had not started repaying their loan. None of the interviewees were therefore able to provide personal experiences of the loan

repayments. However, as noted above, several interviewees (those with and without loans) talked about seeing family members or friends struggling with loan repayments.

Deciding to take out a student loan

The sample design for the study ensured that a substantial group of interviewees had taken out a student loan so it was possible to explore their reasons for doing so and any concerns they had. Indeed, the narratives of these interviewees indicate four key motivators or justifications for taking out a student loan:

- viewing HE, and thus the loan itself, as an investment;
- lacking any real alternative, without the loan they would not be able to progress to HE;
- being persuaded, encouraged or indeed feeling forced to take out the loan by others;
- the loan being the default option or just what everyone does.

These drivers are not mutually exclusive and appeared often to co-exist (as illustrated below). The first two drivers have particular resonance for the Muslim community, as they are the conditions under which a loan with interest could be deemed permissible.

a) Education as an investment

For several interviewees (including focus group participants) taking out student loans was a key enabler for them to progress to higher education – despite some potential misgivings or the concerns of others often relating to the interest aspect of student loans being forbidden in Islam. Here individuals described how, because the student loans were for education, which was an investment in their future, an exception could be made. This ‘investment’ driver was one of the few that enabled individuals to feel positive about taking out a student loan. For example, one graduate noted how he would not have been able to go to university if he had not taken out the loan, and if he had not gone to university he would not have been able to progress in his career or improve himself and his position. Another commented:

‘The student loan is different to a loan in general...taking out the loan is the Student Loan Company investing in me, and when I qualify and get a better job, that better job is the investment, so paying back the investment and small profit. So as investment, rather than loan, it is Halal’

A few interviewees appeared to be untroubled by student loans and the debt they would accrue, but again this was linked to perceiving education as being worthwhile and an investment:

‘I am comfortable with having debt as long as I can afford the repayments, I don’t think it would ever be a concern from a religious sense. From a religious perspective, to borrow

without just cause or reason is discouraged. So as long as one borrows responsibly, has good reason for it and will put it to good use, it's OK'.

There was a feeling that student loans might be more acceptable to certain types of individuals such as those who are very career-driven: *'if you are just career-driven and you are just going with the flow then you might not be as concerned with taking student finance'.*

b) Lacking an alternative

Some individuals had taken out a student loan because they felt they had no real alternative – that the costs were too great to finance through another method, that they could not get family support (as their families lacked sufficient means) or they were not aware of any alternatives to student loans. The feeling that costs were too great could be exacerbated by the distance between the family home and the university (increasing the costs and financial burden). Some of those who had taken out student loans because they felt they had no alternative, described feeling trapped or distressed by the loans because it meant going against their beliefs:

'[I was] a lot younger, 17 at the time. My father had recently suffered a stroke so that meant that he wasn't working, and my mum has rheumatoid arthritis so she wasn't working, so I didn't really have the income or the means to do it any other way. I wasn't able to afford to... pay my way through university'.

'In my situation I had to take out a student loan to make it work. I come from a single parent background, so there's not that support network; it's just me, my mum and my older brother. In that respect, if I wanted to go to university then I had no choice and for the career path I want to go through I had no other choice. So it was a burden I had to bear, it's uncomfortable having to pay interest in the future. Basically, if I could go back I definitely would figure out how to make it work, but £9,000 for four years, living costs for four years, it's not an easy sum of money to just pop up out of the blue. So, I've just had to come to terms with paying back interest and it's so uncomfortable'.

c) Persuaded by others

Some individuals noted how they had been persuaded by others to take out a student loan, but generally felt uncomfortable about this or at worst misled.

For example, one individual noted how he had been persuaded by his brother to take a student loan in order to retake his exams at college (as due to his age was no longer eligible for free tuition) *'for the sake of his education'* and in preparation for going to university. However, this was a much smaller loan amount at around £4,000 than would be required for HE and the thought of the higher loan amounts were troubling him. He also noted how he had struggled to find alternatives to student loans:

'in Islam interest is forbidden and... I do take my religion seriously, what I believe in... and of course, you know, I want to obey God...I struggled for a really long time because I really, really didn't want to take out a loan but it was the only option. I rang different banks in the UK, more than 20 of them, to ask if they offered interest-free loans for someone in my position [looking to retake exams in further education]. One did, but it was only available for Saudi nationals, and another one did but it was only for £3,000 and you had to be in higher education. I also looked into different options but if there was an interest-free option it was for mortgages and not offered to students. I found a crowd-funding website where people pay towards your course and you pay back the people but it was too late to do that. I also thought about paying for the course instalments but that I would need to have a job to do that and it was difficult trying to find a job'.

Another graduate talked about how he had intended to fund his studies himself to avoid taking out a loan and accruing debt (for religious reasons); however, his university were not confident with this at first and insisted he take out a loan to prove he could pay the fees. He did take out a loan for the first year to cover his tuition fees but for the other two years of his undergraduate degree he paid the fees himself (of £9,000 per year). Rather unusually, he was able to support himself through his studies through income from his own company which he had set up when he was aged 16 but noted how he would also have been able to turn to his father for funding as his father had helped his siblings.

Another graduate described how she had been persuaded to take out a loan by her friends, family and teachers, despite her concerns about the interest that would accrue and the mixed information she received from local Imams. She took out the loan thinking she could 'get around the interest' if she stayed below the earnings repayment threshold and instead paid back the loan amount in voluntary payments. However, she found out this was not the case and she had already been accruing interest and so almost dropped out of university. She felt very upset and noted *'if I had known the truth about the loans I would not have gone to university'*.

d) Student loan as the default option

In contrast to the individuals who took part in telephone interviews, nearly all Muslim students in the focus groups had taken out student loans and discussions indicated that this may have been viewed as the default option (at the time of applying for HE). However, many have since expressed reluctance regarding taking out loans, and felt they had perhaps taken out more than they needed. One student reported that she had applied for the full maintenance loan to be cautious and now felt frustrated that she had more money than she needed and had taken out 'superfluous loans'. Another student had trouble deciding whether to take out a loan as she had also applied to a scholarship and did not want to end up receiving both and having 'needless debt'.

Some of those who had taken out student loans stated that they had not really thought about the loans and the debt that would accrue at the time they had applied, but now felt

that maybe they should not have taken the loans and were starting to feel uncomfortable. Indeed, one student reported that as he thought more about the debt he started considering whether he should drop out. One student ascribed the greater concern about student loans as one progresses in HE, to generally thinking more about religion as she has become older (see above). Another also talked about the influence of age, and noted:

'because obviously when you're young you probably don't... I don't know, I probably didn't think about my religion as much but now I'm like "Oh crap. Maybe I shouldn't have taken that loan," like, "What's the consequences of it?" and all of that. I think about it more now.'

A common driver to take up student loans among the group of non-Muslim students consulted was seeing the student loan as the standard or default option. Although all the students in the non-Muslim focus groups had taken out both the Tuition Fee and Maintenance Loans (and several reported taking out the maximum loan possible), only a few described thoroughly reviewing available funding options:

'To be honest I didn't even think about it, I just took out the maximum loan I could have. I didn't think about it at all'

'I think when students are applying to university...they don't realise the gravity of the situation. If we were going to take out a twenty-seven grand loan for something else, you'd think hard and long about it. You'd look at all different options. And you'd research into it a lot. And I think when your apply to university, I know I didn't, I didn't look at interest rates or anything like that because it just seems way too complicated ...I don't think we realise how much we are actually borrowing and how much, you know, it can affect your life. If it was anything else we'd be taking a lot more time on whether we want to do it or not.'

e) Student loan debt is not 'real' debt

One key aspect where Non-Muslim students and graduates who participated in the research differed to the Muslim participants was in attitudes to student debt and how they conceptualised it. Indeed the small group of non-Muslim students involved in the research appeared less concerned about the amount borrowed /that they would owe, and the responsibility of the debt acquired. Participants in the non-Muslim focus groups were more likely to describe the student loan as different to other debts or not a 'real debt' because it did not carry the same legal or financial consequences such as affecting credit rating. Some described it as more like a 'tax' than a loan, and felt it did not present as much of a risk as overdrafts and credit cards:

'The only thing that really matters is it doesn't work like regular debt. So, like, if ever you're not in a position to pay it back you don't have anybody coming after you for the money, and it's...so it's kind of like, it's almost not like debt, it's just taking a little bit of a tax increase...for the next twenty years, so you just don't really feel it.'

Many non-Muslim participants reported that they did not really ‘think about’ their student debt or tried not to, which was a stark contrast to participants in the Muslim focus groups. Several agreed that they tended not to think about the debt during term-time when they were studying but at other times they would be reminded of it. For many students, the loan and the debt were quite abstract:

‘But you don’t even see the money. Because with another loan you would have the money come in, you would make payments and stuff. It’s just a line on paper.’

It would appear that among the small group of non-Muslim students in the research, the concept of having debt had become normalised, and they had accepted that acquiring debt was part of the experience of going into HE. Furthermore, many appeared to have accepted the possibility that they may never pay off the entirety of the loan debt before their repayment period expires.

Deciding against taking out a student loan

Many of those who did not take out a student loan decided purposefully against it. Some of these did so without any detailed investigation of what a student loan involved (as a general understanding that a student loan attracted interest was sufficient) but in discussion with family and community leaders. For example, one student who used a combination of earnings from paid work, maintenance grants and bursaries and help from a family friend noted how he had ‘never considered’ the student loan because of the interest aspect, despite recognising that some Muslim leaders and scholars consider the student loan acceptable if necessary. Whereas another graduate described how he had not looked at or considered a student loan because he had alternative options.

Some of those who did not take out a student loan, or indeed decided not to go into HE, did not necessarily dismiss student loans out of hand, but had seriously considered this option. However it was the interest aspect (rather than the repayment period or source of funding) which acted as a key barrier – this went against their own and/or their family’s beliefs:

‘I did want to take out the tuition fee loan because it was large amount to pay for university but it was the interest that put me off’ (Graduate who did not take out a student loan).

‘It was the concept of riba which put me off from the start. Religion is very important to me and my mother suggested that I seek funding from my uncle’ (Graduate who did not take out a student loan).

It is interesting to note how several interviewees had not only studied at undergraduate level but also at postgraduate level. For some, postgraduate studies involved a different funding approach. For example, one individual who had taken out a loan to fund his undergraduate studies described how he decided against a Master’s degree loan due to the high interest rates:

'I researched the options available and found that I could apply for a loan for that too. But the interest rate for the Masters loan was even higher so I decided not to apply for a loan and managed to get support from my parents instead...if my parents hadn't been able to help I probably wouldn't have decided to go on...I might have looked into an apprenticeship as some of my friends have done this and they are now working full-time and enjoy their jobs' (Graduate who took out a student loan).

Views on the ASF Model

This chapter captures individuals' views of the proposed model for the ASF product. It looks at their initial reactions and overall thoughts, and then explores in more detail aspects they found attractive or positive, and aspects they were concerned about, found confusing or questioned (indicating any misunderstandings about how it might work). It then examines the importance of stakeholder endorsement in supporting engagement with the ASF model.

