ÇANKAYA UNIVERSITY
GRADUATE SCHOOL OF SOCIAL SCIENCES
FINANCIAL ECONOMIC

FINANCIAL MARKET SEGMENTATION: AN APPLICATION ON ISLAMIC MARKET

SALAH AWAD MOHAMMED

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Title of the Thesis: Financial Market Segmentation: An Application on Islamic Market

Submitted by **SALAH AWAD MOHAMMED**

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I certify that this thesis satisfies all the requirements as a thesis for the degree of Master of Science.

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This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Science.

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ABSTRACT

FINANCIAL MARKET SEGMENTATION: AN APPLICATION ON ISLAMIC MARKET

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The world has witnessed during the last decades important changes, which represented by the information revolution and globalization. Those changes have followed by competition between markets and product differentiation factors, which have developed and become the issue of the age. The method of segmentation of the islamic financial markets in modern world has become the cornerstone of any strategy formulated to be performed in a modern way. This method will fulfil the aims of manufacturers and marketers on the one hand, and consumers or users on the other hand. This process is useful for consumers because it meets their needs and satisfying their purchasing desire according to their financial abilities. The study handles the dimensions of financial variables such as bank capital assets, inflation rate, interest rate borrowing, broad money growth, deposit interest rate, lending interest rate, domestic credit private sector, and economic variables such as GDP per capita, GDP growth, tax

revenue, exports of goods and services, imports of goods and services, and the segmentation of those dimensions to the Islamic financial markets and finally advantages of markets segmentation together with their weak points.In order to apply the study and tests its hypotheses, were selected Islamic countries markets all over the world, as well as it is most important markets in the life of Islamic community, also has very strong relation with the new development in modern islamic world.The objective of this thesis is to contribute to the literature by examining the above mentioned issues with respect to the islamic financial markets. In particular the thesis seeks to address the following questions:

• Can the Islamic markets be segmented by financial indicators comparing with the world marktes, if so. to what degree?

• If the financial Islamic market can be segmented by financial indicators, which economecial indicators can discriminantes the segments.

According to above mentioned, the study puts a hypothetical model which reflects the nature of the influential relationship between dimensions of financial variables and segmentation of the islamic financial markets. Additionally, hypothetical model has been interpreted through a number of hypotheses which have been tested by two analysis means for SPSS, such as cluster analysis and discriminant analysis.

The SPSS statistical package program was used for clustering Islamic countries according to those financial indicators which are selected from World Bank Site. Variables which are adequately available from different sources are exchange rate, stock traded, bank capital to assets ratio, inflation rate, real interest rate, broad money growth, deposit interest rate, lending interest rate and domestic credit. By this we would understand whether the financial markets of Islamic countries could be segmented or not.

After segmenting the İslamic countries according to their financial indicators into two different clusters, it is useful to learn which economical indicators discriminate these two segments perfectly. Thus, the differences between two segments will appear clearly and repeating this research after a reasonable period will show the changing trends of these segments. Discriminant analysis is

used to this purpose. Also the analysis will present an equation which can be used to understand the affiliation of each country between two segments.

The results of the statisical analysis indicate that bank capital assets, inflation rate, interest rate borrowing, broad money growth, deposit interest rate, lending interest rate and domestic credit private sector can segment the islamic financial market significantly, while economic variables could not segment the islamic financial markets.On the other hand, some economic indicators can discriminate the two different clusters such as (GDP per capita, GDP growth, tax revenue, exports of goods and services and imports of goods and services).

Keywords: Market Segmentation, Dimensions of Financial and Economic variables, Concept of Market segmentation, the Market Segmentation of the Customer.

ÖZET

FİNANSAL PİYASA BÖLÜMLEMESİ: İSLAM PİYASASI BAŞVURU

Mohammed, Salah Awad
Yükseklisans Tezi
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Tez Yöneticisi: Prof.Dr. Mahir NAKİP

Temmuz 2017

Son on yılda dünya, bilgi devrimi ve küreselleşmenin sonucu olarak önemli değişikliklere tanık oldu. Bu değişiklikleri gelişen ve çağımızın meselesi haline gelen ürün farklılaştırma faktörleri ve pazarlar arasındaki rekabet izlemiştir. İslami finansal piyasaların modern dünyada bölümlere ayrılması yöntemi, modern bir şekilde gerçekleştirilmek üzere formüle edilen herhangi bir stratejinin temel taşı haline gelmiştir. Bu yöntem, bir yandan üreticilerin ve pazarlamacıların hedeflerini, diğer yandan da tüketicilerin veya kullanıcıların hedeflerini gerçekleştirecektir. Bu süreç tüketiciler için yararlıdır çünkü ihtiyaçlarını karşılar ve finansal becerilerine göre satın alma arzularını tatmin eder. Bu çalışma banka sermaye varlıkları, enflasyon oranı, faiz oranı, borçlanma, geniş para artışı, mevduat faiz oranı, kredi faiz oranı, yurtiçi kredi, özel sektör gibi finansal değişkenlerin boyutları ve kişi başı GSYİH, GSYİH büyümesi, vergi gelirleri, mal ve hizmet ihracatı, mal ve hizmet ithalatı gibi

ekonomik değişkenlerin boyutları ile bu boyutların İslami mali piyasalara bölünmesi ve nihayetinde pazar bölümlemesinin avantajları ile zayıf noktalarını ele almaktadır.

Çalışmayı uygulamak ve hipotezlerini test etmek için dünyanın her yerinden İslam ülkelerindeki pazarlar seçilmiştir, seçilen bu piyasalar aynı zamanda İslam toplumunun yaşamındaki en önemli pazarlardandır ve bunun yanında modern İslam dünyasındaki yeni gelişmeler ile çok güçlü bir ilişki içerisindedir. Bu tezin amacı, İslamî finansal piyasalar açısından yukarıda bahsedilen konuları inceleyerek literatüre katkıda bulunmaktır. Özellikle tez, aşağıdaki soruları ele almaya çalışmaktadır:

- İslami piyasalar dünyadaki piyasalara kıyasla mali göstergelerle bölümlere ayrılabilir mi, eğer ayrılabilirse hangi dereceye kadar?
- Eğer İslami finansal piyasalar bölümlere ayrılabilirse, hangi ekonomik göstergeler bölümleri birbirinden ayırır?

Yukarıda bahsedilenlere göre, çalışma finansal değişkenlerin boyutları ve İslami mali piyasaların bölümlenmesi arasındaki etkili ilişkinin doğasını yansıtan varsayımsal bir model ortaya koymaktadır. Buna ek olarak, varsayımsal model SPSS için küme analizi ve diskriminant analizi gibi iki analiz aracı tarafından test edilmiş birçok hipotez aracılığıyla yorumlanmıştır.

Dünya Bankası Sitesinden seçilen finansal göstergelere göre İslam ülkelerini kümelemek için SPSS istatistik paket programı kullanılmıştır. Farklı kaynaklardan yeterince ulaşılabilir olan bu değişkenler döviz kuru, işlem gören hisse senetleri, banka sermaye varlıkları oranı, enflasyon oranı, reel faiz oranı, geniş para artışı, mevduat faiz oranı, borç verme faiz oranı ve yurtiçi kredidir. Bu değişkenlerle İslam ülkelerinin finansal piyasalarının bölümlere ayrılıp bırakılmayacağını anlıyoruz.

İslam ülkelerini finansal göstergelerine göre iki farklı kümeye böldükten sonra, hangi ekonomik göstergelerin bu iki kesimi mükemmel şekilde ayırt ettiklerini öğrenmek yararlı olacaktır. Bu sayede, iki bölüm arasındaki farklar açıkça görülecektir ve makul bir süre sonra bu araştırmayı tekrarlamak, bu bölümlerin değişen eğilimlerini gösterecektir. Bu amaçla ayırma (diskriminant) analiz kullanılmıştır. Ayrıca analiz iki segment arasındaki her bir ülkenin mevcudiyetini anlamak için kullanılabilecek bir denklem sunacaktır.

İstatistiksel analizlerin sonuçları, banka sermayesi varlıkları, enflasyon oranı, faiz oranı borçlanma, geniş para büyümesi, mevduat faiz oranı, kredi faiz oranı ve yurtiçi kredi özel sektörü ile İslami finansal piyasalarını önemli ölçüde ayırabilirken, öte yandan ekonomik değişkenler İslami finansal piyasaları ayıramamaktadır. Bunun yanında (kişi başı GSYİH, GSYİH büyümesi, vergi geliri, mal ve hizmet ihracatı ve mal ve hizmet ithalatı gibi) bazı ekonomik göstergeler, iki farklı kümeyi ayırt edebilmektedir.

Anahtar Kelimeler: Piyasa Bölümlendirmesi, Finansal ve Ekonomik Değişkenlerin Boyutları, Piyasa Bölümlendirmesi Kavramı, Müşterinin Piyasa Bölümlendirmesi.

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CHAPTER ONE

FINANCIAL MARKETS

1.1. Introduction

Over the past few years, financial markets have become increasingly global. This process began with the relaxation of controls on capital movements in 1960's and was followed, especially during the past two decades by the formal relaxation of exchange controls. This has been further enhanced by the major advancements in technology and the development of financial techniques and hedging instruments that facilitate domestic and cross-border trading in marketable financial instruments. Taking as an example some figures from the European markets, this is evident from the flow of equity capital around these markets. In 1989, the equity flows to continental Europe and the UK, were calculated to be around £242.3 billion compared to £93.6 billion in 1986. These developments are welcomed so far as the increased market segmentation and level of competition and is expected to lead to a more efficient allocation of capital, both nationally and internationally, lower-cost financial services and new means of hedging risk. In the globalized security markets, the main challenge for both customers and investors is to take advantage of market segmentation and efficiency while enhancing the aspects of market interaction.

In the last thirty years segmentation has been recognized as a fundamental concept in the understanding of a market. The concept of segmentation, however, has seen relatively little in the financial services sector and the segmentation of the financial market. In this study, the focus was on segmentation of the Islamic financial markets and application of Islamic countries.

Despite this vast body of literature, both theoretical and empirical; there are still certain aspects of these issues which need further investigation.

In this respect, and following the success of these studies in advancing the theoretical background and the acquisition of further knowledge about the empirical aspects of these issues, we readdress almost all of them in a rather different context along with the introduction of new issues. The objective of this thesis is to contribute to the literature by examining the above-mentioned issues with respect to the Islamic financial markets. In particular the thesis seeks to address these following questions:

• Can the Islamic markets segmented by financial indicators be compared to those of the world markets? If so. To what degree?
• If the financial Islamic market can be segmented which economical indicators can discriminante the segments?

The organisation of this thesis includes the introduction of market segmentation and the theoretical rationale of the research as outlined. The methodology, research scope, and significance of the research are discussed.

There are literally four analytical chapters in this thesis:

Chapter one: Includes the introduction of the thesis in general, it presents an overview of the financial markets. The concept of financial markets in general, also the classification criteria and components of the financial markets and their importance to the financial markets and the characteristics and functions of financial markets and the financial instruments traded in the financial markets.

Chapter two: Begins by tracing the evolution of the concept of segmentation. Then, its definition, process, criteria, benefits, limitations, bases and then implementation issues are reviewed in the chapter. Factors important to the success of segmentation and the measurement of the success of segmentation are highlighted in the last section, which includes islamic financial engineering and its products.

Chapter three: Reviews previous segmentation researches and relevant literatures. It further presents an overview of the research problem and the study of objectives, also the important of study and reasons for choosing the subject. The purpose and research hypotheses are introduced. Chapter three also reviews all of the statistical techniques employed in this study while analysing the data.

Chapter four: Presents the summary of all the Chapters and References.

1.2.Financial Markets

Since ancient time, markets existed in the extensions of societies but they were limited to the buying and selling of real goods. As well as, the means and methods to sell and buy those goods, which were done by primitive and simple means such as exchanging goods for goods which was called the economics of barter or trade by barter. In the light of the great civilizational development, the markets were greatly developed and witnessed a wide boom in recent years, because of the technical advancements and the technological discoveries. Due to the development of communication tools, the seller or buyer could sell or buy through a telephone call directly or by broker until they reached to what was known as the Electronic Commerce as a one of this evolution results. Thus, the concept of market is no longer limited to specific places or goods. In other words, the place does not configure a basic condition to the process of selling and buying anymore. (Indian,1996, p.212).
There are many markets in our time which are specialized according to the materials that deal with the commodity market, where some of them are specialized in selling and buying gold and are called the gold markets, selling and buying the financial papers was called the financial market. In spite of that the financial markets appeared recently, but they have greatly developed through recent years both in terms of regulating, potential and facilities available to the dealers. This is due to the huge financial investments which are exchanged at these markets.(Khryosh, 1998,p.13).
Historically, the development of markets is associated with industrial and economic development which are experienced by most of the Asian countries especially the

capitalist countries. The spread of joint stock companies and the turnout of the governments to borrow, created and inspired a strong movement to deal by the financial chicks which led to the emergence of securities exchange. At the beginning, the dealings by these chicks were implemented at the wayside in major countries such as France, England and USA. Then, the dealings were stabled in special buildings which were later known as securities markets“Stock Exchanges”.

The securities markets were given great interest in both developed and developing countries where they represented the economic mirror that existed within it according to their important role in the mobilization of national savings, directed them to investment channels and worked on supporting the national economy and increased the rate of well-being of its members that benefited the whole society. (Albatall, 2004,p.2).

1.2.1.Financial Market in Review

Financial markets have performed a vital function within the global financial and economic system. This market has been the heart of the global financial system which mobilizes and allocates the savings and setting of the interest rates and prices of financial assets. The financial markets were used as the facilitator between lenders and borrowers or sellers and buyers of financial instruments such as stock, bond, and other securities. Besides, it channels the savings of those businesses, individuals, and institutions needing more funds for the business and investment project expansion and meets their business spending. Thus, the financial markets offer the support to the financial system like the financing, financial information, and equities as well as the corporate governance and financial investment.