Reactions to the model

All those participating in the research – whether participating by telephone or through a face-to-face focus group discussion – were provided with the same information about the proposed ASF model (see Appendix one). This was presented as a new (alternative) student finance product that would be compatible with Islamic finance and available to all undergraduate students.

There was an overwhelmingly positive attitude towards the ASF model across the research participants, and they felt it was a much better product/option than the current model of student finance, specifically student loans. They felt that it could encourage individuals to go to university. Individuals also felt the ASF model was a positive move on behalf of the government, and shows how government are addressing the needs of Muslim students/potential students by providing another funding option. They suggested that the ASF model would help individuals feel valued and part of UK society: *'I like that it is being thought about, and that the government is trying to do something to help Muslim students'* (Current student who did take out a student loan).

Key positive features

The ASF model was perceived to have a number of positive or particularly attractive aspects:

- It involves a ring-fenced fund (which one student felt that as it was ring-fenced fund it would not be able to be sold off for profit), and where contributions are made to fund the education of others and thus benefit future students in the UK in the Muslim community:

'because it's a really cool thing to fund some others' finance... at the end of the day someone did it for you too by paying into the fund, and you're funding for others' (Individual who did not go to HE).

'I guess you're going to be losing the same amount of money that you would from interest anyway, but I feel that the cause is so much better because you're helping other students' (Student who did take out a student loan).

- It does not accrue interest but instead involves a fee/service charge, which for some felt like paying into a charity:

'it doesn't attract interest... this is a game-changer, a really good idea' (Graduate who did take out a student loan).

'paying the money back plus a fee is a good way of paying back the money one has borrowed...the concept that it is not interest is good, as a fee is permissible in Islam so does not go against what my religion prohibits' (Graduate who did not take out a student loan).

- It is available to everyone:

'It would help people who can't fund their studies...I like that it would help not just Muslims but would be available to everyone' (Individual who did not go to HE).

- It is straight forward to follow:

'it's not really complicated enough for people to get confused about it' (Individual who did not go to HE).

- It is permissible under Islamic law, considered Halal (as with Islamic mortgages), and approved by a council of scholars:

'What stands out to me the most is how cyclical it is, in that you apply, you get the loan, then once you've finished you pay it back. It's like this constant cycle...That's what stands out the most to me, and I like the way it adheres to the Islamic principles as well' (Student who did take out a student loan).

- It is fair, in that it will neither advantage or disadvantage individuals in comparison to those taking out a mainstream loan.

Although positive about the model, some interviewees did feel that they might need to look into the details of the product/model a little further so they could understand it better and be able to properly assess it against the traditional student finance arrangements:

'I would like to have the option to see if there is any benefits to it but it's not something I would choose by default of it being Islamic' (Graduate who did take out a student loan).

Views of non-Muslim students

Of the small group of non-Muslim students that participated in the research, many were unaware of the principles of Islamic finance or, in some cases, that Islam included teachings regarding finance. On receiving an overview of some key principles relevant to

taking loans, the non-Muslim students in the research felt that it was important that an accessible form of student funding was made available for Muslim learners to access HE.

Non-Muslim students were quite positive about the ASF model overall. It was appreciated that the model was more inclusive and many responded positively to the idea of a ring-fenced fund that would be used to fund HE in the future. They liked the idea of being part of an on-going community of students being supported by the fund and then going on to fund future students with their repayments. Most agreed that they found it more appealing to be paying into a fund for education rather than to a profit making company.

'I like the fact its community orientated as well, as those kinds of systems will make people want to get on board as well. Whereas if people are being given money by a financial institution, then they just don't care so much' (Current student who did take out a student loan).

Additionally one student suggested that the ASF model might appeal to people who have faith and like to make connections to those with other religions – part of the same ethos.

However some non-Muslim students were sceptical of the product. They felt they did not know enough about it, they wanted to know all the details about how it would work and where the money would be going, were cautious about the religious aspect and felt that perhaps it did not offer any additional benefit to the current student loan:

'I want to know all the fine print about what happens with the money, and how it works'; 'it doesn't seem to be transparent enough'.

Questions and concerns about the model

The research identified two key areas of concern or confusion among individuals: one related to the issue of interest (and thus the total size of the debt, whether this would be the same as the amount borrowed and therefore smaller than accrued with a traditional student loan product); and the other related to the management or stewardship of the fund itself and its protection and sustainability. Other less frequently discussed areas of confusion included practical aspects of the model such as eligibility, scholarly approval, and the application process.

a) Total debt

There was a general confusion around the amount that would need to be paid back under the ASF model. Many interviewees interpreted the model to mean that only the amount borrowed would need to be paid back via the contributions (which adheres to Islamic teachings). They interpreted non-interest bearing to mean that the ASF product would be a cheaper option than traditional student loans. One interviewee (who had not

gone to university) also thought that the contributions were voluntary, while another (who also had not gone into HE) understood the contributions to be a charitable donation and said that it cannot be a charitable donation if it is forced.

Discussions with current students highlighted how many students appeared to be conceptualising the proposed contributions as the loan amount plus an additional contribution rather than as a general contribution such as paying in to an insurance fund. Despite understanding the concept of a Takaful fund, there was clearly a strong desire to identify when they had paid back their debt, and some felt it would be important to provide clarification on the exact composition of the contributions and where the money went (with some getting confused and wondering if the fee repayment was going to government whereas the additional contributions would be going to the fund).

Several individuals questioned whether the proposed ASF model really represented a different approach to the current arrangements. Some were suspicious and used quite emotive language feeling that they were being misled. Much of the confusion or suspicion was directed towards the service fee, which was felt to closely resemble interest; and individuals felt the ASF model did not clearly explain why or how they would pay back more than if they had paid for their fees upfront:

'I don't really understand the service fee, as isn't that pretty similar to the interest? Because at the end of the day, I understand that you need a service fee because of the way that it is. But, one could argue that the service fee is pretty much interest. Because the whole idea of interest under Islamic finance is that you're taking something and then paying back more' (Graduate that did not take out a student loan).

Interviewees therefore felt it was important to make clear that in taking up the ASF product individuals would not be paying any less than those taking out student loans despite not paying interest. One current student noted how terminology was important:

'because the word attached to loans is "interest" which is impermissible for some people. If it is advertised as using Islamic fund then people would listen to it a lot more.' (Current student who did not take out a student loan).

However the discussions indicated that descriptions of the ASF model (in any information provision or marketing) would need to include explanations of the service charge, what it is for and how much this is, and how it differs from interest; rather than relying on terminology. For example, one graduate suggested, that to overcome the confusion around interest, the contributions or repayments could be framed in terms of zakat, the charitable donation that adult Muslims are obliged to give – to give alms to the poor and

needy, and forms one of the five pillars of Islam³. He felt this could also make ASF more attractive.

To further illustrate the concerns of interviewees, specific questions raised about the interest aspect included:

- Would students/graduates know exactly how much they needed to pay back into the fund each year?
- Will repayments be transparent, in that one can see how much is paid as a service fee and how much to paying off the original debt?
- Where is the fee going to – does it go back into the fund?
- Is there a possibility of charging a fixed fee amount, rather than something that aligns with interest rates?

Questions raised in the non-Muslim focus group

Discussions in the focus groups with non-Muslim students highlighted how this group were also confused by this aspect of the model, and indeed the questions were broadly similar to those articulated by their Muslim peers. Their questions included: Are 'contributions' just a way of repackaging/rebranding loan repayments? Can you confirm that for the two products, what goes in and comes out is the same; it's just about complying with Islamic law? Would individuals under the student loan model and the ASF model pay back the same amount of money, if so, what is the benefit of applying to the ASF product over the student loan? How will DfE get their money back, does the alternative model only ask students to pay back what they borrowed? When fees go up, will repayments go up?

b) Management of the fund

Another aspect creating some confusion was the idea of the fund, how it would be managed, who by and how the fund value could/would be sufficient. Some were worried that the fund might deplete at a faster rate than graduates could pay back into it, and that the fund might be limited and could run out. However, one interviewee (who had not gone to HE) felt that if the Government managed the fund it would ensure that the fund was sustainable. Others were concerned about the opposite possibility and described concerns about would happen when the fund grew, in terms of how the money (the

³ An individual must however own a specific amount of wealth or savings (after living costs etc.) before they are obliged to pay Zakat. The amount of Zatat payable is 2.5% of wealth/income above the threshold. There are however only certain beneficiaries who can receive Zakat. See <https://www.islamichelp.org.uk/zakat/>

'overflow') would be used and what were the plans for any surplus. For example, one graduate (who did not take out a student loan) was particularly concerned that the fund or surplus might be used for commercial gain, and that the fund itself could be sold off; and another noted:

'People who are 'strict' would want to know what is happening to that fund when people aren't using it, for example putting it into a bank and getting interest... The fund might make people suspicious - might be better if there was an Islamic group or company running it (Graduate who did take out a student loan).

There was some discussion about who should manage the fund. Some interviewees suggested that a mix of bodies should manage the ASF product, including educational bodies, Islamic bodies and government. They felt this mix was important, and that it should not only be managed by Islamic bodies *'as then people would think that it's only an Islamic product'* (Graduate who had taken out a student loan).

Specific questions raised about the management of the fund included:

- Where is the money coming from to establish the fund? Where will the initial investment come from to get the product set-up?
- How will Student Finance England survive if people switched over to the ASF model? If lots of non-Muslim students chose the ASF, would student loans be sustainable?
- Would this fund be sustainable? If not many non-Muslim students were interested in the ASF, would it still be sustainable? What if more people are taking out of the fund than are paying back into it?
- Who would be responsible for managing the fund, would it be Student Finance England or would it be the Government? Would the Student Loans Company just run the fund?
- Can individuals/organisations/businesses donate to the fund if they wanted to support a student funding alternative that was compatible with Islamic finance?
- Will the public be able to see how much money was in the fund, how much coming in and how much going out, would there be published accounts?
- Will it be higher risk than the original student loan, or subject to the same financial protection?

Questions raised in the non-Muslim focus group:

Again questions raised by non-Muslim students were broadly similar to those articulated by their Muslim peers, and focused on: where the initial money for the fund would come from; who would own/administer the fund (and so where their money would be going); whether the fund would be sustainable over time (would there be sufficient demand, was

there a need for such a product) or conversely whether ASF would replace the traditional student loan (and obviate the need for two products). Indeed a couple of individuals suggested that there should be just one single loan product that runs along the lines of the ASF model so that all loans made to students are based on a contribution rather than a range of different arrangements.

c) Other concerns

There were a range of other aspects that were mentioned and these tended to cover practical issues such as:

- **Eligibility and coverage** - several individuals (generally those with student loans) asked about who would be eligible for the ASF product. They were particularly interested in whether ASF would only be available to new students or could existing students or indeed graduates switch to the ASF model (which could reflect the religious concerns about taking out loans that have grown for some individuals over time); and whether ASF would be available for postgraduate as well as undergraduate study as many jobs/careers now require Masters' level qualifications. They also wanted to know if ASF would cover both maintenance and tuition loans.
- **The application process** and what this would involve.
- **Payments** - questions here included: when do you start paying back into the fund; and can you make voluntary contributions when you are still studying.
- **Scholarly approval** – some individuals were concerned about how the product could be approved or certified through Islamic courts or banks, and whether other branches of Islam would be consulted in developing the product. In one focus group discussion with Muslim students, there was a unanimous concern that if the model was based solely on one of the four schools of thought within Islam it could exclude some Muslims. While interviewees understood that the ASF model represents a positive effort in terms of trying to accommodate diversity and foster inclusion, some highlighted that there will be criticism and arguments if it's based on one school. The aspect of scholarly approval is discussed further below.

Questions raised in the non-Muslim focus group:

Wider questions raised by non-Muslim students again echoed the concerns of Muslim students and graduates in terms of eligibility/coverage, the application process and support during the development of the product. Questions focused on: whether postgraduates would be eligible, and if you could have both traditional student loans and ASF; whether the application process would be the same as for traditional student loans, and non-Muslim and Muslim student treated the same during the process; whether the application process would still involve means-testing (as with the current Maintenance

Loan); and whether any other religious groups would be consulted when developing the product.

Acceptance by stakeholders

As indicated by some of the questions and concerns about the model, and discussions about views on personal finances and how these are formed (outlined earlier), the opinions of stakeholders were important to many interviewees. These stakeholders included: Islamic scholars, Islamic (financial) institutions, and community groups.

The importance of scholars

The opinion and endorsement of scholars was considered most important (more so than other key stakeholders), and was seen to provide added reassurance of compatibility and legitimacy and compliance with Islamic law. In particular, authority figures (rather than local Imams) were felt to be best able to understand the technicalities and nuances of Islamic finance, and some interviewees suggested the names of individuals and or UK organisations they felt would be appropriate, particularly those who dealt with legal and financial matters. It was suggested that these expert individuals would be able to properly assess/test how the ASF product could be in line with Islamic finance principles: especially helping to clarify and resolve any confusion around the fee and how this differs from interest (a key concern of many), and explain why ASF is permissible. Some felt it was important that scholars were involved in the development of the ASF model, rather than just to approve the final product. It was felt that this scholarly involvement/approval would mean that the ASF model should be widely attractive perhaps to all Muslim potential students. Ratification or endorsement from scholars would provide reassurance and confidence, and a way to promote ASF:

'Scholars have studied Islam for years and years, so they have a better understanding of what's required or not required, or what's allowed or not allowed in terms of Muslims living in Britain... they could produce a pamphlet or have a section on their website about ASF' (Graduate who did not take out a student loan).

'I think it sounds a good scheme, and from reading the document it sounds like they're taking advice from Islamic finance experts. So if they pass it and say it's fine then I think it's a good system' (Graduate who did not take out a student loan).

'If they agree with it then people will go for it....scholars and imams are well trained in Islamic thought and people consult them, therefore they would be a good way to propagate the ASF model' (Graduate who did not take out a student loan).

Although some felt that scholarly opinion was more important than the endorsement of institutions, others felt Islamic institutions would also need to be involved in endorsing the

ASF model. One individual described how he felt it was important that the ASF model was recognised by both scholarly committees and Islamic finance institutions to ensure greater credibility and acceptability, particularly among parents of students/prospective students. He also felt that the backing of local community leaders as well as regional, national or more senior authorities was important and could help individuals to be more inclined to take up the new product:

'It will be recognised by the wider community more, the Islamic community and people will make informed decisions based on the approval given by Islamic institutions. Maybe, for the parents as well to give the go ahead to their children to study further, knowing that it's compatible with their religion' (Graduate who had taken out a student loan).

Need to represent the diversity within the Muslim community

For some interviewees (generally those who did not take out a loan or those who had not gone on to HE) it was important that endorsement should come from someone from their school of Islam, the same ideological background. Whereas many others stressed that a scholarly committee or panel should be involved in the development and approval of ASF and that this should involve a range of individuals from different branches and sects of Islam, incorporating a wide range of representation from across the Muslim community to reflect the diversity in the Muslim community. Many felt this was vital to facilitate widespread engagement with the product. One graduate felt strongly that the group of scholars consulted should include British scholars who would be 'grounded in the context':

'One of the biggest challenges is that we have very good scholars which are grounded in the text and in the Islamic tradition... the Quran, the sayings of the prophet, which is excellent. But they are not grounded in the context. As in, they have the material but the environment they are in is very different. I believe that anything to do with UK context has to involve experts from the UK' (Graduate who did take out a student loan).

One current student cautioned that opinions from individual scholars could be polarising, and so involving a panel of scholars would help to represent the whole community. It was suggested that this group of scholars should try and gain a consensus, as interviewees noted how currently there did not appear to be a general consensus about loans for education:

'if it [ASF] were widely agreed across schools and sects then that it puts the issue to bed' (Graduate who did not take out a student loan).

Similarly, it was noted that if the ASF product was seen as focused on or based around one group, then Muslims from other groups would find this off-putting. For example, if materials referred specifically to Sunni Islam then there would be a risk of alienating other sects such as Shia. However, one interviewee suggested that it was still essential to

have clear, transparent information about the product so that individuals could examine and consider for themselves.

Marketing and demand for the ASF model

This chapter gathers feedback on demand, whether interviewees would take up ASF and thoughts on who else might be attracted to take up the ASF model. It explores the potential the model has for influencing decisions about HE, in terms of the extent to which individuals would have made different choices if an alternative product to student loans had been available. It also captures ideas and thoughts about how best to market ASF.

Potential take-up of ASF

The vast majority of Muslim individuals felt that if such a product had been available to them at the time of making decisions about HE and student loans, they would have seriously considered the ASF model and many would have taken it, and they felt their families would have supported or encouraged them to do so too. They also felt others would be interested in it – friends, family and beyond - especially if there was greater publicity and awareness. They felt ASF was preferable and more acceptable to the current system of student loans. Indeed some of the current students questioned whether it would be possible to change over from a student loan to the new ASF product as they would be interested in this/would prefer this for their current funding and/or future repayment (this was also reflected in the questions about ASF noted in the previous chapter):

'It [ASF] would make me feel a lot more at ease from an Islamic aspect. ...it feels like a cleaner system. I think the word interest scares people, so the fact that it's not in the mix would make people feel better' (Graduate who did not take out a student loan).

A few individuals had heard about an ASF model and were waiting for it to be launched. Indeed, one current student had been under the impression that it might be available for 2016 and so she was disappointed when it was not available when she applied for HE.

However it is worth noting that not all Muslim individuals felt they would have taken up ASF had it been available to them, there were still were not wholly convinced that they would have used it. This includes a few of the interviewees who had decided against HE and who held firm that they had made the right decision not to go (largely out of concerns about the value of HE rather than necessarily the financing model):

'There's definitely going to be a demand for it. [ASF] but I don't think it is going to address the underlying issues such as whether or not university is worthwhile' (Individual who did not go to HE).

Also a few of those who had gone on to HE but had not taken up a student loan were also unconvinced either because they were generally debt averse or were concerned that

the ASF model just involved a change in terminology (as discussed above): *'merely a re-wording of interest'*

Similarly a few of those who had taken out a student loan were interested but cautious. They were unsure about the interest aspect and in using something that is not yet considered mainstream:

'The whole no interest thing does attract me, but I would still be very wary of it', and 'don't make yourself unique, don't stand out. You don't want to be the person left behind'.

Among the small group of non-Muslim students who took part in the research, most had taken up both Tuition and Maintenance Loans. Several students felt that they would have considered taking up the ASF product had it been available when they were starting HE. They were attracted to the opportunity to pay money towards funding HE rather than to a profit-making organisation. However some were more cautious, were wary of trying something new when the traditional student loan is well established and well known. Thus some were not sure whether they would have been interested in the product, and would probably opt for the more conventional loan, or as one student noted, perhaps have it as their 'second-choice'.

Who would ASF appeal to

The interviewees also talked about how friends and younger siblings would be interested in the ASF model, especially those for whom the student loan conflicted with their religious beliefs. They were therefore keen for the product to be launched as soon as possible:

'Every year it's delayed people won't go. My sister just completed sixth form, she got into uni last year as she wants to study neuroscience, but she can't afford it. My parents supported me in my first year but that was their cut off point. So she [sister] is going to work for the next two or three years. I know a lot a lot of people who are taking gap years and are stuck in that transition for a really long time, just because they need to earn money and the Open University isn't an option anymore as it's so expensive' (Current student who took out a student loan).

Interviewees and focus group participants felt the ASF model would be attractive to Muslim individuals and the Muslim community more broadly, as some Muslims are hesitant to take out loans and might therefore decide against HE. Indeed, many interviewees had examples of friends, family or individuals in their wider community who had been deterred from university due to the student finance arrangement and specifically the interest charged on student loans. One interviewee (who was able to study without taking out a student loan) became quite emotional when discussing the lack of information and concern for prospective students who do not want to take out a

loan because of interest and who cannot afford to pay for fees without taking out a loan. Indeed, there was a strong feeling that the ASF model would therefore encourage or facilitate many other Muslim individuals, including young women, to go to university by addressing some of the financial concerns (relating to interest-bearing loans):

'This whole system [ASF] would actually allow for the inclusion of more Muslims into university and the education system...I believe that if it was introduced 90% of Muslims would take it' (Graduate who did take out a student loan).

'Young people these days are more religious and follow Islam more strictly. They are very interested in having a system that allows them to take out loans without any sin or punishment. When I was young, me and my friends were not so interested in faith' (Graduate who did take out a student loan).

Some also felt the ASF model would be attractive to a wider audience (beyond the Muslim community). They felt the ASF product could form be part of a range of different options for students from different backgrounds to finance their studies, and a way to add choice to the market. It was felt to be appealing to anyone, regardless of background or faith, who has attempted to self-fund and/or avoid a student loan. Others described how the ASF model could be attractive to a wider market as it could be viewed as a good cause that benefits other students, and aligns with the view of making education accessible.

The potential wider appeal of the ASF model was echoed by the non-Muslim students consulted. This group felt that ASF would have broader appeal beyond Muslim students looking for funding that was compatible with Islamic principles. Some felt that it could be popular among non-Muslims as a community-oriented or ethical alternative to student loans where repayments would be used for an education fund to support future students:

'The money that goes to ASF... if that's going to help other students rather than just SFE where it just goes to their company, if you explain that better to people then yeah, everyone would go to the ASF'

Potential impact of the ASF model

The feedback from interviewees indicates that the ASF model could have the potential to influence decisions about HE. By providing an alternative, and more acceptable, source of finance, the ASF model could take the pressure off other sources of funding – family support, working for long hours alongside studying – or relieve the guilt in taking out a student loan.

Several of those who did not go onto university felt that the ASF model would have made (or still could make) a large impact – it would have allowed them to go to university, stay in university or go sooner.