Especially, the financial market development in the country, particularly; each nation which primarily focused on the capital markets development in the country. Then, it created a mechanism for financial investment in that nation. This mechanism allowed the government institutions and private corporations to take on the opportunities of raising funds from the capital markets through the issuance of the financial instruments such as stock, bond, and other securities to support the business and investment expansion projects.

In this regard, the investors, savers, businesspersons, and securities dealers, as well as speculators, had to take their opportunities to invest or trade the financial securities of the companies or other institutions in order to obtain their incomes from the interest rate, dividend growth and appreciation of security prices. (Peter S. Rose, 2003).

1.2.2. The Concept of Financial Markets and Standards of Classification

The old concept of markets is defined as the place where the sellers and buyers can meet, where goods and services are exchanged and their prices are combined. So, the concept of the market was physically referred to as a specific place. Currently, the market takes a moral concept where it refers to the set of reciprocity relations between the sellers and buyers according to the convergence and desires to exchange specific goods and services where there is no importance to the place and the market is determined according to the exchanged good. (Said. 2003.p 274).

Financial markets just like other markets offer a system to exchange services, products or both of them by collecting between two parties the needed services while the others produce the services. Generally, the financial markets are the mediator where the savers wishing to invest their savings directly or through mediators on the business institutions and the owners of the projects and persons who need to borrow money. (Nassif, 1995, p.21).

The financial market is defined as “the frame or system collecting the requests of selling and buying of the financial tools by which their implementation leads to the movement of trading operations in the financial markets, and the existence of financial markets is considered as one of the basic conditions to conduct the financial exchange at a fast and fair price".(Al- Maydani, 2002, p.17).

In another definition of the financial market; it is "the frame that collects between the saved units wished to be invested and deficit units which needs money for the investment purposes across specialized channels while operating at the market and conditioning the availability of effective communication channels". Along these definitions of the financial market is" the mechanism that was created to facilitate the process of exchanging the financial assets". Through the above definitions, we can conclude on many facts about the financial markets:(AL – Tamimi and Salam, 2004, p.110). (Leonardo .DA Vinci,2010).

- Generally, the financial market derives its concept from the market concept.
- The financial market is the means by which the seller and buyer can meet regardless of the physical place of the market.
- Securities exchange is one of the most important financial market devices where the supply and demand can meet through one means of the known communication means and conduct the dealing by the paper currency in the framework of specific conditions and according to specific rules and systems.
- One of the main pillars of the financial market are the mediators, market makers and communication channels that facilitate the process of communicating with the sellers and the buyers. (Al-Hanawi and others, 2002, p.8).

Generally, financial markets derives their concept from the structure of the market in general. Despite the physical location of the market, sellers and buyers can meet in the financial market. The securities market means the dealing in supply and demand of money both are done in specific places such as stock exchange or different communication means through the parallel market. Which through the specialized financial institutions of dealing is the buying and selling of securities such as brokerage houses, investments companies and commercial banks.(Pamela Peterson, Frank. J. Fabozzi, 2011).

1.2.3. Markets Classification Standards

Markets are classified according to many standards while they are classified according to the unit price and in this classification, markets are classified into two types which are the full markets and incomplete markets. The first type of markets has one price which is determined for each commodity. While; the second type is the common type to most of the markets. In addition to this classification, markets can be distinguished through the dependence of standard competition degree which is understood to have three types of market structure, which are:

- Full competition market
- Full monopoly market
- Monopolistic competition market

Furthermore, there is another type belonging to this classification which is called "Oligopoly Market" it is a mixture between (Full Competition Market and Monopoly) but it tends to have more of a Monopoly Market.(Mahmoud Amin .2000, p. 28-32). Markets can be classified according to many criteria some of them are shown below:

1.2.3.1. In Terms of the Nature of the Item

It can be distinguish among these markets based on the standards by which are classifed:

Financial Market and Cash: Money market is a market that deals with the medium, long-term and short-term loans, also called the capital market, and through which the issuance of stocks and bonds. Basically the capital market is a type of financial market, which includes the stocks and bonds market as well. But in general the capital market is the market for securities where either companies or the government can raise long term funds. One way by which the companies or the government raises these long term funds is through issuing bonds, which is how a person buys the bond for a set price and allows the government or company to borrow their money for a certain time period but they are promised a higher return for allowing them to borrow the money, the higher return is paid through interest that accrues on the money that the government or company borrows.

Another way that the companies or government can raise money in the capital market is through the stock market. But how the stock market works is that the companies decide to sell shares of their stock, which is basically ownership in the company, to ordinary people and other companies, as a way to raise money. The people who buy the stock are usually given dividends each year.

The Labor Market: The offer at this market comes from the workers and professionals and the demand comes from the business owners and those who are interested in hiring and employing these workers and professionals. The offer (the seller) at the advanced countries represent the workers' unions, trade unions, and professional associations. While, the demand represents (The buyers) the businessmen and unions of producers and industries and advertising in magazines about agency needs employees and workers where it is a way to explore the market. The state has intervened to regulate these agencies and becomes a practice with their jobs according to official permissions with specific conditions as a protection to the labor. Also, demand for jobs represents a way to explore the labor market as well.

Goods Market: product markets exchange consumer goods purchased by the household sector, capital investment, goods purchased by the business sector, and goods purchased by government and foreign sectors, a product market, however, does not include the exchange of raw materials, scarce resources, factors of production, or any type of intermediate goods. The total value of goods exchanged in the product market each year is measured by gross domestic. It may be a wholesale or retail market and it is the common market to all of us which includes the agricultural and industrial products.

Services Market: It is the market in which organizations provide services, examples of this market is the auto mechanic and electric service market and sanitary ware market. (Mahmoud Amin .2000, p. 26-27).

1.2.3.2. In Terms of Determining the Price

Markets are divided into two types:

Full Market: A market in which the price of one single commodity is determined. The terms of the full market needs to provide the following elements:

- The presence of a large number of sellers, a large number of buyers, so no one of them affects the market price.
- Ease of communication between the various parties offer.
- Homogenization of the units of goods offered in the market.
- For easily transfer from one place to another, in order to transfer it from a low price place to a high price place, which leads to the unification of the price.

Incomplete Market: An incomplete market is one where some of the necessary conditions for market formation exist, but not all of them. In the case of incomplete markets, some entrepreneurs may enter the market because profits are possible. However, the firms that do start-up will only satisfy a small proportion of potential demand. In these incomplete markets, total supply is insufficient to meet the needs of consumers. In such cases, a market may form, but will fail to develop completely, in other words, it is an incomplete market. Practical reality confirms that the common pattern to the majority of markets is the incomplete market for the non-availability of the aforementioned conditions. (Mahmoud Amin ,2000, p.38).

1.2.3.3. In Terms of the Degree of Competition

We can distinguish between three types of markets in terms of the degree of competition these differences are enlisted below:

Full CompetitionMarket: This is the market that includes a large number of dealers and with each one of them in a very specific size of the total volume of produced, sold and homogenous goods. So, the dealers cannot effect on the prevailing price of the market. Thus, the price of the good is given and the profit is achieved in the long term which is the ordinary profit. The competition reaches its highest grade and the freedom to enter and exit from the market available to everyone.(Abdul Muttalib, 1997, P.16).

Full Monopoly Market: In this market, the full monopoly is defined as the status where there is only one seller of the specific good if it has no closed alternatives. As well as, it contains strong contraindications which prevents the entry of new competitors to the market. So, the monopolist is the unique producer who produces the specific commodity. Consequently, all of his sales depend only on the price that is determined by himself while the prices that are determined by the other producers and their action, the monopolist does not take them into consideration when determining his price.(Syed Mohammed,2002, p.326).

Monopolistic Competition Market: This market, as its name indicates combines competitive and monopolistic characteristics at the same time, in fact, this form of markets are more realistic than the full market competition and monopoly is characterized by the following: (Syed Mohammed ,2004, p.331-332).

The goals of monopolistic competition marketare enlisted below :

- The presence of a large number of sellers or producers of a commodity.
- The difference of produced commodity.
- Freedom of access to the market and what to benefit from it for any seller or buyer.
- The ability to promote sales.

Oligopoly Market: This market is a combination of full competition and monopoly market, but it is closer in meaning to a monopoly market. Market competition is the lack of producers within the same industry. It is characterized by the size of the production of the productive project which represents a relatively large amount of the production of all other projects. Therefore, any other productive project can ignore the actions of other projects in this market. (Syed Mohammed ,2004, p.333).

1.3. Financial Market

There is a confusion between the financial market and the capital market where the concept of financial market includes all the financial assets both of which are characterized by the financial liquidity or the financial assets that are characterized by the deferred liquidity. Thus, the concept of stock markets and the relation that is associated with it, creates a means by which money market will be searched. (Abdul Ghaffar .2001. P, 16). (Leonardo DA Vinci, 2010). So, the financial market includes all the mediators and different financial institutions in addition to the monetary market. This means that the financial market consists of two main categories:

-Money Markets.

-Capital Markets.

1.3.1. Money Markets (Cash Market)

They are the markets which deal with short-term financial papers, where these financial papers represent savings tools and instruments of indebtedness written on what supports the right of the holder to get back the amount of money that was already lent to someone. An instrument that is traded in the money market described as a high working capital, can be disposed of it with a minimum of losses or even profit, the proportion of risk in it is very few and thus the yield of it, is also few. It is possible to use these financial papers before the maturity date. The tools used in the money market are negotiable deposit certificates, commercial paper, and others. (Abd Al Nafea,2001, p.36). (Pamela Peterson, Frank.J. Fabozzi, 2011).

It is the first category of the financial market where the short-term securities are traded through the mediators and commercial banks and some governmental organization that deals with these securities. The security here is considered as a debt instrument which was given to its holder the right to refund an amount of money that was previously lent to another party. The period of securities does not exceed one year and it is possible at any time and with the least amount of losses or without losses according to the guaranty the payment process. There are many types of securities including the commercial papers or what is called treasury bills. The cash market is characterized by the followings :(Khryosh, 1998, p.36).

- It is characterized as a short-term market where its entitlement is limited between one day and one year.
- It is characterized by its ability to collect the liquid savings and create short-term investments.
- It is characterized by great amounts of liquidity and high flexibility.
- The securities in the cash money are more commonly in the trading process.

Money markets are divided into three markets:

1-Discount Market

2-Call Deposits Market

3-Open Market

Discount Market: The short-term securities trading through brokers, commercial banks, and some government agencies deal with these securities, as this paper considers debt instrument it gives the holder a right to recover the amount of money already lent to another party. It is possible to get rid of these securities with a minimum amount of losses or without any loss ever deducted from the discount market. It relies mainly on securities deductible businesses like paper represented by promissory notes, guarantees, and certificates of deposit. (Hanafi, 2000, p.238).

Call Deposits Market: They are the bank deposits and current accounts receivable and payable that investors use it in commercial banks, without the identification of credit to retake it, on the contrary, the deposits on credits are characterized by rapidly circulating and lower benefits in return. (Ahmed Zakaria,1997, p.37).

Open Market: This market deals with loans bonds, foreign currencies, bank acceptances, sale, purchase of government bonds such as Treasury bonds used by the state as an instrument to reduce or increase the money supply in the money market as a tool to fight inflation or recession in which, as well as these bonds come up for sale to the State's need for money. (Gordon Robert,1998, p.415).

1.3.2. Capital Market

There are several definitions of capital market, they include:

The First Definition: Capital market represents the place where the forces of supply and demand are meeting for trading with capital finance like financial papers, all kinds of loans. Etc., therefore it is a space in which the economist's agents with the fiscal deficit and those who are in need of money meet, then are treated on the basis of the wealth that they agree on, which relates to the return of both parties. (F. Lfroux.1995. p .3).

The Second Definition: It is also known as the market on which the financial paper issued by business organizations started trading, this market consists of two forms:

Form I: Physical Markets: A market that deals with long-term securities, shares, bonds and sometimes called the securities markets, and here the paper ownership passed to the buyer immediately upon completion of the deal, and after that pays the paper value or part of it, or how trading was conducted through organized or disorganized markets.

Form II: Futures Markets: Called the futures contracts market, it also deals with stocks and bonds, but through contracts and agreements to be implemented at a later date, meaning that the buyer pays the paper value immediately that is received at a later date, the purpose and the existence of these markets is to reduce or avoid the risk of price change.

After learning about these two sections of financial market, we conclude that the timeframe for financial assets is the one which distinguishes between the cash market and the capital market, if the financial assets of one year or less old include the money market, as for the financial assets older than one year, it includes the capital market (stock market) and on this basis treasury bills are traded in the exchange market, while trading in treasury bonds is in the capital market.(Roy E. Bailey, 2005).

1.4. Rising Capital

Finance is a structural, systematic analysis of the trade-off between the present and the future. For most investors, investing in debt or stock markets, which will lead to today's abandonment to get more stuff. For businesses, the process of investing in a factory, machinery, or advertising is a paradigm that gives up something to give something in the near future or in the present (Lee, Inmoo and Scott Lochhead, 1996).

Investors and companies are closely related to the decision. As most companies invest in capital markets, most factories, machinery, advertising and other wise investments require a lot of capital. The capital market is a platform for working with wealthy individuals and institutions to skillfully help businesses and other institutions that need finances. For smart and intelligent investment, to occur;

individuals and businesses should have a comprehensive understanding of the functions of the capital market.

The relevance of capital markets over the last 25 decades and a half has indeed increased in numbers. The clear result is that the level of professionalism required by the company's financial managers has also improved. With the increase in the number of existing financial instruments, the number of funds raised by the external market has increased dramatically. In addition, the financial markets have become truly global, with thousands of securities all day (Smith, Clifford, 1977).
To become a modern enterprise, there is a need for a complex understanding of the new but evolving financing framework. This chapter will introduce the operation and realities of the capital markets and the general decisions that companies face when they raise funds. Specifically, this chapter will build on the types of securities issued by enterprises, the role of investment banks to raise funds, capital appreciation environment and the US financial system and other countries, the difference between the financial system. This chapter will examine the current financing trends (Bill Millar, 1991).

1.4.1. The Environment for Raising Capital in the United States

The increase in the numerous provisions on public debt and equity issues. These provisions and restrictions will certainly increase the cost of issuing public securities, but also can improve the value of securities to provide protection. The value of these provisions can be compared with the highly regulated markets in Western Europe and the United States, which are subject to much less regulation. The main risk of emerging markets is that shareholders' equity is not respected, so the number of shares traded on these markets is well below their asset value. For example, in 1995, Russia's largest oil company Lukoil, its proven reserves of 16 billion barrels, worth $ 850 million, which means that its oil value is about five cents a barrel. At the same time, the Dutch royal or Shell has about 17 billion barrels of reserves, in 1995 the market value of 94 billion US dollars, more than 5 US dollars per barrel of oil. Due to the uncertainty of the interests of shareholders in Russia, Lukoil's value is greatly reduced. While economists and policymakers may question the best level of regulation, the most popular is the more stringent management of the US environment, where the shareholders' rights in emerging markets are largely unclear. (Jay Ritter and Zhao Quanshui Zhao, 1996).

Although government regulations play an important role in issuing securities in the United States, this may not the situation. The collapse of the stock market after the 1929 share price manipulation meant that US regulators could expand significantly in the 1930s. Congress has enacted legislation to completely change the landscape of issuing securities firms. The three most important laws are the Securities Act of 1933, the Securities Exchange Act of 1934 and the Bank Act of 1933 (sponsored by two members of the Congress, often referred to as "glass Steagall (Kroszner, Randall and Raghuram Rajah, 1994).

The outcome of the Great Depression did make the US financial market more standardized. These regulations propelled the commercial banks, the most important private capital providers, out of investment banking. These regulatory constraints were relaxed in the 1980s and 1990s, making the banking industry more competitive and providing more capital for the business (Bill Millar, 1991).

1.4.2. Raising Capital in International Markets

Capital markets are becoming increasingly global. US companies raise funds from all over the world. Similarly, US investors provide funds for foreign and domestic companies. A company can raise funds internationally through two strategic approaches: Mostly known as the European market, or the domestic market of each country. (Smith, Clifford, 1977).

The Euromarkets

Since the market has no actual physical position, the trade name known as: ‘’Euromarkets’’ is not the correct word. In contrast, Euromarkets is a collection of large international banks that help companies issue bonds and loans outside the company's country. For example, companies outside the United States may issue dollar bonds other than US or Japanese yen bonds other than euro and Japanese bonds. Or German multinationals can borrow pounds, Swiss francs or euros from the European market (Hansen, Robert, 1988).

Direct Issuance

The alternative way to raise funds at the international level is to sell directly or directly in foreign markets. For example, an American company can issue yen bonds on the Japanese bond market. Or the German company may sell the stock to US investors and include its shares in the US exchange. As a foreign issuer of the domestic market, it means satisfying all the provisions applicable to domestic enterprises and special provisions applicable only to foreign issuers (Sherman, Ann, 1992).

1.4.3. Major Financial Markets outside the United States

There will be some focus and concern about the investigation and review of major financial systems such as Germany and other major financial systems in the United States. This geography country has the largest capital market outside the United States.

Germany

Germany is the world's third largest financial market, ahead of the United States and Japan. However, its financial system is very different from the financial system of other major economies. In particular, German companies rely more on commercial banks to obtain capital. As a member of the European Union and Europe, Germany is the core of the European Center. German companies and government agencies are passionate to build Finanzplatz Deutschland into a larger member of the world's financial markets. Frankfurt is the main bank center of the European continent and the seat of the European Central Bank. It is also the Frankfurt Stock Exchange's EEA and the EEA Exchange, the world's largest derivative exchange. (Kester, W. Carl, 1992),

Universal Banking.

One of the most striking differences between the US and German financial systems is that Germany has a global banking system and its banks can operate in business and investment banking, which are excluded under the McCaragall Act Out of the United States) despite the fact that the situation in the United States is not changing as described above). Deutsche Bank, Dresden Bank and Deutsche Bank are the three major banks. German companies are usually traded with a major bank, a Hausbank, which is responsible for issuing shares and bond placement, extending short- and long-term credit and may have ownership of the company. For German multinationals, major banks are usually one of the three major banks. However, there are several large local banks, such as Bayerische Hypo Vereinsbank and DG Bank, which are almost equivalent to financing the German company's Big Three (Carosso, Vincent, 1970).

Public vs. Private Capital Markets. A second difference between Germany and the United States has been that, historically, public equity has not been an important source of funds for firms. Large portions of German firms are privately financed. The German stock market capitalization at the end of 1999 was roughly 60 percent of GDP, compared with about 200 percent in the United States. This is changing rapidly, however, as Germany consciously attempts to develop an equity culture. In 1999, more than $23 billion worth of equity was raised in the public markets. There were 168 IPOs, which is more than the total number of IPOs from 1985 to 1993.
(Roe, Mark, 1994).

Corporate Governance. The third difference between the German and the U.S. capital markets lies in the area of corporate governance, which is in turn affected by the first two differences. By law, listed German firms have two-tiered boards of directors. The Vorstand, or management board, is composed of company executives who manage the firm on a day-to-day basis. The Aufsichtsrat, or supervisory board, consists of 10 to 20 members, half of which must be worker representatives. The other half of this board is elected by shareholders; these directors are similar to outside directors in the United States. It is common for these directors to be substantial shareholders in the firm either directly or indirectly as representatives of the banks, insurance companies, or families that have financed the firm. Kester (1992) estimated that banks and insurance firms own about 20 percent of the stock in German firms; the comparable figure in the United States is about 5 percent. Large-block shareholdings probably account for roughly 60 percent of the total stockholdings in Germany; that figure is about 10 percent in the United States. (Sahlman, William, 1990).

The other differences between the United States and Germany. The German financial system has several other, less salient differences from the U.S. system. In Germany, a number of specialized banks restrict their activities to specific industries such as shipbuilding, agriculture, and brewing. The Landesbanken, owned by state governments and regional savings bank associations, are active in financing German firms. Several of them (for example, Bayerische Landesbank and Westdeutsche Landesbank) are among the 10 largest banks in Germany. Finally, foreign commercial banks in Germany have approximately 5 percent of the market share of total assets, but they conduct much more than 5 percent of the transactions in, for example, Eurobond issues, foreign currency trading, and derivatives.

Deregulation in Germany, as in the United States, is changing the markets and the way firms raise capital. Until the early 1990s, the commercial paper market was nonexistent in Germany. In 1991, the government abolished a tax that discouraged transactions in commercial paper and the Ministry of Finance no longer required the approval of domestic debt issues. This deregulation led to the emergence of a growing commercial paper market, making it the fourth largest in Europe, and a growing bond market. Although the domestic bond market is small, German Eurobond placements in recent years have created orders of magnitude larger and growing. (Ang, James, 1994).

1.5.Definition of Securities Markets and their Components

After learning about the concept of the financial market, we find that the securities market is part of this market; it is possible to provide the following definitions to scrutinize the concept, with covering their components.

1.5.1. Definitions of the Securities Market

There are several definitions of the securities, which maybe mentioned:

First Definition: The securities market are places of meeting where the transactions take place in previously determined hours and announced in the securities by qualified and professional mediators who are specialized at this type of transactions by which the dealing must be done publicly for the securities or the price agreed upon by each type. (Mohammed Sweilem, p.272). (Esteban C. Buljevich, Yoons. Park, 1999).

Second Definition: The securities market is a place where buyers and sellers meet during certain hours of the day to deal with the long-term financial instruments, where they swap those instruments with capital to be invested. (Abd AL-Basit, 1996,p.25).

Third Definition: Financial paper market is a market that deals with the financial paper of the stocks and bonds, the markets could be organized or disorganized. In the first type the sale and purchase of financial paper transactions in the formal place consists of a number of geographical traders one particularly known as the "exchange". As for market, it is different, brokers initiating each of them through activities in its headquarters and communicates with each other through a computer and then the markets may be local or global. In the first trading financial papers for facilities and local bodies, the second broadened to the presence of foreign investors, and trading in financial papers of the facilities and the bodies of foreign countries. (Al-Moussawi ,1998, p.6-7). (Jaksa Cvitanic and Fernando Zapatero, 2004).

1.5.2. Securities Market Components

Financial markets in turn are divided into these structures and segements as listed and defined below:

1.5.2.1. Primary Markets

Referred to as the issuing market, which is a market where the financial papers are issued through and by facilities, institutions and economic units for the first time in order to get the money to fund the financial needs.(Shall Helly ,1988, p.27).

These securities, which are sold through what is called Investment Bank or direct style for sale, comes in these detail enlisted as follows: (Obaid Saeed Tawfiq, 1998, p.70).

- **Investment Bank:** It is a financial intermediary between issuers of securities from companies and investors, where the issuers of the securities sale are for the investment bankers, who in turn resell to investors, showing thier functions as:

    - Advice and counseling, because of the experience, and what its competencies are.
    - Underwriting Financials, which mean the purchase of investment bank financials of the issuer for the purpose of selling it to the followers of investors.
    - Marketing, through brokerage houses, which are in the process of selling to buyers, marketing are only after the submission to the process for the registration of the financials on the stock exchange, which confirms the availability of legal requirements. E.t.c.

- **Direct Sales Style**: The exporting institution conducts a private placement. So that these financial papers sell directly to large financial facilities or to major investors, the advantages of this method is that the company is not bounded by the registration process, it also provides what is paid from fees and commission investment, but the disadvantages is that the company may charge a higher interest rate, and the marketing expertise It may not be available.

1.5.2.2. Secondary Markets

Reffered to as the stock exchanges. The secondary market enables investors to trade among themselves, in financial papers that are issued by the primary market, it must be noted that the return of financial paper sale goes directly to the financial paper holders and not for the companies, as it happens in the primary market.

This market can be divided into two types:

- **Organized Markets**: the stock exchanges that are subject to the laws and rules laid down by the regulatory authorities, are usually registered as financial papers while trading, where the prices are determined through supply and demand laws, treated in a specific physical place, the registration of financial papers in this market is under the terms that differ from country to country, and usually related to the profits of the company, the size of its assets, and observed as a stake through the public offering (IPO) .(Abdul - latif , 1998,p.7).(M. Buckle. Beccalli, 2011).

- **Disorganized Markets**: the transactions that take place outside the organized stock exchanges, are also called parallel markets. There is no specific physical place for these markets, but it is a communication network that combines brokers, traders and investors, donot also intervene in the supply and demand of securities, as in the case of organized stock exchanges, it is through negotiations via the communications network. (Ahmed Saad ,1998, p.11).

Within the disorganized market there are two types of markets:

Third Market: This is a part of the disorganized market, where brokers who are not members in organized market, provide dealing in financial papers for large institutional investors services, these transactions are characterized by its small cost, as well as the speed of execution, as we find that these brokers have the right to deal with financial papers registered in the organized market.

Fourth Market: This market has direct interactions between large companies exporting financial papers and between rich investors, without the need for brokers or financial papers dealers, the transaction is done quickly and cheaply through an electronic communication network and modern phone, which is similar to the third market because transactions are made outside the exchange market, outside of the organized market. This is to deal with all financial papers traded within and outside the organized market. (M. Buckle. Beccalli, 2011).

The financial market referred to as operation involves two stages:

The first stage: The stage where the issuing of securities is done which is known as (the primary market). The second stage: The stage where these securities are traded, which is known as (the secondary market).The financial market dealing with the situation where the long –term securities are issuing such as stock and bonds which is known as (capital market)and the situations where the short-term securities are issuing such as treasury bills and certificates of deposit which are known as (cash market). Also, the financial markets include (the channels where the money flow from sectors, institutions and individuals in the society to sectors, institutions and other individuals through some institutions which work as mediators between the two groups which is called the financial intermediaries. Consequently, the financial intermediaries institutions such as commercial banks, insurance companies, and savings institutions are considered part of the financial market.

1.6. Financial Papers and Market Characteristics and Functions

The financial papers market is characterized by a set of characteristics that distinguish them from other markets, it also performs several functions, therefore the requirement of these two elements are covered:

- Financial papers market characteristics.

- The functions of the financial paper's market.

1.6.1. Financial Papers Market Characteristics

financial paper market has certain characteristics that distinguish them from the rest of the other markets, including: (AL Gamel,2002, p.56). (Frederic S. Mishkin, 2004).

- Financial papers market are characterized by being more organized than the rest of other financial papers markets, due to the fact that the dealers where dealerships specialists, and there are conditions and legal restrictions on the trading of financial paper in this market, therefore in most countries there are separate departments with the powers of managing operations in the financial papers markets and the availability to customers with the necessary information.

- The financial papers market requires the existence of a secondary market, with trading instruments that were exported before in order to ensure the provision of liquidity.

- Trading in this market is to provide a suitable climate, as well as the full competition until the fair price is determined based on supply and demand.

- Trading in the financial papers private secondary market is through intermediaries with expertise in financial matters.

- The financial paper's market is characterized by flexibility and the possibility to get used from communications technology, it gives the property to the financial markets being characterized from other goods market with a wide market, great deals and an extended place which was broadened to include several parts of the world at the same time.

- Investing in the financial paper's market requires the availability of market information, and making wise investment decisions.

These are also parts of the financial paper's market characteristics, namely: (Taher Haider, 1997, p.32).

- The financial papers market linked to long-term financial papers, it gains a special importance in the financing of productive projects that need to be paid for a long time.
- Investing in financial papers markets may be riskier and less liquid than investing in the cash market, due to the fact that investing tools, such as long-term bonds are likely to have price risks, market risks, and different organizations, as well as stocks although it is a relatively greater yield, but it also has big risks.
- Investing in financial papers markets considered as a relatively high yield, and by following the interest of investors in the Financial market have had some income more than about liquidity and risk. (J. Pilverdier, 1998, p.10).