One interviewee (who had not gone to university) noted how had there been an alternative when she was making her decisions about HE she definitely would have considered taking out loans and going to university. She would have been interested in doing psychology or counselling, potentially a combination of both, although she would probably have gone to a local university. However, she feels that the planned introduction of the ASF model would be too late for her, as she would be too old to return to university.

Another individual was deeply concerned about the student loans required to finance university study. He had been considering his options and felt that either he would not be able to go to university or would need to take up an 'affordable option'. He had looked into options offered by his local universities (local to his parents' home) that had partnership arrangements with his local college and had much lower tuition fees, and planned to live at home with his parents to reduce costs. He was advised by a local Islamic Advice Centre that 'interest-free loans' were to be introduced soon, and this has significantly influenced his decisions. The new finance model reassured him, and he now feels that he would be able to finally move on to university and 'to go to a genuine university'. However he noted that if the ASF product was not available when he finishes college he will have to look for a full-time job, and will be too old to go to university when ASF does become available, and that would be a huge disappointment .

A few of those who had not gone into HE also felt that ASF would have been somewhat useful. One interviewee noted how it would have made him consider HE more seriously, indicating that ASF could have helped to tip the balance towards HE for those who had several concerns about going to university.

Of those who had gone on to HE, some described how they felt the ASF model would have: made their decision-making about HE easier and 'more relaxed'; given them more autonomy and control over their spending; meant that their decisions would be more accepted by their families and communities; broadened their potential choices; and improved the social side of their HE experience (as it could reduce the need to undertake paid work).

For example, one graduate (who did not take out a student loan) talked about how the ASF model might have made her choice of subject easier/less stressful. She really wanted to study sociology and was passionate about the subject but as she was funded by her family, she had to justify her choice of course in terms of its usefulness. She also felt ASF could have enabled her to have been more relaxed about spending:

'I would have taken out a loan if an ASF option was available, as although borrowing money from a family member is nice it comes with a great responsibility to make sure the money is paid back quickly... I stopped myself from spending money on holidays and new things'.

Another current student, who did not take out a student but was funded by her parents, felt that with the ASF model she would consider using it for maintenance as this would give her more autonomy around how she spends her money. Freedom was a theme echoed by another graduate (who had not taken out a student loan) who felt that had the ASF option be available they would probably not have had to do so many paid jobs and work such long hours whilst studying in order to finance his studies so ASF would have enabled him *'to avoid the jobs and the stress'*.

Another graduate (who had taken out a loan) explained how he had experienced negative reactions from members of his community because he had taken a student loan to pay for his tuition fees, and had been forced to defend his decision to go to university to those in his own community. He therefore felt if the option of an Islamic friendly finance product had been available he would have taken it. He noted that even where religious beliefs had not personally affected individuals' decisions about student loans, the ASF model might still appeal as it makes their decisions more acceptable to others in their communities.

Some interviewees who did not take out a student loan also felt the ASF model would have enabled them to consider studying further from home as it could provide them with more income so they would not have to live at home and therefore study close to home:

'if there was an alternative loan in terms of living out and maintenance, then I might have chosen to go to a different university. Not because I couldn't finance it, it's just because I felt bad. I felt bad to ask when I had an offer and we live like 20 minutes' drive from there... A place like Edinburgh is pretty far and London is super expensive, so I didn't want to ask for that extra £400 per month' (Current student who had not taken out a student loan).

However there were a few interviewees who did not feel that availability of ASF would have made much of a difference to their decisions and choices, including those who did take out a loan and those who decided against HE. For example, one interviewee felt that she would have gone to HE if fees had been lower rather than if an alternative funding model had been available. She felt that an alternative model may not necessarily affect people's choices as cost and financing are not the only deciding factors. Also a few of the interviewees who had decided against HE were not convinced that ASF would have made a difference and felt their decisions not to go to university were the right ones for them (at the time).

How to market ASF

Interviewees felt there was a need to raise awareness of the ASF model in order to reach out to Muslim students and potential students, and to students beyond the Muslim community. Marketing ASF was therefore considered to be important, and interviewees had suggestions for how best to do this relating to: the timing of any marketing messages

but also particularly the nature of the message (including the branding or name of the product), and the best channels to use to promote ASF. For example, one interviewee (who had not gone to HE) talked about the importance of the timing of marketing and felt it should be marketing early so that those working towards their A-levels would be aware that there are options other than the 'normal' student finance route so that they can start planning their future.

Channels to raise awareness of the ASF model

Ideas to help market the ASF model and reach out to a wider group of potential students included using channels such as: radio advertising (using Islamic radio stations), mosques, Islamic schools and community organisations, online and social media, key organisations such as UCAS, and schools and colleges (which appeared to be a key source for interviewees about the options and details of student finance, see above):

'All information about ASF should be provided through colleges and workshops...they need to make sure that everyone is given the information about the ASF...it would have wider appeal if people had the information and knew about it.' (Individual who did not go to HE).

'Market it during open days for unis, widening participation schemes, student bloggers, as many different avenues as possible, NUS, through different student societies and student reps' (Graduate who did not take out a student loan).

The non-Muslim students consulted also felt that schools and colleges and the internet would be good channels to communicate information about ASF. Several students suggested that people could go into schools and colleges to explain how it works through talks or workshops. They felt people would appreciate the opportunity to ask questions:

'Going into schools maybe and giving, like, talks. And providing comparisons with Student Finance making it quite clear that you get the same amount of money it's just the method of repayment is slightly different – you pay back the same amount but what you'll be doing is contributing into this fund which won't be touched and is going to contribute to other people's university experience as well' (Current student who had taken out a student loan).

Another common suggestion was that information about the ASF model should be presented alongside information about student loans on key websites such as UCAS, Student Finance England and government websites. It should be promoted equally and one individual suggested that it had an equal marketing budget.

There was some diversity in views among the Muslim interviewees about who should be involved in marketing the ASF model. Some felt that local community organisations

should be involved as well as Imams based in universities and colleges. One interviewee felt their needed to be an ambassador from the Muslim community to help individuals to accept the model:

'Some people won't accept it until they see someone endorsing it. This would also reassure people' (Graduate who did take out a student loan).

'Go through mosques and community leaders; get them to endorse it; then take it to the public – mosques can market it. Also, local scholars and Imams and reps from organisations can take it to university events and seminars' (Graduate who did not take out a student loan).

Other suggestions included student groups such as NUS, and government figures.

Presenting the ASF model as open to all students

How the ASF product was presented in any marketing or awareness raising was felt to be important. A key theme that emerged from the discussions was that it should be made clear that ASF was open to everyone and it should be marketed to everyone (not just the Muslim community). There were worries that non-Muslim students might be sceptical or suspicious of a fund that they perceived as being for Muslims or that was separate to the usual student loan funding.

There were however deeper concerns that wider society could be negative towards the ASF model if it was only 'pitched' to Muslim students; and if not approached sensitively, it could create a divide. Here interviewees felt that with the current anti-Muslim sentiment, Muslim individuals might experience a backlash from some parts of the media and UK population. One individual who had not gone to HE was worried that it could make the general public think Muslim students were being given special privileges. Another individual (a graduate who did not take out a student loan) referred to the media reactions when the Subway chain decided to make some of its branches completely halal. He worried about 'labels' and about the product being 'stigmatised'. It was noted how marketing would need to be 'really good' in order to control the message, and individuals were worried that people might get the wrong idea and think that the product has been driven by the Muslim community:

'If we market this as a Halal student loan we'll have so much [backlash]... We have a lot of anti-Muslim sentiment in the UK, all the time...I wouldn't want this to be marketed as Halal finance as once you put that on there it looks like the Muslim community is demanding options and that we don't want to integrate...The marketing has to be really well thought out. If it's not marketed properly news companies will say that this is another example of Muslims taking over' (Graduate who had taken out a student loan).

'As soon as this is introduced the first thing you are going to hear is, why is England becoming so Sharia law/Islamic' (Current student who had taken out a student loan).

There was a concern that neutral terms should be used. Indeed, one current student talked about *'taking the Muslimness out of it'*, and others felt it should not be marketed as Islamic or mention Sharia law or religion:

'it doesn't need to have anything to do with religion...I don't like the religious element of it, because even with good intentions, or unknowingly, it does create a divide' (Current student who had taken out a student loan).

There were strong feelings that ASF should be marketed as fair and 'just for education' in order to avoid any negative reactions or backlash. Interviewees also felt that careful thought should be given to the name, and interviewees tended to like that it is called the Alternative Student Finance (ASF) product, a neutral name that does not refer to Islam. However, it was noted by one graduate (who had not taken out a student loan) that including the word 'Halal' would make the ASF model attractive to Muslim individuals. This poses a challenge for the marketing of ASF – on the one hand keeping the message neutral but at the same time promoting the identifying features that Muslim students need to feel comfortable using it. One interviewee suggested that in marketing ASF, not only should the arrangements of the model be explained but also the general policy behind the model in order to reach out and engage with more of the Muslim community.

Interestingly, the small number of non-Muslim students in the research suggested that ASF should be marketed differently to a non-Muslim, general audience than to a Muslim audience, in order for it to have a broader appeal. This is perhaps slightly at odds with the feedback from Muslim interviewees/focus group participants who generally talked in terms of one message/one audience.

The non-Muslim students however echoed the suggestions of Muslim interviewees that care should be given to the name of the product. These students felt ASF should not be marketed primarily as a religious product, or as being Islamic compatible. There were concerns that this may lead some individuals to think the product is only available for Muslims or that they are paying into an Islamic fund; could also deter individuals from engaging with it; or could prompt other religions to want their own separate models of finance.

Reflecting the views of Muslim interviewees, Non-Muslim students also felt that ASF could be marketed as an ethical alternative where repayments help support future students and are not used for profit. However one student felt that it would be important to mention the Islamic element *'as that is where it's coming from; to emphasise the features of Islam, such as fostering peace, and connecting with non-Muslims, building community etc. He suggested that these aspects could be built into the description of the product, and the rationale for introducing it'*. Similarly others also felt that in the information or marketing about ASF it would need to make Muslim students aware how it

is designed to be compatible with principles of Islamic finance but also that non-Muslims needed to understand that the ASF product was compatible for non-Muslims as well.

The non-Muslim students also suggested that there needed to be clear information to help people understand what ASF is and how it works (which reflects the potential for confusion outlined above in the questions and concerns interviewees had about the model). They also felt that information about ASF should be given to parents/care-givers. They described how they discussed or decided funding options with their families so felt it would be important to educate parents/caregivers about the ASF model so that they would be aware of it as an option and more likely to trust it. Students felt that families (not just prospective students) would want information on how the model worked and how it would be sustained. Some noted how ASF, as a new product might garner suspicion and that it might take time for trust to be established.

Pen portraits

The research identified a wide diversity of experiences about how individuals approached their decisions about HE, the actual choices made and the outcomes of their choices. These are reflected in the previous chapters, however the totality of the experience or narrative is also important. Across the interviewees and focus group participants no two narratives were the same. This chapter therefore attempts to illustrate this diversity through a small number of pen-portraits – providing anonymised but real examples of these experiences set within the contexts of their lives, beliefs and attitudes. Each portrait briefly sketches out the background, experience, and thinking around HE and student finance of the research participant.

Portrait 1: Took a fee loan but felt misinformed about the interest arrangements

'To be honest, I don't think I'm going to get rid of that guilt until I pay it off'

This interviewee studied full time with the help of a tuition fee loan. She was very torn about her decision to go to university as she received mixed messages from the people around her and misunderstood how the loan worked and when the interest kicked in.

She started to practice Islam when she was at college and says that her religion means a lot to her; she lives by the rules of the Quran. She struggles with interest as it is classed as a very serious sin. Such rules are very important to her because if she goes against them she will have to live with the guilt.

At one point during college, the interviewee had decided that she would not go to university because in her heart she did not think it was ok to have interest. She was confused as she had teachers persuading her to go and some Muslim teachers telling her not to. She described how her family are not as strict as her, and so they wanted her to take the loan and go to university.

Eventually the interviewee's friends and family encouraged her to go to university and take out the tuition fee loan. She agreed to this because her understanding was that the interest would only 'kick in' once she started earning over £21,000 and started making payments. Her plan, therefore, was to work part-time so as not to earn over the threshold; and, instead of paying the loan back through tax, she would pay back in voluntary payments. However when, in her third year, the interviewee checked how much she owed with the student loan, she noticed that the amount had gone up because of interest, which came as a huge shock. She was very stressed and upset and felt she was in a situation she did not want to be in.

Initially, she refused to complete the third year of her course. In the end, she borrowed money from her father and sisters and used her savings to pay her fees for the final year. She was also working once a week and got a grant from the government.

She felt that if she 'had known the truth about the loans' she would not have gone to university.

Portrait 2: Took out student loans and views these as an investment

'If I did not take that loan I would not be at university, if I was not at university I would not be in the current employment that I'm in now... so it's one of those things where I think most Muslims have done it and will continue to do it because there is no other option'

This interviewee studied at university full time and took out both the tuition fee loan and the maintenance loan. Between college and university he took a gap year and during this time made the decision to go to higher education, partly because of family pressure, but also because he believed having a degree would mean a better job. While doing his degree he lived at home to save money. He had a part-time job in the third year of his studies. He now has a job that he enjoys.

The interviewee identifies himself as a practicing Muslim. He takes his faith seriously, as his family have encouraged him to. He feels that the decisions he makes in his life are based on the ethical framework of his faith. He adheres to the rules of Islam and his faith affects every element of his life. He says that his understanding of Islamic finance is 'quite poor', but he does know that 'Riba' or interest is forbidden.

He decided to take out a student loan (both a fee loan and maintenance loan) and go to university, and explained the reasoning behind this decision. He describes how his sisters had taken out student loans so it was a natural decision for him to do so too. In addition, many Muslim individuals in his community have also taken out a student loan, and he was guided by an Islamic scholar in the UK who states that a student loan does not qualify as a loan, because of the nature of the loan *'for example, if you do not reach the earnings threshold you do not pay it back, and if you die you do not pay it back'*. The scholar states that these restrictions mean that the student loan is an investment rather than a loan. The interviewee reports that many Muslims see the student loan as an investment in their future and, in the absence of an Islamic option, the student loan has become normalised in the Muslim community. The interviewee also saw the loan as an investment in his future, and explained that had he not taken out the loan there would have been 'no way' he would have been able to go to university and achieve the job he has now - *'the student loan company invest in me, and when I graduate and get a better job, that better job is the investment'*.

However, the interviewee believes that Muslim individuals are becoming stricter about their Faith, and so there are some who do not/will not take loans at all. Thus if an alternative model of student finance were introduced, he has no doubt that this will be attractive to many Muslims in the UK.

Portrait 3: Took out a loan but felt there was no alternative

'they [my parents] are OK but not from a wealthy background, and so they can't afford to pay for accommodation and uni fees at the same time... Ideally you wouldn't want to build up any debt but in reality you need some sort of financial support for three or four years of studying so the only other way for me to go to university was to take out a loan'.

This interviewee describes himself as a practicing Muslim and that Islam is something he was brought up in. His family is also practicing: *'they get a lot of the morals and beliefs from it but are not strict, and don't belong to any particular branch'.*

He feels that he does not know very much about Islamic finance. He knows that ideally you are not supposed to take interest but it is not something his family tend to take into account – for example they bank with a normal high street bank.

As his parents were not particularly well off he felt his only option to be able to afford to go to university was to take out student loans. However he is not sure how his parents felt about him taking a student loan but since *'it was the only option... and obviously both my parents went to university so they kind of wanted me to go as well. They realised that it was the only way I could go'.* His brother is now also taking out the same loan. In his religious community, he thinks *'a lot of the people here... understand that it's just the system. A lot of people are just OK with it'.*

Looking back, he thinks he was *'more excited about going to university than about the finances'.* However, he does think that *'it is a lot of money... when you add it all up. It is quite a hefty amount. But... what can you do'.* It does also slightly worry him now that he has graduated and, once he earns over the threshold, has to start paying it back. Had there been an option to take out an Islamic finance loan, he would have considered it and looked into both options. He believes that the way the alternative finance model would work would be more appealing to someone of Islamic faith because it would not attract interest.

Portrait 4: Struggled to finance HE without a loan and was undecided about what to study

'I ended up doing a course that I didn't want to do, at a university that I didn't want to be at, I inevitably didn't enjoy it and that's why I dropped out'

This interviewee studied at university full time but left without graduating. She went straight from her A-levels into a government-funded degree. The subject she was studying was not something she had considered before but she knew it was going to be funded by the government meaning that she would not need to take out an interest-bearing student loan.

Religion is very important in the interviewee's life. It is the primary source of how she interacts with others and the choices she makes in life. Although she feels she does not know much about Islamic finance she does know that interest is prohibited. The interviewee was not brought up in a very religious family, religion was something she discovered herself and she wants to adhere to its rules.

About six months into her degree the interviewee dropped out of university because, as she describes, she was not interested enough in the career that her degree would lead to. She also found the course very intense and realised that she could not dedicate her life to something that she was not interested in. Soon after leaving HE, she considered going back to university to study a different subject but decided not to because she would have to take out a loan and would therefore have to pay interest.

Had an alternative source of student finance been available, the interviewee reports that she would have *'gone to a better university to study an entirely different subject.'* However, the interviewee feels that she made the right decision not to take out a student loan. Sometimes she fears that she will never make it to university as the fees are so high but she hopes to make it at some point in the future.

Portrait 5: Currently struggling to finance HE studies without a student loan

'My university experience has been stressed out...I'd go to work, work a 12-hour shift and go to university for a full day the next day'

This interviewee is currently studying full-time at university and is living independently. She did not take out a loan, so alongside her studies she is working more than full-time hours to finance her study and living costs.

The interviewee is a practicing Muslim. Islam is a part of her daily life. She prays five times a day, making sure to connect spiritually on a daily basis. She reports that while she accepts that it is difficult to adhere to all religious rules, she could not justify borrowing money with interest and therefore could not bring herself to take out the student loan.

She finished college two years prior to starting university but decided not to begin her studies straight away as she was aware that there have been discussions about an alternative student finance product that would not carry interest, and was hoping that it would become available in that time. During these two years, the interviewee worked and saved for university but after living costs were deducted, she did not manage to save very much.

She managed to finance her first year of university without any help from family. In addition to working, she received financial support through a maintenance grant from her university, a university scholarship and a student hardship bursary. She was hoping to save a lot this year and pay off her fees for next year, however, the scholarship is not available next year, so she will be short of money and will have to keep working next year too.

Working so much and having to spend so much time applying for the scholarships has had a negative effect on the interviewee's health, work-study life balance, social life and her grades. For example, she described how she sometimes has to miss classes in order to catch up on sleep.

She believes her second year of university will be much more intense and she is concerned about how she will complete it, especially as the scholarship will not be available.

The interviewee feels that had an alternative finance product been available, her university experience would have been more balanced, she would have taken part in more student activities; and she would have started university straight away rather than deferring for two years, and would have lived in different accommodation. She would, however, still do the same course and go to the same university.

Portrait 6: Using a range of other methods to fund his studies

'When I paid that 9k for my fees in that first year, that kick started my mood for saving... I decided to develop an action plan to pay for my studies'.

This interviewee is in the fourth year of degree. He decided not to take out a student loan and so has funded his entire degree from a variety of alternative sources. Having attended a state school and achieved good A-levels, he was offered a substantial bursary aimed at students from 'working class backgrounds' for his first year at university. At the time, he was planning on taking out a conventional student loan, admitting that his faith was not as strong as it is now. However, he decided to use his scholarship money to pay his first year's tuition fees and cancelled the loan, which has kicked started him to find other ways to fund his studies.

After paying off the tuition fees for his first year, he received a student living bursary from his university. This, along with some savings his mother had set aside for him, paid for his second year of tuition fees. Whilst he lived locally at home with his mother, keeping costs down, he still needed to support himself financially for living expenses and to save up for future tuition fees. For this reason, he got a job as a tutor and spent around 20 hours a week working on top of the 30 hours of required study time. He also managed to secure another scholarship from an Islamic orientated charitable organisation.

Work commitments and time spent on searching for scholarships and bursaries did affect his studies. He feels that he could have done better, that he could apply himself to his studies more, that he has had to 'skive' off lectures in order to work and watch the recording later on in the night.

He was positive about the proposed ASF model, but felt that appropriate terminology is essential in winning people over. He would definitely apply for the ASF product if he needed it.: *'Definitely, I definitely would [have applied for ASF]. It would make me feel a lot more at ease from an Islamic aspect. But also, it feels like a cleaner system. I think the word interest scares people, so the fact that it's not in the mix would make people feel better'*

Although his own higher education has been enabled with the support of scholarships and bursaries, he believes that such opportunities are becoming increasingly scarce, and he feels this makes it harder for people from all backgrounds to attend university.

Portrait 7: Supported by her family but would prefer to be independent

'I think I would have tried to save up and then go to university, instead of taking out a loan. But then that would have put my whole career time on hold, until I could get enough money to go which would have been quite difficult... I probably would eventually just have to work in a job that didn't require a degree, even though I know I have a lot more potential. So for me personally the concept of interest did, or would have, put me off university or would have prevented me from going to uni on time.'

This interviewee studied full-time at university and then went on to study for a PGCE and is now a teacher. She did not take up a student loan out of religious concerns.

She is a practicing Muslim and feels that faith is the most important part of her identity. Consequently, she does not engage with anything to do with interest, such as loans, credit cards, current accounts or mortgages. This meant having to seek out an alternative way to finance her HE studies.

When first applying to university, her mother convinced her to look within the family to seek funding and a family member offered to fund her studies. She described how they have an agreement whereby she pays a certain amount per month, with the hope she will pay off her debt before she turns thirty. This way, she does not have to engage with interest and, with the added help of part-time work and a maintenance grant; she was able to fund her studies.