1.6.2. The Functions of Financial Market

Functions of financial papers market can be summarized in the following points:

- Tool for the financing of the economy by attracting savings from agent’s economists in order to finance the country's economy done by pooling capital from economists’ dealers who have the ability to self-finance.
- Financial papers market consists of institutions that ensures that financial resources in the long term, facilitates the growth process, and allows the state to implement its economic policy with great performance.
- As the financial papers market works to direct surpluses to the economic institutions with deficits in the financing or which wants to expand its activities in order to contribute to the growth and development of these economic institutions, as

well as it saves the state additional resources to help achieve its economic and social policy, then it represents the full channel for direct, rapid and optimal financing between the saver and investor. (A. Choinel,1997, P.35).

Tools to provide a variety of investment opportunities: These opportunities vary through risk associated with financial tradings in the financial paper's market, which is done through the large number and diversity of these papers and provision of data and information for these financial papers which have dealt with It. The stock exchange issues bulletin official prices of the papers every day, thereby illustrating the paperwork that happened upon the handling and the movement of prices, enabling the investor to compare and study the extent of the popularity of different types of these papers, and these are considered a mentor when tested for financial papers that want to invest in them. (Indian, 1997, p.45) (Frederic S.Mishkin, 2004).

Tool and indicator of the economic situation: Financial papers helps by determining the general trends in the forecasting process, it is considered as a collection center and recording the oscillations that occur in the economic entity and the volume of transactions restricted by liquid funds traded and prices.(Qryaks,1999, p.48).

Contribution tool to the internal and external credit support, the sales of currencies and buying in the financial paper's market is a manifestation of the internal credit appearances, if the credit appearances had increased to include financial tradings in the international financial papers markets; it became possible to accept such financials as a cover to contract the loans finance.

Contribution tool to achieving high efficiency in channeling resources to the most profitable areas, which is accompanied by the growth and economic prosperity, this requires several attributes in the financial paper's market, including:

- **Efficient Pricing:** means that prices reflect all available information.
- **Operating Efficiency**: cost dwindles of the transaction to the fullest extent compared to the returns that can result from such transactions.

- **Market Justice:** means that the market offers equal opportunities to all who wish to conclude deals.

· **Safety:** This means the need to provide a means of protection against the risks posed by the relations between the collaborating parties in the market, such as the risk of fraud and deceit, and other unethical practices that are deliberately done by some parties.

· A tool for correcting companies and projects: The financial papers markets contributes to an increased awareness and enlightenment of an investor by companies and project's reality, it is judged by the success or by the failure, in the low stock price for company's conclusive evidence on the lack of success, or the weakness of its financial position, which may lead to making some adjustments in its leadership, or in its policy in the hope to improve its position.

· A tool for corporate finance and creating liquidity can be considered as the financial papers market a means or method that allows the transition from lending economies to capital financial economics, in order to ensure the transformation of the financing system of indirect to direct financing system, where institutions can secure financing indirectly, out of the view of its Financials directly to signing market. (Hossam AL –Din Ahmed,2004,www.islamonline.net).

· A tool to curb inflation in the structure of the national economy, where financial papers market help to attract some savings from individuals, institutions and thus absorb the excess of liquidity and the direction of these savings towards investment rather than consumption.

· A tool to attract foreign investment, and consolidation of technology by taking advantage of the global financial and economic developments, where the financial paper's market is working to increase the correlation with the outside world through an association with international financial markets.

· Informal external control tool on the efficiency of the investment policies, financial, operational and marketing for companies listed its Financials , therefore the companies that it’s administration's follow policies a category to achieve good business results, improve the prices of Financial in the market, as, for the companies that suffers from mismanagement, the results of its business would not be satisfactory, to the price of its financial drop in the market.

The main function of a financial market is represented in attracting and aggregating individuals saves, the financial surpluses at the business organizations and others. It is expressed by (the units of fiscal surplus) which make it available- according to specific contracts- to the needed authorities and it is expressed by (Deficit units and financial need). Also, the financial market leads its function through specific financial tools such as stocks, bonds and others where the needing authorities of money export such as tools and sales that can be relevant authorities of fiscal surplus and get from the exchange of these tools on their financial needs. At the financial market, the financial assets are issuing and trading at both assets of ownership such as stocks and assets that can express indebtedness such as bonds. In addition to other types of loans that are issued in the form of tradable financial instruments such as certificates of deposit, commercial papers, and others.

1.7. Traded Instruments in the Financial Market

1.7.1 Financial Instruments Traded in the Cash Market:

1.7.1.1. NegotiableCertificates of Deposit

Certificates of deposit are " instruments that gives the holder a right against a bank deposit within a specific date" (Khryosh, and others, 1998: p. 44), deposit certificates are considered as one of the important investment instruments that are traded in the cash market, this financial instrument could satisfy both of the investors in terms of yield and banking institutions in terms of the stability of its financial investment ways, the investor chooses either to invest his money in the form of a savings account earns as a low yield that doesn't satisfy his desire, or in the form of fixed deposits with the highest yield, but it is possible that the investor needs liquidity before the end of the deposit and thus withdrawn from the bank before the end of the period and loses all the yield for the period in which someone invested in the bank, in the case of negotiable deposits or investments. Their yields are satisfactory to the investor according to its short duration which is usually a year, as well as in case the investor needs some cash before the end of the term deposit they can sell it in the cash market and get the value of the deposit and a portion of the profits reinvested.

1.7.1.2. Banking Acceptances

Banking acceptances are considered as of the most important tools used in facilitating trade operations, as for its concept and mechanism that deals with it "issued bank acceptances for commercial banks in exchange for certain discount, as futures paid documents when trying to trade in a country that imports certain goods from other countries, these acceptances guarantees the value of these goods as exported overseas to traders until they are delivered to importers" (Kakamula, 2003: p. 138), banking acceptances are considered as one of the most important investment tools in the cash market, it is short, and its durations are between two months to ten months and are also characterized by the possibility of been deducted at the Central Bank, which provides a security feature to its owner.

1.7.1.3. Treasury Bills

A government debt instrument, the government issues them and aims to use them to financing the government treasury in short periods, and encourages the public to save them as well as give the state it's stimulating features to the public to invest in such exempt dividends from tax bills, these bills are traded in the money market, where the investor can sell them before their expiry date, which should normally not exceed a year.

1.7.1.4. Commercial Papers

which is an unguaranteed bond by the issuer, which undertakes to pay a specified amount on a specified date to the buyer of the bond, commercial papers are confiscated from financial institutions enjoying sober credit centers, a period of maturity is often not more than a year, commercial papers are considered as one of the oldest short-term investment instruments, which enjoys the commercial paper as the oldest short-term investment tools, these investment financials have a high liquidity but the risk is also as high as they are issued without guarantee in most cases, as its only guarantee is the borrower's ability to import and his credit trust in it and that's what raises the risk degree, as long as the risk is high, the expected yield will also be high.

1.7.1.5. Euro dollar market

This term is used to denote "the bank deposits in US dollars" which are deposited in non-US banks or branches of US banks located outside the United States, rather than keep them in local currencies for the sites by these banks or branches" (Kakamula, 2003: p. 145),countries concerned with the acquisition of these deposits for many reasons, impacts the stability of the relative value of the dollar, what makes the central banks in the world eager to keep it within its reserves for the purpose of international debt settlement, next to the US economy, which is assume to be a strong and having a leading position in global trade has made the dollar means for the international cash payment that is used by commercial banks.

1.7.1.6. Surplus Compulsory Reserve Loan

Commercial banks that combine the excess of the compulsory reserve by lending other banks that suffer from a deficit, the date of maturity of such loans may not be extended for more than a day or several days as the extension of the loan day by day as needed by the bank's borrower.

1.7.1.7. Repurchase Agreements

These agreements represent a means of borrowing used by traders followed in the purchase and sale of financial papers to the finance of additional inventory from financial papers that are classified as easy marketing, and borrowing period for one day or a few days, these processes can resort in " dealer to broker specializing in those conventions to search for an investor's sales whereby the first to the second are considered as temporay as financial papers equivalent to the amount that is needed as the conclusion of a deal to buy back financial papers from the same investor at a price higher than the price at which he sold to someone from those papers "(Khryosh, others: 1998, p. 53).(Leonardo DA Vinci, 2010)

1.7.2. Financial instruments traded in the Stock market

Capital market instruments come in the form of medium or long-term stocks and bonds. Capital markets attract individual investors, governments, investing firms, banks and other financial institutions because capital market instruments are valuable assets. The securities are considered as financing instruments in the securities market and these securities are bonds or stocks that give the holder the right to receive a part of the profit or yield or the two rights together.

1.7.2.1. What Stocks are?

Stocks constitute one of the cultivars of financial instruments traded in the financial paper's market; several types are inserted within this category, stocks characterized by several characteristics and advantages, which we will try to get in their detail through the following points:

- The stock definition and different values.
- Types of stocks and the characteristics of each of them.
- New guidance about stocks

First: The Stock Definition and Different Values

Before talking about the various values that stock has, we should first define it.

1. Definition of Stock: It can provide several definitions:

- **The First Definition:** stocks are an equal value negotiable instruments in the financial exchange business in ways which represent a participation in the capital of one of the fund companies generally, the stock represents a partner's portion in the company, which contributes to its capital, which consists of the total shares, whether the share was cash or in kind. (Mustafa Rushdie and Zeenab Hassan, 1993, p.169). (FredericS. Mishkin, 2004).

- **The Second Definition:** "The stock is right for the shareholder in the company of money; it is the instrument that proves this right is negotiable according to the rules of commercial law."(Simeon ,1999, p.21).

- **The Third Definition:** "stocks constitute of subscribed and added capital by investors, which includes their financial contributions and determines their ownership to the company, Thus, the declared capital, actual capital and equity capital terms which reflect the total value of the stocks are acquired by investors."(Kakamula, 2003, p.92).

2. Stock values: These stock have several values which can be summarized as follows:

- **The nominal value of stock:** This is the stock value when issued at the first time, usually the nominal value greater than the market value. It's the theoretical value that covers the capital and it is provided for the memorandum of association, one of the most important functions of this value is to determine the value per stock to be in the ownership of the institution.

Also defined as the value of the company's stock in the case of the absence of economic impact to the company's performance on the stock values, and although this is the nominal value per ordinary stock determined by the articles of incorporation, but it can be reduced through what is called the derivation of stocks, which gives the investor the right to get a portion of the stock or the stock fully and perhaps more, on each stock that he owned, which has a consequent increase in the number of stocks traded, which is reduced by the nominal value of the stocks.(Mohammed Saleh, Nihal Farid, and Jalal AL-Abd,2003, p.191).

- **Book Value, or Accounting Value:** which is equivalent to the value of the stock at liquidation, is calculated by summing the material, financial and monetary values of an asset minus the obligations value, including the portions at fixed rates for the owners of preference shares and mature bonds, the result being divided by the number of ordinary stocks and can adopt the following formula for calculating the book value:

$$\text{Book value} = \frac{\text{Stockholder Equity}}{\text{Number of stocks}} = \frac{\text{Capital} + \text{Reserves} + \text{other profits}}{\text{Number of stocks}}$$

The book value is an indication of the value of the stock in the statement of the financial position of the company, as a general rule, the book value per stock represents a poor indicator of the value of the stock for the following reasons:((Mohammed Saleh, Nihal Farid and Jalal AL-Abd,2003, p.192).

- The book value of the stock indicates the historical value and not the future value, assets recorded with the historical value, the latter do not reflect the current price of these same assets in the prevailing rates of inflation.
- The book value reflects only the value of investments by landlords in the financial paper, if these investments have resulted in a yield higher or lower than currently required by the investor, then the focal value of the fortune of these investors will be higher or lower than the value of assets on liquidation. (Qryaks, 1999, p.19).

- **Market value:** This is the stock price during trading in the secondary market which are subjects to the conditions of supply and demand, noting that these conditions often reflect the surroundings economic, political and social environments especially for the conditions of international and domestic exchange, the reflection of economic volatility market, the bottlenecks of the local economy, not to mention the reality of the concerned company in terms of the levels of profitability, the distribution policies of shareholders' stakes of profits subject to the distribution, the role played by the financial market department to dedicate the stability, overcome the bottlenecks and dissemination of information. Also, it’s turned out that the paper values of ordinary stocks in the USA since the beginning of the seventies and until the mid-nineties of the twentieth century has changed from once to dozens of times. (Kakamula, 2003, p.92).

In the financial paper's market, par both value and the book value does not represent the real value of the stock. The real value of the normal stock will be treated on the basis of which in the market depends on the yield which is expected to be generated, it means that it is dependent on capital gains and distributions, which are expected to be accrued by the investor.

It can be concluded that the market value of the stock representing the outcome of the confluence of the forces of supply and demand, which achieves a fair price for the stocks, which are traded in the financial paper market, both of the book value and the par value play an important role in determining the market value in which the stocks are sold within the financial paper's market.

Market value may be less than or greater than the nominal value, the exporting enterprise might sell their stocks at a price of less or greater than the nominal value, to ensure the discharge of the issued stocks. (F. Rosenfeld, 1993, p.18).

3.Types of Stocks and the Characteristics of Each of Them:

This can be distinguished between several types of stocks:

I. The division of stocks by the form in which they appear.
II. The division of stocks by the shares paid by the shareholder.
III. The division of stocks by the rights enjoyed by its owner.

I. **The division of stocks by the form in which they appear:** stocks can be classified according to the form in which they appear the standards are enlisted as follows:

- **Nominal stocks:** Stocks that carry the owner's name, and write down the registered data in the record that includes the following:

- Name, Title, industry, country, and the nationality of the shareholder and type of stocks paper that owns it, the type of company, address, its capital, and its position.

- Statement of the paid value of stocks, because each shareholder owes all that is subscribed to it.