She feels very lucky, especially as some of her friends had to take out a loan against their beliefs. Without the support of her family, she felt she would have had to find work (and a career) that didn't require a degree or at least postpone her education until she had saved up enough money to go. However, borrowing money from family can come with added pressures. For instance, her study choice was questioned and in order to borrow the money she had to justify it with specific a career plan. Furthermore, she feels a personal commitment to pay the money back as quickly as possible. This meant working part-time during her studies, which sometimes meant missing lectures or sacrificing time best spent on assignments.. She feels that without undertaking paid work she might have achieved more in her undergraduate studies.

She was positive about the proposed ASF product and what appealed most was that it appeared to be Sharia-compliant. Furthermore, she liked that the fund would be ring-fenced, therefore she knew where the fee would go and that it could not be sold off for profit, and that it was open to everyone, as she was worried about negativity from wider society if it was only pitched to Muslim students.

Her future plans include undertaking a master's degree part-time, but she does not want to borrow any more money from family. Consequently, she feels that an ASF product would help her achieve this goal.

Portrait 8: Funded studies by working several jobs

This interviewee studied full-time and graduated two years ago, and has several business ventures. He had taken a year out as he needed to retake his exams in order to gain a place at his first choice university. However during this time tuition fees were increased which meant he was faced with the new £9,000 fee regime. He decided against taking out a loan out of concerns about interest.

He considers himself to be moderately religious. His family celebrated all the significant festivals and would for example check that all meat was Halal, '*religion did play a significant part in our life*'. He did not know much about Islamic finance growing up but learnt about it when writing his dissertation (on a related topic). He felt that there was only limited financial education when he was young, and so facing student loans was the first time he'd really had to think about it.

The interviewee decided against taking out student loans because he was not comfortable with interest that was charged above inflation. He feels that for some Muslims, any type of interest is problematic, whereas for others, it is only the above inflation interest, which is problematic as they accept that inflation occurs. It also felt like a lot of debt, which he did not want to take on if possible. He does not have a credit card as he does not want to spend money he does not have (which he describes as a core value). This is a strong principle for him and guided his decision not to take out a student loan. Having decided not to take out a student loan, he did not investigate any other options because he did not think there was anything else. However, he did note how it is often the case that Islamic and other ethnic minority students come from lower income backgrounds, and so their family can only offer limited financial support. This narrows their choices concerning student finance.

. This individual worked all year round to fund his studies but he does not feel it negatively affected his study and it has in fact helped him get his first job after university. He also lived at home with his family while studying, which saved him money on accommodation and other living costs (e.g. food); and worked during his gap year to save some money and his studies.

Portrait 9: Lacked of any real encouragement from her family

'He [father] did not engage with interest and he didn't need to. We saw it as a don't need to situation. And because there weren't any alternatives then, apart from my Dad paying, we decided that we were not going to... it had that effect on our decisions. As you will always try to seek out an alternative and if there isn't one available then you just let it go'

This interviewee decided against pursuing higher education, is now a full-time mother with two children. Although she achieved good grades in her A-levels decided not to apply to university because of the interest incurred by the student loan.

Although her teachers at the time tried to explain the loan to her in more detail, she *'didn't really give anybody the chance'* to talk it through with her. Consequently, she did not have much understanding about the loan other than it accrued interest and, thus, she could not engage with it. At the time, she and her father were looking at alternatives but there were not any, apart from her father paying, which was not an option as her father still had to support his own siblings. Furthermore, she notes that in her culture it is expected of women to become homemakers, therefore university may not be a sound investment as any career prospects were viewed as short-lived.

At present, all of her siblings have attended university, with her younger sister soon to complete her undergraduate degree. With this in mind, she has always thought about returning to education to study a subject she is passionate about. However, every time she attempts this she feels a new barrier emerges to crush her aspirations. For instance, she was saving up to pay for the tuition fees when they were increased to £9,000 a year, and then bursaries for some health courses were cut. She also feels that the increase in living costs throughout this time have compounded to thwart her plans. Looking back now she wishes that she had attended university when she first had the chance, before she had so many commitments and costs increased and support was removed: *'Every time I'm ready to go things keep changing and it's quite annoying.'*

As her second child is still very young, she cannot commit to university at present. However, she does feel that the ASF product would definitely have appealed to her younger self: *'I honestly think that if it was around back then and I had known about it, then I would have been very interested in it.'* That said, she is uneasy about how the service fee is worked out, as she found it difficult to understand why the fee would need to fluctuate if it was not interest, noting that a fixed fee would be better. She feels that the ASF model would need to be accredited by a scholarly committee in order to get both herself and those in her community to engage with it.

Portrait 10: Did not see university as worth compromising his faith

'I'd rather get a job that maybe pays a bit less but won't have the stress of having a debt hanging over my head'.

This interviewee decided against going to university after college as he was not convinced that a university education would be worth compromising his faith.

He and his family are Sunni Muslims and he describes himself as a religious person and says that it influences his everyday life and choices. His understanding of Islam and finance is that there are different schools of thought but as a general rule all of them say you should not take out loans that charge interest. He is aware that there is one school of thought that says loans are permissible if it is for university or something else that cannot be avoided. Within his family and circle of friends opinions vary, but personally he does not abide by this more permissible school of thought. While his siblings had taken out student loans, some of his friends had opted to self-fund their way through university to avoid interest and so it was something he was aware of for a long time.

He does not agree with companies that borrow from and lend money to anyone. He believes borrowing and subsequently having to worry about debt is stressful. This view comes from both his religion and culture. Culturally his family also try to avoid borrowing money but if it is a necessity they would turn to close family and friends.

This individual was deterred by a combination of indecision/lack of clarity about which career path to take and uncertainty about the value of HE. He felt that, with the financial cost of HE in England and, what he described as, the insecure job market, it would not be worth *'the stress that you would have to go through after a degree to find a job that pays for it'*. Additionally, by the time he was applying for universities, fees had risen and the debt seemed insurmountable. He also saw how his siblings were struggling with their loan repayments.

He had a family meeting and talked about his choices, the potential for student debt and how it would affect him afterwards, and this made him decide to halt the HE application process. At first, he regretted his decision but this had more to do with the social aspects of university life that he felt he was missing. Looking back, he thinks he definitely made the right choice – his friends who are now graduating are unemployed and he feels that by comparison he is doing better financially and he has a good social life. However had there been an alternative student financing model it definitely would have made him consider going to HE.

Conclusions

This qualitative research study captured detailed insights and feedback on: attitudes to finance and the influence of cultural beliefs, decisions about HE and the role of student finance (particularly traditional student loans) in these decisions, and the proposed model of ASF. Feedback was gathered through in-depth telephone interviews and focus groups with 77 individuals (with fieldwork undertaken in 2017). These were mainly Muslim individuals, as research indicates this group may feel unable to take on interest-bearing student loans for religious reasons. The study was not designed to be representative of all Muslim individuals but to gather a range of views from Muslim individuals with different characteristics and backgrounds, including Muslim students who did and did not take out a student loan and Muslim individuals who had decided against HE due to their feelings about taking out an interest bearing loan. The vast majority of those interviewed or took part in focus groups described themselves as practicing Muslims, many lived at home (whilst studying), and although most had family experience of higher education often through siblings, cousins and aunts/uncles fewer had parents who had been to university. These factors, as well as other factors not related to religion such as age and gender and socio-economic background (which was not measured), are likely to have had a bearing on their views and opinions. Therefore some of the views evinced by this study may also be shared by students from other backgrounds.

A small group of non-Muslim students (those of other faiths or no particular faith) also participated in focus groups. These are not a control group but do provide another voice to the research.

Conclusions about the potential demand for and impact of ASF

1: Muslim students are not homogeneous and have differing opinions on the acceptability of student loans.

The Muslim research participants felt they had a good understanding of Islamic finance and that interest (Riba) was not permissible (Haram). This affected their own and their families' propensity to take out loans where they would be required to pay back more than they had borrowed, including student loans.

There were strong opinions that interest-bearing loans must be avoided and some individuals therefore strictly avoided taking out a student loan. They tended to be in families or communities who also tried to avoid borrowing, debt and interest. For some they were able to finance their studies through other means but for others this meant they were not able to go to university or at least put their plans on hold whilst they saved up. These groups are likely to be most attracted to ASF but will need clear and firm reassurances that the product does not involve interest.

A few described how they were encouraged, advised or persuaded to take out a loan in order to go into HE, but taking out the loan was often an uncomfortable experience. Again, this group are likely to be highly attracted by ASF as it would relieve the 'guilt' in taking out a student loan.

Some, however, felt able to take out a student loan: either citing how some Islamic scholars ruled that loans for education (as a just cause which would help to develop an individual's career), when there is no alternative means of finance, could be permitted as an exception; or noting how they or their families had a more liberal approach to finances and borrowing was considered normal (often mixing Islamic finance products with mainstream products). For this group, the student loan was essential and they would not have afforded HE without it. This group might be attracted by ASF and replace student loans with ASF, and indeed when ASF comes on stream it may mean that traditional loans may no longer be permitted (as there will be an alternative). However, they may need time for such products to become bedded in.

2: Feelings about loans and interest are not necessarily fixed and can change over time.

The commitment involved in taking out a student loan is long term, up to at least 25 years. Those who take out student loans may over time regret their decision on religious grounds and feel they are compromising their faith. This can cause considerable distress. The ASF model also involves a long term commitment but with the backing of scholars from across the schools and sects of Islam and reassurances that it does not attract interest it may be less likely to trouble individuals even if their understanding of and views on religious teachings change over time (over the period of their repayment obligation). ASF has longer-term attraction but may lead individuals to question whether existing student loans can be switched across to ASF. This will need to be addressed in developing the policy and model, for example making it clear that switching is not possible and making clear the reasons why (if that is the case).

3: Interest is not the only concern about student loans, the size of the debt 'burden' is also troubling.

Many interviewees - regardless of the strength of their Faith, family engagement with mainstream finance products, or opposition to interest - were concerned about having sizeable debt and wanted to avoid it wherever possible. They viewed the debt incurred in going to university as a real and large burden, made more sizeable with the increase in tuition fees introduced in 2012, and one that would affect negatively upon future opportunities. Worries about the debt burden were often aggravated by stories in the media and by the experiences of friends and family (seen as struggling with debt). Concerns about the amount they would need to pay back led some to question

the value or benefit of going to university or to explore other options such as apprenticeships.

Some wanted to pay the debt off as quickly as possible and talked about making additional payments or choosing vocational courses and subjects they felt would enable them to pay back the loan (and pay it back more quickly). Most, however, adopted various strategies to reduce the potential debt burden involved in HE study – regardless of whether they were borrowing from government (via the student loan) or from families. As tuition fee costs are largely fixed, and tend to be the same across the sector, these strategies tended not to be aimed at these costs; although some students chose or considered specific courses/subjects that attracted (at the time of making decisions) fee reductions such as nursing or education with mixed results. Instead, their strategies were aimed at reducing their living expenses and included: choosing a local university and living at home to reduce expenditure, delaying entry to HE to accrue some savings, getting paid work and working (often very long hours) alongside their studies, generally trying to live ‘frugally’, and looking for support that would not need to be paid back such as grants and bursaries. A key source of additional income appeared to be maintenance grants, bursaries and scholarships (which were available at the time), which may reflect the socio-economic background of the interviewees.

It was acknowledged that many of these strategies would impact upon (lessen) their HE experience and could potentially negatively impact upon their HE outcomes, for example, several students were working in multiple jobs and long hours which meant they were unable to participate in many social events and felt they did not get a good degree result. The ASF product, as it will not result in any financial advantage relative to the traditional student loan, will carry the same perceived burden. Individuals may therefore still want to adopt these strategies to help make ends meet and reduce the size of their obligation, thus potentially limiting their choices and experiences.

This behaviour is unlikely to be limited solely to Muslim students and/or the patterns found in the research may also be influenced by other factors. Indeed, research indicates that other groups of students are also concerned about the debts accrued in HE study particularly those from lower socio-economic backgrounds. Yet our current research study indicates how debt avoiding behaviours when it comes to HE are not universal. As student loans have become ubiquitous, coupled with the success of messages about the affordability of the loan, some of those interviewed from non-Muslim backgrounds appeared less concerned about student loan debt. For this group, student loans were not considered ‘real debt’, they tended not to think about the amount owed and viewed taking on student loans as the normal thing to do, accepting that acquiring debt was part of the HE experience. These individuals are unlikely to be attracted by ASF as they may be suspicious of a new product.

4: Relying on family funding can restrict choices

Those who were strongly opposed to taking out student loans relied heavily on their families to fund their study costs, particularly the tuition fee costs, but also to reduce their living expenses as almost all lived at home with their families. Others, who were opposed to taking out student loans but were unable to be supported by their families, felt they had to forego HE. Those with family support therefore considered themselves 'lucky' however this support could come with a sense of additional responsibility and obligation to study hard, live frugally or look to other means to supplement income. It could also mean that students were obliged to study near home and choose a course or subject that would be acceptable to their families.

ASF could make a difference for this group as it provides an acceptable alternative to family funding (rather than student loan funding). Securing alternative funding may allow individuals to progress to HE where they felt families could not afford to help them, and may allow others more freedom in their choices and to engage more fully with HE experience without the restrictions and pressures from family 'lenders', for example working less hours in paid employment. Individuals may still choose subjects that they perceive will give them better paid careers rather than subjects they are passionate about and chose institutions close to their families but feedback indicates it will give them more autonomy over their choices and their finances and spending. ASF may also help make decisions about HE easier and more relaxed.

5: Deciding against HE is not necessarily purely about student loans

Those who had decided against going to university tended to have seriously considered HE and explored their options rather than dismissing it out of hand. Financing was clearly a barrier but this was often exacerbated by indecision around what subject to study or career path to aim for, a lack of a real commitment to HE, and concerns about the 'value of HE', especially given the current level of fees. The perceived personal benefits of HE are critical and act as a tipping point. Potential students need to feel that HE is worth either compromising their faith to take out a student loan and/or worth the debt burden (the latter is an issue for many of other groups of potential students).

For this group ASF could make a difference as it provides a method of funding HE study that will not compromise their faith but they will still need careers advice and guidance to help them make decisions about career goals and pathways, and information about employment possibilities and probabilities after HE (particularly in the long-term). They may also need information about the HE experience itself as well as the potential outcomes, as the experience can be regarded as a key part of HE and an important attraction factor. In addition, details of ASF such as when repayments start and when the debt is written off may also provide reassurances. For some, however, they will still be unconvinced that HE is right for them and/or affordable.

Conclusions about how best to promote ASF

6: The ASF model is viewed positively by Muslim and non-Muslim individuals, and is seen to offer several benefits.

ASF was generally regarded as a better option than the traditional student loan and was seen as: inclusive and accessible, aligning with the drive to make HE more widely accessible; ethical, as it was not commercially orientated; and a positive move on the part of government. It was felt to add choice to the market, providing another option for students from different backgrounds to finance their studies. The key attraction factors are that:

- It is a ring-fenced fund where contributions directly fund the education of others and so benefits future students;
- It is available to everyone regardless of background or religion;
- It is fair as it neither advantages nor disadvantages individuals in comparison to traditional student loans;
- It does not accrue interest but instead involves a fee or contribution;
- It is permissible under Islamic law and would be approved by a council of scholars.

These attraction factors could feature strongly in any messages about the ASF; however, the last two are likely to only be of relevance/interest to Muslim individuals.

Many would have taken up the ASF had it been available when they were making decisions about HE and felt it would be attractive to their family, friends and others in their community and could support and thus encourage more Muslim individuals to go to university. Several non-Muslim students also felt they would have considered ASF as it presented an opportunity to pay money towards funding HE rather than to a profit-making organisation. However there were some who were more cautious, and would need to look into the details of ASF (particularly around the issue of fee versus interest, see point 9 below) and/or prefer it to 'bed in' a little first before taking it up. This suggests that over time the demand for ASF will increase and perhaps will become more attractive to a wider pool of potential students.

7: Schools, colleges and the internet are keys channels for informing potential students about ASF

Individuals used a range of sources to find out about the costs of HE and sources of financial support but the two main sources were schools/colleges and the internet including government, UCAS, Student Finance England and NUS websites. These sources were used to find out about the details of funding and how others had financed their studies but also to access religious discussions on student finance options. These same sources were felt to be important channels for disseminating information and marketing messages about ASF, and ASF could (and should) be

presented alongside information about traditional student loans. In addition, schools and colleges were felt to offer the potential for interactive sessions such as talks, advice sessions and workshops, so options can be presented with their pros and cons and potential HE students can discuss any concerns. Other potential channels for promoting ASF include university open days and outreach activities, Imams in universities, social media, student groups and student bloggers, and mosques and community organisations.

The research indicated the influence of families, particularly parents and siblings, when making decisions about HE. However, parents may have little knowledge or personal experience of student financial support. Information about ASF should therefore not only be directed at potential students but also at parents and carers.

8: Any overtly religious messages when marketing the ASF should be avoided

How the ASF product was presented in any marketing or awareness raising was felt to be important. Individuals felt strongly that ASF should be open to everyone and also marketed to everyone rather than just aimed at or marketed to Muslim individuals; it should not be seen as a special or separate product available to a specific group of potential students. There was a concern that, if it was marketed specifically and only to Muslim students, and presented as a religious or Islamic product it could be divisive and Muslim individuals might experience a backlash from some parts of the media and UK population. There was a danger that ASF would be interpreted as the Muslim community being given special privileges. Some students felt strongly that it should not be marketed as 'Islamic' but to be promoted in non-sectarian and in neutral terms. However, it would be important to explain the identifying features that would be important to Muslim students.

9: Individuals confuse non-interest bearing with interest-free and this needs careful explanation.

There was confusion about the issues of interest and the total amount that would need to be paid back under the ASF model:

- Several individuals interpreted non-interest bearing to mean ASF would be interest free and therefore a cheaper option (which was a major attraction factor).
- Some individuals were also sceptical whether the ASF model really represented a different approach and was perhaps just using a different terminology for what would in effect be interest.
- Some interpreted the payments as voluntary contributions.

Interviewees felt there needs to be clear information to help people understand what ASF is and how it works. The fact that the ASF debt will be equivalent to the traditional student loan debt will need to be carefully explained so that individuals are not under any misapprehensions when taking up ASF. Also, the fee structure will need to be

explained clearly including how this differs to interest to overcome any mistrust. Feedback suggests that individuals want to know the composition of their contributions (how much is the fee and how much is the original amount borrowed).

Some individuals were also worried about the management of ASF particularly its protection and sustainability if demand was too high or too low, and what would happen to the ring-fenced 'fund'. They had questions about where the initial seed funding would come from and how the fund would be topped-up while waiting for graduate contributions to come in, and wanted reassurances that the monies would not be used for commercial gain/to accumulate interest and would not be 'sold off' in the future. These issues would also need to be explained when providing more detailed information about ASF.

10: Scholarly assurances and approval are important and will need to feature in messages about ASF

Opinions of Islamic scholars, Islamic financial institutions and local community groups were important to many interviewees. Many took guidance from several sources to inform their religious practice and personal life choices, indeed individuals do not tend to consult just one authority. Scholars in particular were felt to have years of experience, be best able to understand the technicalities and nuances of Islamic finance, and thus provide reassurance and confidence. They would be able to properly assess/test how the ASF product could be in line with Islamic finance principals (clarifying and resolving any issues around interest), and therefore provide added reassurance of the ASF product in terms of its compatibility, legitimacy and compliance with Islamic law.

ASF will need to have scholarly approval/endorsement, and individuals will need to be reassured that ASF has been scrutinised by a range of scholars representing the diversity of the Muslim community. This will need to be communicated to potential students but in a way that does not inadvertently promote ASF as a Muslim-only or Muslim oriented product.

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Appendix 1: Introduction to the ASF model

Alternative student finance

- Alternative student finance (ASF) is a new finance product compatible with Islamic finance.
- An important concept in Islamic faith is that money has no intrinsic value and Riba (essentially interest) is prohibited. In the model, the idea of borrowing and paying back interest is absent. Instead of paying interest, students will pay a fee that will vary depending on their income and the amount they borrowed.
- The amount of funding students' receive and the amount they contribute in repayment will be equivalent to the student loan.
- A central feature of ASF is the Takaful fund, this will be a separate fund, kept in a separate pot to the normal student loan fund in which outgoing payments to students and incoming contributions from students will be kept.
- ASF will be approved by an Islamic finance committee of scholars, Muftis and Sheikhs, who are experts in Islamic finance and will ensure the product complies with sharia law, similar to other Islamic finance products in the UK and internationally.
- ASF will be available to all students irrespective of their religious beliefs, and result in no financial advantage or disadvantage for students, relative to the equivalent student loan.

Current undergraduate maintenance loans and tuition fees

- Currently when undergraduate students apply for maintenance loans or tuition fee loans, they enter into a contract to receive funding for their studies.
- If they graduate, they will start repaying their loans once they earn over a certain amount, and the size of their monthly repayment will depend on how much they earn, not what they owe.
- Repayments from students are made through the tax system and sit in what is called the consolidated fund, where most of the UK's proceeds of taxation sit too.