- Waiver process that had happened and the date of the occurrence, because the general rule requiring that a company cannot refuse to recognize the new buyer. (Simeon, 1999, p. 22) (Jaksa Cvitanic and Fernando Zapatero, 2004).

▪ **Bearer stocks:** The stock become the holder when it is issued with a certificate that don't carry the owner's name of the stock, and the waiving on this kind of stocks by extradite it is from the hand to the other, the company does not have to pay the rights to stock its award. (Murad Kazim,1967, p.34).

▪ **Stocks of command:** The company has the right to issue stocks of something, that requires them to be a complete fulfillment which means that the nominal value has been paid completely, as the company is not able to track stock trades, and cannot recognize the last shareholder. (Simeon ,1999, p.23).

I. **The division of stocks by the share paid by the shareholder:**The stock is divided by the shares paid by the shareholder in the following way:

1. In kind stocks: Represents in-kind the portion of the capital of Public shareholding companies, such as contributing in a material investment form, or inventories or patents, appreciated and certified. The company cannot deliver these stocks to their owners only at the delivery of the conversely assets, that the total value are considered to be fully paid, the law prevents this kind of trading of stocks only after the passing of a period of time which is usually two years.

2. Cash stocks: Stocks that are paying for it in cash contributions; it does not become tradable in commercial ways only after the founding of the company permanently, which happens at the issuance of the founding contract of the company.

3. Mixed stocks: The stocks that pay some value in kind and the rest in cash.

II. **The division of stocks by the rights enjoyed by its owner:** Socks are divided by the rights enjoyed by its owners explained as follows:

1. **Ordinary stocks:** These are financial documents issued by any joint stock company with a nominal value which guarantees rights and duties with respective to the owners, and put on the public through IPO in the primary market, and allows them to trade on the secondary market but the market value is governed by continuous changes, which go back to the causes of varyfing the assessments. Thus the ordinary stocks are the first tool issued by the company. In the case of the liquidation of the company's property it is the last thing being repaid and the bearer has an ownership stake in the company and lowest priority in requesting the yields, which are preceded in the application of the owner's preference stocks and approved bonds, depending on what the stockholders have of ordinary shares, they will have their voting rights for the board of managers and interference in the administrative affairs. Ordinary stocks pass in two phases in the dealing: (Kakamula ,2003, p.92-94). (M. Buckle. Beccalli, 2011).

- In the first phase, IPO holds in the primary markets, and thus, it is a real addition to the capital of the company.

- as for the second phase, the trading of these stocks as any investment tool displays in the secondary market, with a prices that subject to the forces of supply and demand, therefore this phase does not represent any addition to the capital of the company, but it's just trading operation between sellers, buyers and brokers and the transfer of property rights from one person to another, and thus, the investor gets the stocks of companies purchased in both primary and secondary markets.

The ordinary stocks have many characteristics that can be summarized as follows:

- A property right: This is when the shareholder is part owner of the assets of the company, as part of his contribution in the offered stocks. This right continues until the liquidation of the company.

- The owners of ordinary stocks have the priority right in the new stocks that are being presented to the IPO, mostly being done for these owners through the conversion of the part of the shareholders' stakes in the dividends into new shares, which are added to what they own from the other shares.

- The right for shareholders to sell part or all of the stocks they hold in the secondary financial markets, but they are not entitled to claim the company in return on the value of these stocks before the liquidation, thus the ordinary stocks are convertible into cash when the owners need them.

- The owners of ordinary stocks can participate in the election of the members of the board of directors and intervene in the company's policies and administrative procedures, these are distinguished by the member of the public council, they are also allowed to monitor the ongoing operations at least theoretically.

2. Preference stocks: It is a form of property in a legal way, but it differs from ordinary stocks in several important points which are:(Alzerra Abdullah and Ghazi Tawfiq, 2001, p.159-160).

- The preference shareholders receives a fixed yield that does not change, the preference stock looks like a bond, for example, the rate was identified in India officially at 14 % after tax and other legal obligations was subtracted, sometimes the owners of these stocks have a fixed percentage of the profits as well as their participation in distributed dividends.

- Yield does not change; the preference stock price is always relatively stable.

- Preference shareholders usually do not participate in the voting only if the company failed to yield due to them.

- Preference shareholders have the priority right to access the periodic earnings of the company and its net value through the preference shareholders, but they come in the second place after bond holders.

There are several advantages accrue to the company from the use of preference stocks as an issuer of financing. Preference stock is a constant source of financing which does not require repayment of its value in any particular date like the bond.

When the course profits are not distributed for preference shareholder, that does not cause the bankruptcy of the company, In addition, the issuance of more preference stocks contributes to the reduction of the proportion of borrowed funds to money-owned, which consequently increases the assumption ability of the company.

It is worth noting that the cost of financing preference stocks may be much higher than the cost of debt financing, if we take into consideration that the dividends on the preference stocks it is not subtracted as cost for tax purposes, and that the dividends on the preference stocks paid from the net profit after tax, therefore. It does not result any provision of tax from financing by preference stocks. Companies do not rely on preference stocks as an issuer of financing compared to ordinary stocks or bonds.

There are other features of preference stocks, including cumulative dividends, which, when the company does not distribute the dividends in a year on for the preference shareholders due to the failure to achieve sufficient profit, it means that the company in the next year has to pay the preference stocks with delayed profits and the outstanding before distributing any dividends on the ordinary stocks , this preserves the right of preference shareholders in the outstanding of prescribed profits for them, regardless of the level of the company's profits.

There is another kind of preference stocks, which is a rare dubbed participating preference stocks which allows the holder to engage with ordinary shareholders in the profits, the participating preference stocks in general are listed as follows:

- Participating preference stock pays due to it, for example 5 dinars per stock.
- Distributed profits of the ordinary stock is worth an amount that is equal to the profits obtained by the preference stocks.
- If distributed profits are increased from the ordinary stocks to 5.5 dinars, for example: the profits on preference stocks should increase to 5.5 D. J also.

Through this, the foregoing can extract the difference between ordinary stocks and preference stocks in the loyal elements. (Ziad Ramadan ,1999, p. 29).

- Preference shareholders enjoy the priority right on ordinary shareholders with regards to obtaining profits.
- Preference shareholders have no right to vote.
- The yield of preference stock is fixed and is not affected by the level of the company situation.
- Preference shareholders have the right to transfer its shares to ordinary stocks.
- The administration has the right to buy preference stocks from their owners, especially when it comes to too much low in interest rates.
- Preference stock does not have a portion in the retained profits of the company, so the par value equal to its book value.
- The right to get the money resulting from the liquidation of the company's business in the event of liquidation for preference stocks.

Second: New guidance on shares: In addition to the above-mentioned types of stocks, has been the development of new types including these: (Indian ,1994, p.11).

1. New guidance on ordinary stocks: include these facts**:**

- Ordinary stocks for production sections: Customary; those ordinary stocks where dividends are linked in with the profits made by the corporation as a whole, but this kind of stocks have distributions associated with a specific production department in the institution.

- Ordinary stocks with discounted distributions according to US tax legislation, it allows organizations that sell a stock of its ordinary stocks to its workers to deduct dividends on its ordinary stocks from revenue before calculating the tax, meaning that distributions are considered an expense which should be reduced from the tax base.

- Ordinary stocks guaranteed: First appeared in America in 1984 and it is an ordinary stock that gives the right to its owner to request a compensation from the institution, if the market value dropped per stock to a certain extent, or during a limited period following the release, when the holder is compensated of these stocks through the issuance of additional stocks and distribute them to investors.

2. New guidance on the preference stocks: can be mentioned and explained:

- Preference stocks with variable distributions: on 1982 appeared in America, where the distributions associated with the rate of return on treasury bonds, and being adjusted on the earnings per stock every three months based on the change in the yield of treasury bonds, and the selected change in a proportionate field between (7.5 % to 15.5%) of the par value of the stock.

- Preference stocks which have voting rights: these stocks appeared to offset guaranteed ordinary shareholders, where at low market value per ordinary stocks the organization resorted to compensate the new owners through the issuance of preference stocks have some special qualities, including the right to vote like all other ordinary stocks.

- Stocks of enjoyment: This type of stocks are granted by the company when the original stocks consumption during the life of the company, compensate the old shareholders, it is required to be authorized through the constitution of the company, stocks of enjoyment granted in order to not interrupt the relationship of the shareholder who consumed stocks in the company, stocks of enjoyment entitles its owner the right to vote or profits. (Mohammed Matar ,1993, p.411).

1.7.2.2. What Are Bonds?

Bonds constitute long-term financial instruments; they fall within this category. There are several types that can be dealt with through the following points:

- Definition of bonds.
- Types of bonds.
- Properties and amortization of bonds.
- The difference between stocks and bonds.

First: Definition of bonds

Despite the multiplicity of definitions provided for bonds but they all lead to the same meaning, and the following are some of these definitions:

- **First Definition**: bonds are considered as a financing tool used by the state and its organs and economic institutions with all the money to finance their projects, the bond knows that it's a promise written by the borrower "issuer" to pay a certain amount of money "nominal value" to the bearer at a certain date, with a payment of interest due to the par value of a given date. (B. Lagct, 1990, p.18).

- **Second Definition:** The bond is a contract or a tool for long-term debt, issued by companies or the government, according to this contract, the borrower "bond issuer" accept to pay the value of the bond with interest due at specific dates for the bond holder, the bond holds the par value and the date of a certain maturity and fixed interest rate. (Alzerra Abdullah and Ghazi Tawfiq, 2001, p.160-161).

- **Third Definition**: The bond security represents a long-term loan or medium term, and its holder has the right to receive annual interest over the term of the loan, usually a fixed interest rate. (J. Pcyrard, 1993, p.27).

Through these definitions enlisted above; we conclude that bonds represents the issuer, whether a company or government, when an investor buys a bond that means he has agreed to borrow a certain amount of money to a company or the government, in exchange for that the issuer agrees to accept the amount with a specific date called the maturity date solutions, while paying the accrued interest on the par value of the payment due date.

When the bond is issued, the most important information that accompanies this release is: (Said Tawfiq, 1998, p.51). (Jaksa Cvitanic and Fernando Zapatero, 2004).

- Nominal value: This is the value that the bond is issued with for the first time.
- Coupon rate: When the investor obtains coupons on the basis of which the collection of periodic interest on the bond occurs.
- Maturity date: This is the maturity date of the bond, or the agreed date to return the value of loan to investors usually those with a relatively long time.
- The rights of the issuer.
- Bond is an instrument of debt and not a title deed.
- Amortization similar to the benefits paid by the issuer, he bears the payment of the value of the bond according to the amortization schedule of the loan bond, where it specified contractually at the release. There are several versions of the amortization which is the total amortization or amortization by fixed premiums.

The bonds have a par value and the ongoing value, par value is the value that the bond is issued by for the first time, which remains constant. It does not change since the release date to maturity or payment date, as for the current value, it is the value that the bond was traded for in the financial markets.

Second: Types of Bonds:

Bonds vary depending on the point of view of its users, so it can distinguish between bonds according to the following criteria:

- **Types of bonds by the issuer:** According to this criterion bonds can be classifıy into two main types, namely : (M. Donis, 1993, P.61).

  1. **General Bonds:** These are the bonds that are issued by the public treasury as loans where the state is the debtor party, the creditors are the banks, the public sector or the private sector companies, and ownership, in order to achieve the following:

  - To cover the deficit in the public budget.
  - Supervising the activity of banks through the influence on the size of their liquidity.
  - The development of savings awareness among the people to ensure the process of obtaining the necessary funds to develop the economy.
  - Control in the economic crisis, especially in a period of inflation, where the state resort to issuing government bonds to reduce the volume of cash in circulation, in case of a recession, government buys the bonds and the increase in general liquidity, in order to achieve the overall balance.

  2. **Private Bonds:** bonds issued by contribution companies in order to obtain the necessary funds to finance its projects, instead of resorting to issue the new stocks, that would lead to the admission of new shareholders, thus decreases the amount of expected profit to be distributed. One of the most important advantages is that exporting at a rate greater than the government bond interest rates, in return the holder is more vulnerable from government bondholder to what's called the risk on the disability of issuer to meet debt service.

- **Types of Bonds as Payment Method:** These can be recognized as two types of bonds as payment method. (G. DEFOSSE and P. Balley, 1993, p.18).

1.Repayable Bonds on Maturity: Where the issuer pays the holders rights when it reaches maturity date.

2.Bonds Paid at Maturity: The aim of reducing the company's debt and restore the rights of the bonds owners.

- **Types of Bonds According to the Rights and Privileges Provided to the Owners:** These can be distinguish between**:**

1.Convertible Bonds into Stocks: These are characterized by sufficient advantages from others, which creates the possibility to convert into ordinary stocks if the investor wishes to do so, these bonds areoften favored by investors, especially if the company has achieved high growth rates. (Said Tawfiq, 1998, p.52). (FredericS. Mishkin, 2004).

2.Bonds with Raise: The owner has the right to compensate with more than the price of issuance; raise means that bonus amount of money paid from the issuer party of the bondholder at the maturity date, in addition to the amount of the bond issue.

- **Types of Bonds by the Rate of Yield:** identified into two types, namely**:**

1.Fixed Rate Bonds: This type of bond offers a similar yield each year to the end of the loan term, the demand on this type of bond increases in the case of low interest rates in the banks, for the fact that investors get more return than it is on the market.

2.**Variable Rate Bonds:** In this type of bond, the interest rate changes according to the prevailing interest rate in the market, or by the rate of inflation, in most cases the interest rates upward.

- **Types of Bonds According to the Company Achieved:** Subdivided into**:** (Abda Mohmmed, p.15).

1.Ordinary Bonds: Do not affected by what the company achieved of results about the performance of its activity.

2.Income Bonds: This type of bond is influenced by the size of activity, and the good results achieved by the company and therefore the investor does not have the right to claim benefits in the year in which the company did not make any profit.

- **Types of Bonds in Terms of Guarantees:** There are two types of bonds by standard guarantees provided as follows :(Mohammed Osman Hamid, 1993, p.139).

1. Guaranteed Bonds: In order to attract capital, companies might have to make in-kind guarantees the fulfillment of the loans, as like to mortgage it's estates, or some of it and this is gives the owners of bonds right to dispose of these assets to satisfy their rights in the event of liquidation of the company and its non-compliance with undertakings towards them.

2.Unguaranteed Bonds: The only guarantee which is available for the holders of this type of bond is to the right of priority, which is characterized by other creditors of the issuer company; it is more dangerous than guaranteedbonds.

Third: Properties and Amortization of Bonds:

Before turning to the bond properties must refer to the bondholder's rights and values, which are summarized below:

1.Bondholder's Rights

The bondholders have a number of rights, including:(Samira Rajab,1999, p.244).

- The right to information.
- The right to meet the interest on the basis of the par value of the bonds.
- The right to file a lawsuit at the bankruptcy of the company in the case of inability to pay the value of the bond.
- The right to priority to access to part of the Institution's funds on liquidation by the other creditors, ordinary stocks and the preference stocks.

2. Characteristics of Bonds: bonds have several characteristics among them are:
(Samir Abdel –Hamid, 1996, p.291).

- Bond is a debt document for the holder on the borrower, and the bondholder not entitled to intervene in the management of the company and the marketing of its affairs.
- The bondholder has the right in the interest, whether the company's profits or losses incurred and cannot postpone the payment of interest, the consequent inability to pay the bankruptcy of the company.
- Bondholder links by the company interrupted immediately after the company pays the value of the bond.
- Bonds achieve a tax advantage for the exporting company, and by deducting the benefits of bonds from the tax base for profit as these benefits considered within the costs borne by the institution, as for the other properties of bonds are:(Kakamula, 2003, p.110).

1. Bonds face a numerous credit risks, the most important that is with respect to fluctuations of the interest rates, the viability of being called by their issuers when these prices decreases to show them new bonds that carries higher interest.
2. Whenever the longest repayment periods and low interest rates, the bonds carry more risk.
3. The long periods to pay the price of the bond is more sensitive to the changes in interest rates, noting that the bond sensitivity is on the length of the repayment period is usually increases at the rate of decreasing.
4. The rising of the bond price at the low yield is usually bigger than decreasing of this price when mentioned yield increased.

3.Amortization of Bond

As long as the bond usually represents long-term loan, the issuer has to pay for it at its maturity date, or before that at the amortization of bonds which means it’s repaid. the amortization of bonds has several methods provided by the bond issuance system even in the absent of an express provision in this regard, the choice of method is due to issuers usually, these ways are as follows:(Marwan Atwan,1993, p.76-77).

1.Partial repayment of the bonds: The partial repayment process of the bond before the maturity date of the loan is be piecemeal; as for the amount paid by the exporting companies depends on the financial possibilities available to them and based on a special legal text of this process in the issuance system.

2.Composition of reserves consumption of bonds: issuance system may be provided on the requirement of forming a special reserve amortization bond, in this case the repayment become mandatory and legal process and this is a reservist in several ways, including:

- Allocating a certain fixed amount stipulated in the contract.
- The allocation of a sufficient amount for the consumption of a certain percentage of issued bonds.
- The allocation of a percentage of the profits generated by the exporting company.

3.Gradual repayment: Some companies issues a kind of bond that can be called bonds of a serial maturity dates, which means that the issued bonds do not worthy for repayment at once, but rather paid in succession maturities, according to this way the issuance divides into linked groups, each group is worthy for repayable in the following year to maturity of the group that preceded, this kind lead to repayment of years gradually and in an orderly manner for all parties.

4.The difference between stocksand bonds:

From what has been mentioned of the characteristics of stocks and bonds, the observation of the differences are summarized in the table below: (AL-Moussawi, 1998, p.44-45).

Table (1): A comparison between shares and bonds

Stock	Bond
1-Part of the company's capital.	1- Debt of the company.
2-The stock holder is partner in the company as much as his contributions.	2- Bondholder creditor the value of the bond.
3-Stock profit is variable by activity and may be loss.	3- Yield bond fixed and is not affected by loss.
4-The stock holder has the right to control and manage the company through the General Assembly.	4-Bondholder has no right to the administration, but in two cases the change legal form or the integration of the company in other.
5-The stock holder does not recover his money, only by selling in the stock market or on liquidation, it is not required to recover the sum paid and it can increase or decrease.	5- Bondholder recovers his capital at the exact time for worthy to full repayment.
6-In case of loss and liquidation of the company, the share of the stock holder will be the rest after full debt repayment.	6- Bondholder has priority access to entitlements in the event of loss or in the event of liquidation.
7-Current or market value of the stock depends on the amount of the expected yield amount of the stock and the current interest rate.	7- The current value of a bond depends on current interest price and par interest price on the bond.
8- Stocks yield is considered of distribution of profit that subject to tax.	8- Interest on the bonds is one of the expenses are not taxed.
9- Shareholders have the right to examine and obtain private information regarding workflow in the company.	9- Bondholders do not have the right to examine or to attend the meetings of the General Assembly or access to reports and data.
10- The stock may be issued at par value or higher than the par value and the issuance price which is the issuance price what is known as a premium version.	10- The bond may be issued at par value or higher than the par value, and repayment is higher than the par value .

This chapter includes an introduction to the financial markets, the concept of financial markets in general, also classification criteria and components of the financial markets and their importance to the financial markets and the characteristics and functions of financial markets and financial instruments traded in the financial markets, and how financial markets can create their competitiveness, especially in the light of the openness of the world and the great technological development that we see now.The segmentation of the financial market has become important to remain in the market in the presence of competing markets, the financial market must be constantly updating its services by market segmentation and has a quick response and flexibility to the requirements of its customers.

CHAPTER TWO

SEGMENTATION OF ISLAMIC FINANCIAL MARKETS

*2.1.*Islamic finance

As a known truth; Islam is based on the interpretation of Qu'ran, as well as the various Had'ith and Sunnah passages of the Faith system, which is about the Muslim community with the prophets of Muhammad's customs and experiences (Pryor, 2007). These forms are the basis of Shariya's law, which encompasses all the wider areas of the Islamic system, including economic, financial, legal, political and political parts, with basic and known values of Islamic social justice (Asutey, 2007). In addition, while the political economy of the Islamic system contains all the components of the social system, the core belief in Islamic economics is that the individual is only the trustee of wealth and capital owned by God (Asutey, 2007; Chapra, 1993). Islam's ethical code of conduct is fully integrated with economic motivations because Islamic economics is only part of a broader system of personal values and complies with the principles of "Shari'a"

Therefore, the moral behavior of the individual in the system is not voluntary, but can be considered as part of the knowledge revealed by the Qu'ran doctrine. Thus, the law of Islam is a binding principle in the management of the economic, social, ethical and religious aspects of Islamic society (Iqbal, 1997). The Islamic financial system itself, like the whole economy and society, is established and managed by the principles of Islamic law (Iqbal, 1997). These specify the nature of the contract, the design of the institutions that support the market, and the behavior of the participants. Individuals in the Islamic financial system will be subject to the very different assumptions of the basic standards and the formation of Western market rules and regulations.

According to Wikipedia (2011), the Islamic banking business operates through the development of Islamic economics, in accordance with the principles of Islamic law (Islamic law) and its practical application of banking. Islamic law prohibits the payment of fixed or floating payments or loans (known as Riba or usury) for specific benefits or expenses.

Consistent with Arath and Shabbir (2009), they see the Islamic Bank as a banking system that conforms to the spirit and value system of Islam under the jurisdiction of the Islamic Shariah. Then the property of the merchandise or service that violates this Islamic principle is called (Harram) means to be forbidden.
Banks are characterized by certain characteristics. First, it is confident that all the property acquired by man belongs to God (Allah), and that person is the trustee. Second, according to the orders of Allah and the Allah in the Sunnah, it is expected that the property will be used with the trustee.

The third, emphasis is on the prohibition of payment, receipt and issuance of documents (El-Gamel, 2000). Fourth, strictly know to be forbidden to approve the finance of alcohol, assassination, prostitution and other disallowed acts in Islam (Ahmed and Shabbir, 2009). Five is to encourage investment in legitimate profits, increase social value. It supports partnerships, risk sharing, individual rights and obligations, property rights and contract sanctity (Zaher and Hassan, 2002).
The common products of Islamic banks are mudaraba, musharaka, murabaha, ijara and Qard al-hassan. Mudaraba is the kind of partnership that involves; both parties, investors (such as the Islamic institutions, which are commonly known as the Lubul Mahal Islamic Republic), and entrepreneurs (mudarib), which provide funding for post-investment investments, The loss is borne only by the financier or Rabu- Al-Ma..

Mudaraba is equivalent to the common interest of Western financial markets (Mannan, 1993). Mudaraba agreement is similar to the Western limited partnership, one party to provide funds, the other party to provide funds, the other side of the business, in accordance with the proportion of profit distribution to negotiate. Musharra is a partner of two or more political parties, such as Islamic banks and clients, who are funded in the same or different proportions and can participate in the management of investment funds. Benefit sharing is freely negotiated by the partner, and the loss is consistent with the contribution of the individual. (Zaher and Hassan, 2002) stressed that corporate finance is closer to the traditional controlling stake.

At Murabaha, the customer asks the Islamic institution to buy tangible assets and resell it to the customer at a discounted price, and the customer's payment is "deferred payment". Prices include management fees and bank profits. Therefore, murabaha is eligible to sell goods or assets rather than loans.

While in the real sense of it, entrepreneurs requests through an application to the banks or investment partners asking for the purchase of raw materials. With a material invoice and the application, it propels the bank to buys the material and later sells them again to the entrepreneur at the buying price, which includes both the agreed administrative price costs and the bank margin (As cited in: Hearn, Piesse and Strange, 2010). A lease which might be refferd to as ‘’Ijarah’’ is the right and power to use the transfer of assets (legitimate use of rights), rather than its ownership. In the Islamic banking business, the bank can anda re aloowed to; transfers the agreement to another person for an agreed period; (Ahmed and Shabbir, 2009). Ijarah's assets are considered to be; precious, valuable, perishable, non-consumable, identifiable and quantifiable. (Zaher and Hassan, 2002) points out that the maintenance and insurance of leased assets is the responsibility of the lessor or the bank.

2.1.1.The concepts of Islamic finance

Meaning of Islamic finance

• Islamic financing are mostly knowned as the provision of financial services under Islamic law (Islamic law). Islamic courts prohibit interests (Riba), over-indeterminate products (Gharar), gambling (Maysir), sales shortages and financing are considered to be socially harmful. But also requires the parties to implement the principle of fair treatment and the sacred nature of the contract. The transaction must be based on actual economic activity that must be found at the risk of economic transactions (Alfred Kammer, Mohamed Norat, 2015).

• Islamic finance is an economic term that reflects financial business that conflicts with Islamic legal principles. Traditional finance, especially traditional finance, depends on the collection of deposits and the provision of loans to the public. Therefore, the relationship between the bank and the customer is always the relationship with the creditors. A key aspect of a general bank is to give or accept benefits that are particularly prohibited by Islam. For example, the traditional bank's time deposit product is based on the borrower's commitment, that is, the bank loan repayment and the fixed interest on the lender's deposit. Basically, deposits will lead to more money, which is the basic means of interest.

• The Islamic financial market is agreeably; defined as the market in which its investment and financing opportunities (medium and long term) are fully consistent with the Islamic usury terms, as well as the laws prohibiting Islamic law, namely: gambling and ambiguity and free movement, others are financial markets, To finance various economic activities and to establish financial and investment resources that are consistent with Islamic legal principles. Accordingly and envisioned by the Islamic trade system, the market will also play a prominent role in mobilizing resources and guiding economic projects.

2.1.2. Developing Islamic Financial Markets

Developing Islamic Financial Markets

The Islamic financial industry is now considered one of the fastest growing parts of the international financial market, at first glance, ideals and principles are attractive.

Inspired by the Qur'an and the legal knowledge system known as the Islamic Shariah, the core principle of Islamic finance is the establishment of a fairer financial and economic order and friendly exchanges in accordance with religious principles. Thus, Islam can be seen as the basis of moral ethics and moral ethics and equitable moral dimension. This is in line with the increasingly affluent Muslim middle class, the increase in oil revenues and the adjustment of cultural and religious values. Therefore, in the past few decades, in order to make the Islamic capital market development and institutionalization, especially to make Islamic finance an acceptable (and therefore investment) mainstream, the Islamic capital market is intensifying efforts to establish Islamic consistent financial products. The Islamic capital market has examined whether Islamic finance can provide ethical choices for the existing international financial system or help clarify the current global financial situation. In the process of doing so, more attention will be paid to the construction and evaluation of Islamic financial products, as well as the emergence of an international regulatory framework for international Islamic financial markets.

The conclusion is that the real possibility, rather than creating a more equitable economic order, is currently emerging, and the Islamic financial regulatory system will actually help to replicate and legitimize existing unfair financial structures.

1 .Ethical Foundations of Capital Markets and the Core Principles of Islamic Finance

The basic configuration function of the capital market is to match the capital supply with the capital requirements. This is the economic and neoclassical economic theory of the market clearing mechanism model, namely capital price, interest rate, to achieve capital supply and demand balance. Therefore, the market is considered to be rational, not moral. They are described as the following objective principles that can be scientifically established. The focus is on the economic and financial aspects of the transaction. However, this view ignores the (capital) market and its moral, ethical and social level of the fundamental distribution. Thus, it may be argued that there is a need for a more reflective approach rather than a framework of secular neoclassical economics that is based on Pareto's principle of efficiency because it is the basic theory of economic justice but has long been escaped These principles and economic justice (see Buchanan 1985). In addition, the lack of ethical and social dimensions of the competitive market (elaborated) is an important subject of many of the more critical political and economic literature (eg, De Goede 2005; Watson, 2005). However, it is often difficult to see that these criticisms should even be translated into financial practice (Kessler 2007).