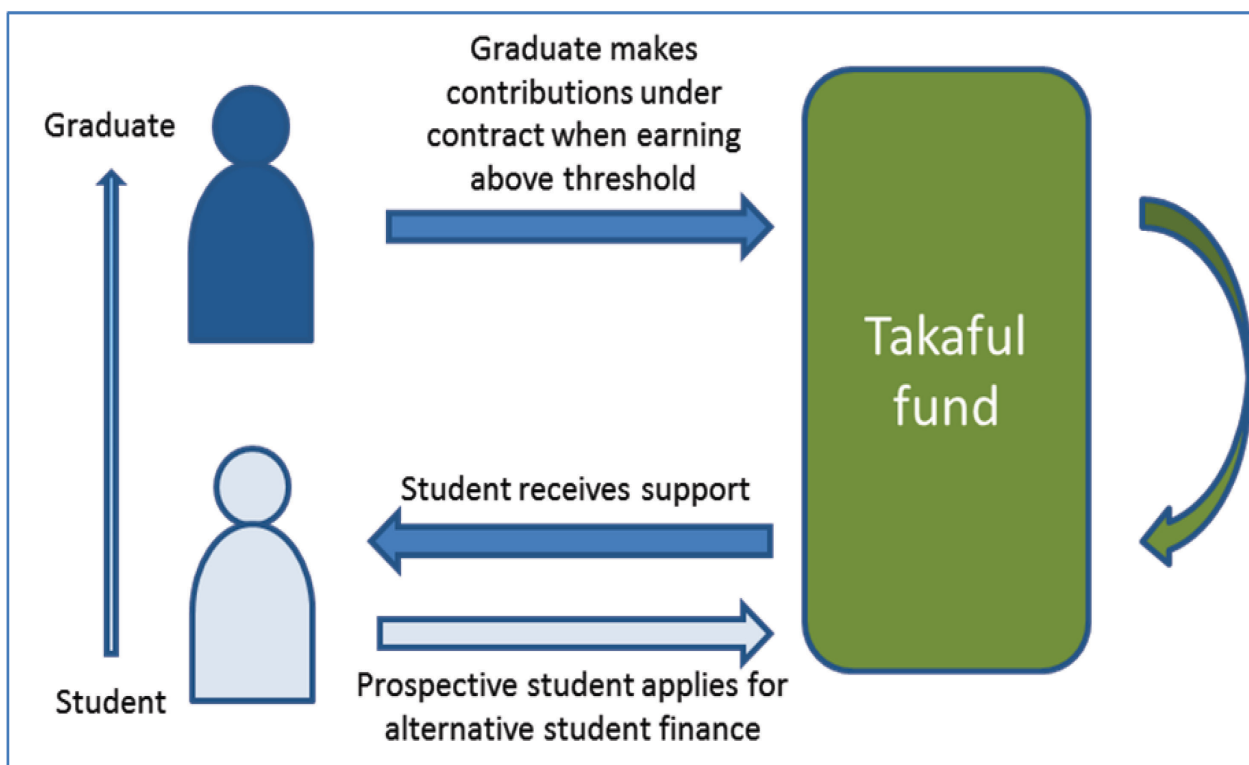
ASF undergraduate maintenance and tuition fee loans

- Students would apply for this alternative finance in the same way they would apply for the equivalent student loan.
- If a student takes out a tuition fee loan, their institution would receive this money in payment for their higher education course. If they take out a maintenance loan,

they would receive money in their bank account to help pay for living costs. In taking up either or both of these loans the student enters into a contract requiring them to pay the money back.

- With ASF, the money students pay back will be called a contribution, it will not include interest, and will be paid into the Takaful fund, used to provide non-interest bearing student finance.
- Students will only be required to make contributions into the fund once they have graduated and are earning over a certain amount. The size of their contribution will be based on how much they earn.

Figure 1: Illustration of the Takaful Fund



Source: DfE, 2017

The Takaful fund

- ASF will be different to current student loans as they will be based around a model of Islamic finance - money will flow through the Takaful fund. This will be separate to the funding for student loans and contributions will not go into the consolidated fund.
- The underlying principle of the model is identified as 'one of communal interest and transparent sharing of benefits and obligations'. It has been developed from a type of Islamic insurance, a system of mutual contribution and protection, in which

the participants donate part or all of their contributions to a common fund for other co-contributors to benefit from as well, with ownership transferring upon usage.

- The two main constructs the Takaful fund:
 - The **contribution**, based on al-Nihd. In the case of ASF, this contribution will be made after the student has received financial support and once their income exceeds the earnings threshold.
 - A **unilateral binding promise**, based on the Mālikī school, which constitutes part of the product rules and legal terms. Having received support from the fund an individual contributor will be legally obliged to support the fund through agreed contributions. These contributions are mutual insurance for all students who benefit from the fund, as each contributor will be partly responsible for the protection of the fund and their co-contributors.

Appendix 2: Methodology

A qualitative research approach was adopted to allow the Department to get beneath and understand the complex issues and factors influencing decision-making around higher education and student finances.

It should be noted that a qualitative approach provides a much deeper exploration of issues than would be possible with a survey of a larger number of individuals, and in particular it provides an understanding of why individuals behave in certain ways and make the decisions and choices they do. Although a relatively large (N=62) and relatively diverse range of Muslim individuals were included in this research (due to the different sampling groups and sampling sources used, see below), the interview data cannot be interpreted as being statistically representative of all Muslim individuals or be used to describe the numbers and proportions of Muslim individuals displaying particular characteristics or behaviours. Instead, it provides an indication of the range and strength of views. Additionally, only a very small number of non-Muslim students were included in the study and so it only begins to uncover potential demand for an ASF product beyond the Muslim community.

Literature review

A brief literature review was conducted to build a deeper understanding of the research context, and the research on attitudes to finance and potential take up of alternative financial products (in the UK and, where appropriate, internationally). The review helped shape the topic guides used in the qualitative parts of the study.

Brief descriptive analysis of the SIES dataset

This secondary analysis provides further understanding of the profile/backgrounds, attitudes, financial circumstances and HE experiences of those participants in Student Income and Expenditure Survey (SIES) who identify themselves as Muslim students. It includes a consideration of their HE choices (course type, study mode and accommodation/housing type) and the components comprising students' package of income/financial support; for example, whether they took out a tuition fee loan and/or maintenance loan (and for how much), or relied on family/other financial support.

Telephone interviews with Muslim individuals

The core of the research involved 45 telephone interviews across three groups of Muslim individuals in order to gain rich insights into the role of finance and debt and belief in the decisions about HE. The three groups were:

- Muslim HE students who have taken out a student loan (x15) sampled from the SIES 2014/15 dataset⁴ (to include those who took out only a Tuition Fee Loan and those who took out a Tuition Fee Loan and Maintenance Loan; and a mix of gender, age, course and institution type);
- Muslim HE students who have not taken out a student loan (x15), sampled from a combination of SIES 2014/15, snowball sampling from known contacts (including SIES respondents) and through contacts provided by relevant Muslim and student focused organisations⁵;
- Muslim individuals who hold a level 3 qualification (thus would meet HE entry criteria), but did not go into HE (x15) sampled from a combination of snowball sampling, through relevant Muslim organisations⁶, and a specialist survey recruitment organisation⁷.

Sampled individuals/contacts were sent an introductory email explaining the purpose of the research and the research team followed up by phone to verify that individuals met the research and sample group criteria and to arrange a suitable time for the interview. Shortly before the interview, participants were emailed a short note introducing the ASF product and setting out its key features (see Appendix One) which was then used during the interview discussion. Telephone interviews took between 30 minutes and one hour, using a semi-structured discussion guide. The guide probed on:

- decisions about HE and ambitions for the future (alternative routes to HE considered and/or taken);
- understanding of and attitudes towards student finance and how this factored into decisions/choices about HE (including how this affected choice of course, institution and living arrangements);

⁴ The SIES dataset is held by DfE. This dataset provided an efficient and effective sample frame of Muslim students. It contained over 100 individuals who described themselves as Muslim, the majority of these had taken out a Tuition Fee Loan or a Tuition Fee Loan and a Maintenance Loan. Most of these had provided contact details and indicated a willingness to take part in further research focused on student finance. Only those who said they were willing to take part in further research were contacted for the purposes of this research study.

⁵ A number of key organisations were identified with the help of DfE colleagues including those with a specific interest in Muslim young people and HE students such as the Federation of Student Islamic Societies, the Muslim Association of Britain, and the National Union of Students; those with an interest in Islamic finance such as the The Bright and Halal Campaign and the Islamic Finance Council; and schools and FE colleges. These organisations were approached by the research team to request potential research participants, they were supplied with details of the research, the sampling criteria and what participation would involve in order to help them to recruit/inform individuals.

⁶ See footnote 2.

⁷ It proved difficult to recruit the group of Muslim individuals who didn't go on to HE so a specialist recruitment organisation, Roots Research, was used.

- attitudes to debt and decisions about whether or not take funding, influences on funding decisions and strength of views (including their own and their parents'/family's religious beliefs);
- alternative options open to them to finance their studies (loans, grants, support from family/community);
- and interest in the ASF model, attraction factors and concerns.

Participants received £15/£20 in vouchers as a thank you for their input into the research. Interviews were recorded and researcher notes were extracted into a framework for analysis.

During the course of the research 45 Muslim individuals took part in one-to-one interviews (including students, graduates and those who did not go to university).

Focus groups

To supplement the insights gathered from the individual interviews a series of six focus groups across three HEIs was undertaken. Working with the Department, three English HEIs with a high to moderate proportion of Muslim students were identified. These HEIs were approached, via the Vice Chancellor's office, to support the research. Each of these institutions kindly recruited two sets of participants – one group of Muslim students, and one group of non-Muslim students (either from other faiths or no particular faith group). To support the recruitment process, the research team provided university contacts with information to help with sample selection (i.e. eligibility and ideal mix of participants - students studying full-time at undergraduate level, and a mix of gender, age and subjects studied) and with information about the research and what participation would involve that could be passed to selected students. Each institution was visited for one day by a pair of researchers. Each focus group was facilitated by two researchers, and took one and a half hours. The group participants were provided with details of the ASF product during the discussion and this formed the focus of much of the discussion. The discussion was prompted by a topic guide (which had common elements with the telephone interview guide) and included:

- how students made choices about HE;
- the factors influencing their choices;
- their attitudes to student finance and debt;
- how they anticipated and then actually financed their studies (and the impact this has had on their HE experiences);
- their thoughts on/reactions the proposed ASF product exploring potential take-up, attraction factors and any concerns, and how it might be best communicated to potential students to raise awareness and possible attraction.

Participants received £15 in vouchers as a thank you for their input into the research. Focus groups were recorded (with participants permission) to help supplement researchers notes.

Overall, 32 students took part in focus group discussions (including 17 Muslim students and 15 students from other or no particular faith groups).

Analysis and reporting

All interviews and focus group discussions took place between August 2017 and December 2017. Interviews and focus group discussions were recorded with individual's permission (using encrypted Dictaphones) and these audio-recordings plus researcher notes were used to populate a common analysis framework – which set out the key research questions. This extraction and analysis technique facilitates quick and robust qualitative data management, helps to cut through and make sense of complex data and enables interpretation and summary. It allows for analysis by case and by theme.

This report presents the findings from the research. All the feedback presented comes from Muslim individuals (as these formed the vast majority of participants) unless otherwise indicated. Where feedback/insights are drawn from non-Muslim individuals – from the focus group discussions with non-Muslim students - these are presented in grey highlight. Generally research participants are referred to throughout the report as interviewees, whether they participated in one to one telephone discussions or focus group discussions.



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