It is interesting to note that there are other systems that actively accept the ethical, ethical and social dimensions of the market. Thus, the political economy literature is usually directly related to some secular, concrete or post-enlightened views of economics, and reproduces its secular ontology. In general, more religious orientation or cultural considerations and interpretations are not considered legal in the field of analysis. For example, after September 11, some parts of the Havala network and so-called Islamic finance "terrorist finance" have missed the attention of political economics of financial economics (De Goede 2003; Warde 2007). This position is untenable. A claim that the different world order (IPE) should be more curious about the alternative value system. Such an agenda can also support the current efforts to expand the "global IPE" beyond its narrow focus, mainly in the Western political economy in advanced and developed (Phillips 2005).

Contrary to traditional financial practice, Islamic finance fundamentally, based on neoclassical economic theory, fundamentally explains the embedded elements of moral ethics.

It obtains the basic principles from the Qur'an; the holy books of Islam, which Muslims consider to be given to mankind, and the jurisprudence system known as the Islamic Shariah. The basic principle of Islamic law is to allow all things that are not expressly prohibited (IOSCO 2004, p. 6). The four main bans of Islamic finance are Libya (no reason to increase, narrowly interpreted as paying or accepting benefits), gambling, gharar (profit from others' uncertainty) and making and selling haram (prohibited goods and services) The These will be analyzed in turn.

Prohibited interests are often considered indispensable conditions for Islamic economic and financial philosophy (Koran, 1995, p. 157). Because Venardos (2006, p. 57) asserts that making money from money is not an explanation of the Islamic view. From the point of view of Islam, money is only a medium of exchange, a way of defining the value of something; itself is of no value and should not be lent to a bank or a fixed rate to borrow money from others. The manpower, initiative and risk of the manufacturing enterprise are more important than the capital of the enterprise. Muslim jurists believe that money is a potential capital, not just capital, which means that money will become capital when investing in business.

In Islam, money represents the purchasing power that is considered the only way to use money correctly. Purchasing power (money) can not be used to buy goods and services to get more purchasing power (money) steps. According to the Islamic world, and more specifically, illegal profits are unfair, exploitative, ineffective, and the prohibition of Islamic financial. These badness has three closely related reasons why it is prohibited. (Warde 2000, p. 63).

With traditional commercial bank deposit and loan. The main source of bank profits is fundamentally interest rate differences, deposit and lending rates are usually lower than the lending rate. The lack of interest in Islamic finance has led to different modes of deposit. Deposit as deposit or demand deposit. In the former case, a reserve of 100 per cent should be retained because the deposit is assumed to be kept (kept) and is therefore considered to remain a depositor (Venardos 2006, pp.99-100). The bank may charge the cost of this service. In the latter case, the funds are allocated to the profit (and loss) shared investment account (PSI As). There is no need to book a deposit here because the deposit can not be guaranteed. They are used to finance investment projects, and depositors share the profits and losses of the business. Therefore, the depositors become shareholders, equity financing. Bank loans to consumers are usually taken in the form of murabaha as a profit for sales and agreements.

2 .The Rise and Spread of Modern Islamic Finance

The up rising and beginning of modern Islamic finance has traditionally been traced back to the establishment of a small rural savings bank in Egypt in 1963. However, since the late 1970s, the pace of Islamic banking has been fast. The first country to adopt Islamic finance at the national level is remembered as Pakistan. From 1979 to mid-1980s, steps were taken to organize the financial system in an interest-free manner, thereby completely eliminating the interest of local enterprises in 1985 (Siddiqui, 1988). After the Iranian revolution in 1983, he quickly followed and promulgated a new banking law, which in 1985 lifted the interest. Sudan, especially the third country of Iran's Islamic financial system. Since then, Muslims around the world have established public and private Islamic banks. In 1974, after the embargo was implemented one year later, the Islamic Development Bank (IDB) was established as a multilateral development bank "to promote Islamic law for the promotion of individual and common interests of Member States in the principles of economic development and social progress and the Muslim community" (No. 1 Section, Islamic Development Bank agreement clause). This development is still seen as a catalyst for further incorporation into Islamic banks (IOSCO 2004, p. 18). A year later, in 1975 the Islamic Bank established a complete private Islamic bank, the establishment of the Islamic Bank (see Table 2). By the mid-1980s, the management of Islamic assets was estimated at about $ 5 billion (Iqbal 977, p. 42).

Table 2 : Emergence of Islamic banks in the 1970s and 1980s

The First Years of banking as established from	Country to Country
1975	United Arab Emirates
1977	Egypt, Kuwait
1978	Jordan
1979	Bahrain
1982	Qatar
1983	Malaysia, Tunisia
1985	Turkey
1988	Saudi Arabia

Source: Henry and Wilson 2004, p. 7.

Retrospectively, Islamic finance in the mid-1990s began to show new impetus. By then, Western banks have attracted more and more markets and major global actors, such as Citibank opened its first Islamic subsidiary in Bahrain in 1996. In 1998, HSBC Global Islamic Banking Department HSBC Bank Amanah. In addition, more and more traditional banks have opened up a window of Islamic banking. A few years later, specialized Islamic financial institutions began to appear in West African non-Muslim countries. For example, Birmingham Islamic Bank of Bank of England was established in 2004 and was established in 2006 at the European Islamic Investment Bank in London.

Equity financing is largely in line with Islamic law, while Islamic law does not have much effort to create an independent Islamic stock market. However, in recent years, the Islamic debt market has increased substantially, especially through the large number of sukuk issued. Since the 1980s, Malaysia has been dominated by government documents and has become a niche market and has become an international market for enterprises and sovereign stock companies. Shell Malaysia is a large multinational company that decided to issue sukuk in 1990. However, due to the Middle East Islamic scholars particularly doubt the principles of Islamic finance (AWSJ 2007), Sukuk take off may take ten years. Over the past decade, the global Sukuk market has risen rapidly from $ 340 million in 2000 to $ 80 billion at the end of July 2007 (FT 2007 a; Gulfnews 2007).

In addition, Sukuk is highly becoming acknowledged as a conventional debt instrument. Large secular international financial institutions use them to raise funds. Similarly, companies from non-Muslim countries, as well as sovereign and subordinate borrowers, seem to be interested in using Islamic capital markets.
The UK has just set up eight working groups to study the feasibility of becoming the main issuer sukuk (HM fiscal 2007). Given the early stages of economic development in many of the Muslim population, the potential for financing through the Sucuk project was significant (Zeti 2007a). At present, institutions providing Islamic financial services are highly conservative in predicting more than 300

companies worldwide, managing more than $ 300 billion in assets and operating in nearly 50 member countries of the World Bank (S & P 2006, p. 5).

Technically, There have been many reasons for the recovery of Islamic economies and finances in the past few decades, which will be briefly described here. Many of the developments in Islamic financial markets have developed in a particular historical context in which the (Muslim) world has passed a series of critical moments. However, it seems that the development of Islamic financial markets is mainly driven by political and socio-economic factors, only purely ethical motives. The emergence of Islamic finance was closely related to the political and economic development of the 1970s and early 1980s, most notably the rise of Islam in the 1970s and early 1980s and the energy crisis. (Warde 2000).

These crises have not only generated extensive funding for the first time in the history of modern investment in the Middle East, but also represent the increasingly strong political proposition of the "world" of the Islamic world. The Qur'an (1995, pp. 169-170) asserts that the intellectual movement of Islamic economics should not be seen as "stimulating the fundamental transformation of economic thought or releasing the revolution in economic practice [but reaffirming] Islam as a guide by reaffirming its The importance of modern life and its influence is far less important than the cultural statement it provides. Similarly, Vogel and Hayes (1998, p. 21) point out that "Islamic banks and the financial sector have greater Islamic reforms Phenomenon, which is considered a precedent for Islam to further regulate the ability of modern life (Henry and Wilson, 2004, p. 2).

The first Gulf War has led to a turning point in the wealth of many Middle Eastern countries. Coupled with the fall of oil prices in the early 1990s, when Saudi Arabia and other Gulf countries to step up intervention in Western countries, political and economic affairs, the monetary reserves will be depleted, leading to increased dependence on international borrowing.

Hence, the efforts to develop capital markets in the region later could also be seen as an attempt to reduce the external reliance through the generation and management of funds at the national and regional levels. In recent years, oil prices have once again led to the growth of oil wealth, the Gulf region and its external investment demand due to the improvement of domestic financial infrastructure has increased significantly, more and more efforts to improve the economic restructuring of the OECD countries. (Siddiqui, 2005.

Immigration, the amount of money held by Muslims and the size of the investment sought by the principles of Islam, not only in the Middle East soared. As more and more affluent Muslim middle class (DeLorenzo 2005), immigrant and non-immigrant Muslims and the rest of the world are increasingly meeting financial services and transactions that meet Islamic Shariah standards. The socio-economic situation of many Muslims has improved in countries such as the United Kingdom and the United States, while higher-income countries such as Malaysia have become more extensive. The emerging Muslim middle class represents a group of consumers, and if they have the option, they are in favor of the Islamic product (DeLorenzo 2005).

2.2. Market Segmentation In General

Conventionally, bank consumer groups are largely confined to a wide range of commercial and retail consumers (Machauer and Morgner, 2001). The difference between the consumer of the company is the geographical scope of the regional and international activities or the attribution of its department. In personal retail banks, externally observed demographic or economic criteria (eg, industry, age, income or wealth (known as a priori method) are usually used as dimensions of segmentation (Machauer and Morgner, 2001. Harrison, 1994. Meidan , 1984) Consumers can also be segmented according to specific methods such as quality of service, location, attitudes, lifestyles and values, but the division of Islamic retail banks and other Islamic financial services IFS is also the same.

Rusnah et al. (2009) explained that in Islamic banks, moral values and religious beliefs seem to explain the fundamental motivations of consumers to choose services, which helps to understand the management of consumer types of purchase services. More importantly, the Islamic financial services industry needs to take action to take advantage of the current financial crisis and the recession, as some economists believe that the Islamic financial principles may provide another solution to these problems.

Due to these facts, the industry needs to carefully analyze and understand the market segmentation (accordingly, the potential buying motivations for each market segment) to properly design its marketing and communication strategies to promote its products (Maverecon, 2009 Quinn, 2008).

The American Marketing Association defines the market segmentation as "the process of dividing or segmenting the market into a clear group based on the purchasers or consumers who need different commodities or marketing mix." The characteristics and benefits of market segmentation, as noted by Al-Askary, "The process of dividing the market into segments of the market so that management can order the production and demand for goods and services that are compatible with the various sectors of the market. Some privacy must be achieved (Al-Askary, 2000, p.119).

In theory, market segmentation is the process of dividing the market into different groups that share with the organization one or more similar responses to some certain elements of the marketing mix (Peter and Olson, 2008, Edris, 1997). Similarly, Dickson and Ginter (1987) designed the market segmentation as a market segment for information to design a particular market to attract the program. Choosing the relevant target market is critical to developing a successful marketing plan. Thus, the segmentation process requires that the total market be divided into homogeneous segments, select target segments, and create separate marketing plans to meet the needs and needs of these selected segments. (Peter and Olson, 2008).

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According to Kotler and Armstrong (2006), market segmentation is the process of dividing the market into smaller groups of buyers, with unique, different needs, characteristics or behaviors that may require a separate product or marketing mix. Schiffman and Kanuk (2000) argue that market segmentation is the process of dividing the market into different consumer subsets with common needs or characteristics and selecting one or more market segments to position a clear marketing mix. Marketers do not create market segments because the subdivision is natural. Through the breakdown of research, marketers to determine the market segmentation, select one or more market segments to achieve goals and achieve. According to Stanton, market segmentation divides the heterogeneous market of products into multiple sub-markets or market segments, which tend to be homogeneous in all important respects.

Then, Las and Charles asserted segmented market to be the; strategy to break the market with different small and group markets. Market segmentation can be defined as the process of looking at heterogeneous markets, consisting of multiple smaller and more uniform parts, known as the market segment. Market segmentation of the utopia and each customer is different, can also be called "personal marketing". (Harrison, 2000).

The market segmentation is divided into four levels: segmentation, niche, local and one-to-one markets. When the total market is divided into a wide range of consumer groups, with common or unified demand, it is called the market segment. Overseas markets can be further divided into the different needs of consumer groups, known as niche market. Local marketing includes tailor-made brands and promotions based on the needs and aspirations of local customer groups (cities, communities and even specific stores) (Kotler, Keller and Armstrong, 2006). One of the marketing organizations, namely, personalization or customization, is the lowest rating company that adjusts marketing activities to meet customer needs (Mawoli, 2011).

2.2.1. The Role of market segmentation

Before, the 1960s, several companies operated and were based on market segments. But recently, it has become popular and plays an important role in almost all successful marketing strategies. Market segmentation is a powerful marketing tool for several reasons.

Most importantly, almost all markets include different customer needs and preferences for the general population or the community as a whole. Market segmentation can help marketers more accurately define customer needs. Market segmentation is useful for companies that seek market opportunities to explore. In the case of the buyer's market, the marketing strategy will be to find attractive market opportunities. Therefore, market segmentation is the right tool to achieve the goal. Through the market segmentation, companies can understand the need to meet the needs of some of the needs to meet the market still have potential. In addition to what goods have fierce competition, what goods need to be developed. The market segmentation of the firm provides new market opportunities. Which in turn helps the company through the combination of marketing design to master the characteristics of the target market, which is very important.

The market mix is a marketing plan developed by taking into account factors such as product, price, promotion and location (place of sale). Each specific market has only one best combination, only through the market segmentation in order to achieve the best combination. Through the market segmentation, small companies can develop the market, the development of large enterprises. Customer requirements are very different and different from each other, so even large companies with limited resources can not meet all the needs of the entire market. In order to exist, small companies should use the market segment to segment the entire market in order to find the market segment that suits their advantage, and what needs and expectations are not yet reached. Ultimately, market segmentation makes it easier to get feedback and standardize marketing strategies.

2.2.2.Steps of Market Segmentation

As ealier mentioned, market segmentation is a strategy for most successful organizations. Therefore, learning how to divide the market becomes very urgent. According to Charles W. Lamb and Carl McDaniel (p. 28, 2003), the first step in segmenting the market is to select markets or product categories for research. This may be a market that the company has occupied a new but related market or product category, or brand new. The second step is to choose the basis or group of market segments. This step requires management insight, creativity and market knowledge. There is no scientific procedure for selecting a segmented variable. However, a successful segmentation plan must produce a market segment that meets four basic criteria: substantive, identifiable, accessible and responsive. The third step is to select the segment descriptor. After selecting one or more baselines, the marketer must select the segment descriptor. The descriptor then identifies the specific partition variable to be used. The fourth is to sort and analyze the decomposition.

The analysis should include the size of the division, the expected growth rate, the frequency of purchases, current brand use, brand loyalty, and long-term sales and profitability. This information can then be used to rank potential market segments through profit opportunities, risks, consistency with organizational tasks and goals, and other factors that are important to the company. The fifth step is to choose the target market. This step is not part of the division process, but its natural result. This is an important decision that directly affects the business mix. Finally, design, implement and maintain an appropriate marketing mix. The marketing mix is described as a product, distribution, promotion and pricing strategy that is mutually satisfied with the target market.

Roger Best (1990) proposed a framework for implementing market segmentation strategies. He suggested using a series of sequential steps in the demand-based segmentation process. The main advantage of segmentation-based segmentation is the need to create segments around specific customer requirements. The goal is to determine which observable demographics and behaviors can be distinguished between a subdivision and another segment in order to make the demand-based market segmentible feasible.

2.3. Basis of Segmentation Islamic Financial Market

2.3.1. Geographic Segmentation

Entails dividing a broad market into geographic units such as regions (North-west, north-central, southwest, south-south, southeast), cities (Africa, the Americas, Europe, Asia, Australia), countries (Nigeria, Ghana, Niger, Mali, etc.) (Lagos, Ibadan, Porthacourt, Abuja, Carnot, Kaduna, Maiduguri, Sokoto, etc.) or neighborhood.

My findings are consistent with this document, indicating that the local credit market is vital to economic outcomes. However, the focus here is not on the local competitiveness and institutional quality changes, affecting the degree of local intermediary, but rather the geographical division of the capital market, affecting the transfer of capital across space. So the impact is different. In particular, most of the literature suggests that bank competition is beneficial, so implicitly or explicitly (for example, Sapienza (2002) and Garmaise and Moskowitz (2004)), the merger may be harmful. Fact evidence suggests that the cost of decentralized banking systems is exacerbated by geography. Thus, merging potential benefits from mergers from different regions of the bank. The negative and positive welfare effects of mergers may coexist. It may be beneficial to improve the geographical integration of the banking merger, while the merger of the local market competitiveness is harmful. Some mergers may be detrimental on the one hand and useful on the other hand.

Finally, the findings on deregulation are related to the results of Jayaratne and Strahan (1996), which have had a significant positive impact on the state-level growth rate after deregulation. Bank deregulation reduces the impact of local deposit supply, which means that geographic division is reduced. This suggests another channel that may have significant economic impact.

Geographical segmentation provides useful distinctions when regional preferences or needs exist. But for marketers, it is important not to use geography as a segmentation method because the distinction between consumers in the same geographic location also exists. Thus, the use of multiple segmentations may be a better strategy for a particular market. (Fara Warner, 1997). Typical geographic variables include:

- **Country** e.g. USA, UK, China, Japan, South Korea, Malaysia, Singapore, Australia, New Zealand.
- **Region** e.g. North, North-west, Mid-west, South, Central.
- **Population density**: e.g. central business district (CBD), urban, suburban, rural, regional.
- **City or town size**: e.g. under 1,000; 1,000- 5,000; 5,000 – 10,000... 1,000,000 – 3,000,000 and over 3,000,000.
- **Climatic zone**: e.g. Mediterranean, Temperate, Sub-Tropical, Tropical, Polar.

The idea behind geography is that people living in the same area will share a similar culture and experience the same weather, so that they get similar needs and needs over time (Mawoli, 2011).

At present, many companies are localizing their products, advertising and promotional activities to meet the needs of individual regions, cities and even communities. Some other companies are seeking to nurture areas that are not developed or undeveloped. For example, many large companies are in the fierce competition to leave the major cities and suburbs, in the town of the United States set up stores. The Hampton Inn has opened a series of smaller motels that are too small in cities with small cities. For example, Townton, Tennessee, the population is only 329 people, even the small town standard is also very small. But the results are very satisfactory. In the picturesque landscapes between Knoxville and Smoky Mountains, the village serves business and holiday travelers. The Hampton Hotel has opened a unit in Townsville and plans to open 100 hotels in small towns. In these towns operating costs are lower, the company builds smaller units to accommodate lower numbers. These two geographical segmentation studies:

1.Coca-Cola and KFC’s Geographic Segmentation

Coca-Cola has launched the Fei Yang brand of soft drinks for the Taiwan market, which has compromised this indigenous and unique flavor of tea and fruit juices such as oolong tea, emerald leaves, lychees and guava. They are packed in Tetra packaging, giving them an independent identity with Coke. More importantly, KFC manufactures its products and strategies to suit Japanese tastes. It positioned its store as a fashionable upscale, not a fast food restaurant. French fries are used instead of mashed potatoes, and the sugar content of the cold cabbage is reduced and a menu of fried fish and smoked chicken is added. These two cases explain the application of geographical segmentation. They all operate in almost all geographical areas, but pay attention to local changes.

2. Huffy Corporation

The company was founded in 1928 and is now the largest bike manufacturer in the United States. Hawaii's success should be attributed to the appropriate market segmentation. Because according to the international bicycle market demand analysis and supply and demand analysis, Hu Fei to geographical factors, product use and consumption level for the variable segment international bicycle market. And then the entire market is divided into Hong Kong market, South Asia and developing countries market, the European market, the North American market. In addition, the specific analysis of the needs of various market segments and trends of the characteristics. In the North American market, the United States and Canada have recently been the main importer of bicycles on the international market, accounting for more than 50% of the world's total trade, and the first market in the domestic market. Then, Hu Fei carried out a series of measures to modify the image of the product, improve the competitiveness. From this point of view, we can see that Hough's accurate segmentation of the bicycle market, greatly increased the understanding of consumers, help to find the weaknesses of competitors, to provide a basis for determining the positioning.

2.3.2. Demographic Segmentation

In theory, population segmentation is the process of segmenting the consumer market, categorizing by demographic variables such as family type and size: (single parent, extension, core family), occupation: (student, teacher, civil servant, doctor), gender (male And women) Marital status (single, married, divorced, widowed) (Schiffman and Kanuk, 2000), family life cycle (single / child, adult, seniors, adolescents, early education, late childcare: Kotler and Keller, 2006) The Typical population variables and their descriptions are as follows:

- **Age Range:.** Under 5, 5–8 years, 9–12 years, 13–17 years, 18-24, 25-29, 30-39, 40-49, 50-59, 60+ .
- **Gender Classification**: Male, Female.
- **Occupation Group**: Professional, self-employed, semi-professional, clerical/ admin, sales, trades, mining, primary producer, student, home duties, unemployed, retired.
- **Social class** (or socio-economic status): A, B, C, D, E, or I, II, III, IV or V (normally divided into quintiles).
- **Marital Status**: Single, married, divorced, widowed.
- **Family Life-Stage**: Young single; Young married with no children; Young family with children under 5 years; Older married with children; Older married with no children living at home, Older living alone.
- **Family size/ number of dependants**: 0, 1-2, 3-4, 5+.
- **Income Status**: Under $10,000; 10,000- 20,000; 20,001- 30,000; 30,001-40,000, 40,001- 50,000 etc.
- **Educational attainment**: Primary school; Some secondary, Completed secondary, Some university, Degree; Post graduate or higher degree.
- **Home ownership**: Renting, Own home with mortgage, Home owned outright.

- **Ethnicity Groups**: Asian, African, Aboriginal, Polynesian, Melanesian, Latin-American, African-American, American Indian etc.
- **Religious Groups**: Catholic, Protestant, Muslim, Jewish, Buddhist, Hindu, Other.

Population market segmentation is one of the most widely used methods for dividing consumers into multiple parts (Gunter & Furnham 1992, Kotler & Armstrong 2001, Weinstein 1994). In general, demographic factors are primarily combined with demographic and socio-economic factors. Social and economic factors to distinguish between consumers through economic and social strata (Weinstein, 1994). In population segmentation, consumers are divided into different parts by age, gender, income, education, religion, and life cycle. (Peattie 1995).

Companies typically use demographic divisions because of their ease of identification and assessment of factors. For example, when a person's sex knows, it is easy to predict a person's age. This makes it easier for companies to collect information about consumers and reduce the cost of goods or services. (Gunter & Furnham 1992, Kotler & Armstrong 2001).

The important psychological population includes the "old rich", newborn wealth, young and modern (Amine and Cavusgil, 1986), religious traditionists and "pyramid bottom" (see Prahalad, 2005 for the latter's marketing discussion). In Morocco's sense of fashion, significant consumption is important, and the price symbols of various price ranges are welcomed by all population departments. As young people continue to build new families, the demand for consumer goods and services are speedingly increasing.

At present, half of the population of Morocco lives in rural areas, and market segments must take into account the gap between urban and rural areas in terms of income, education and procurement. More than half of the Moroccan men are under 25 years of age and the middle class is growing. Another trend is the reduction in the number of families. About 20 years ago, a family had as many as 20-25 children, but today there are only three to four urban areas. The young Moroccan men of the big cities gradually adopted Western lifestyles, influenced by the Europeans, especially the French. Language is another important factor in marketing. The tones in television and radio advertisements are mainly Arabic in Morocco, but some advertisements are made in three versions, with the target of middle-class Moroccan Arabic and French, mostly consumers of Moroccan-headed languages, Spanish history links, Spanish residents of northern Morocco. Rural illiteracy rates are high, estimated at about 85-90%.

2.3.3. Psyhological Segmentation

Psychological segmentation is the use of psychological variables (physiological needs, security needs, social needs, respect for needs, self-realization needs), lifestyle (trade union-oriented, sport-oriented, culture-oriented, religious-oriented, academic Orientation, political orientation), attitudes (positive and negative attitudes), perceptual (dogmatism or realism) and personality (achievement, ambitious, autocratic, collective). (Cathy Goodwin and James W, 2000).

In this segmentation, the customer is divided into different groups according to lifestyle or personality or value. The number of the same population group may be very different from the psychological characteristics. Part of the lifestyle is that consumers are "limited by time or currency." Those who have limited time will think of two or more tasks, so the psychological segmentation is based on personality. Due to the different personality, the customer may show a variety of preferences. Some customers are confused, a bit of vitality and enthusiasm; some keep as usual. Therefore, companies must increase the product's personality to meet customer needs. A common example of car companies using personality to segment the market is the car company. They designed different types of cars, these cars are conservative buyers, or a symbol of vitality, suitable for young fashion cars. Another example is Sanrio's Hello Kitty. The brand has a loyal customer, so Japan's Sanrio company gets support from Japan's favored young women. The brand found that in an uncertain age, young women were eager for these cartons during their childhood. Hello Kitty's rendering, round and silent images have stimulated their sense of concern and protection. Because Katie did not express, so people can use them to expect their expression.

From the observation point of view, since the 20th century, 90 years, the number of mobile phone users in China showed an exponential growth. By the end of 2000, about 100 million people had already used mobile phones. This is indeed a very huge market, almost all of the world's mobile phone brands have been attracted to enter China, which led to growth and fierce competition. Motorola is one of the giants of the mobile phone market, is the first multinational company to enter the Chinese market. In 1987, Motorola almost monopolized the Chinese mobile phone market. However, in 1996, due to the opening of GSM digital network, Nokia and other brands to seize the opportunity to enter the Chinese market, the rapid growth in market share.

In this case, Motorola must modify the strategic market segment. In the past, Motorola has been impressed by the traditions of consumers, technology-oriented image, while the Motorola mobile phone users are career-oriented or work-oriented. But as the market continues to expand, consumer demand becomes diverse. Therefore, Motorola had to change its previous brand image. Using 25 countries to break down the results of research projects, split the mobile phone brand. It created four different sub-brands: Accompli, Timeport, V. And Talkabout. Accompil is designed for customers looking for cutting-edge wireless technology; the phone features state-of-the-art features such as office assistants and large touch screens. Most of the users of this brand were abandoned and impressed by their technical level. Timeport mobile Internet browsing software and desktop manager. It is similar to Accompil, but for business users who emphasize efficiency and often need to make urgent work decisions. To the latest models and high-end technology as the goal, to help them find mobile phone users. The top models are equipped with an internet-accessible mini-browser. Talkabout is for those who use mobile phones for daily calls; these phones provide a very good standard features. Recently, in the four target consumer groups, in addition to Motorola, Talkabout belongs to the mass consumer market. This is the fastest growing consumer market, becoming the focus of competition for all manufacturers.

2.3.4. Behavioural Segmentation

Behavior-based market sectors are using social and cultural variables such as religion: (Islam, Chistianity, Buddhism or traditional religion), languages: (Hausa, Yibo, Yoruba and Nupe), Marriage Types: (polygamy and Monogamy) market process, social stratum group: (middle and middle). (The consumer's perception of what the product is), the attitude (the consumer's perception of the product or the expectation) (the frequency of the consumer's product)) and the response (the nature of the consumer's repurchase) The (Mawoli, 2011).

In this segmentation, the buyer divides himself into groups based on an understanding of the product, attitude, use, or reaction. "Many marketers believe that behavioral variables, including occasions, revenue, user status, usage, and loyalty, are the best starting point for building market segments." (Philip Kotler, 2007).

Typical behavior variables and their descriptors include: (Kotler and Armstrong, 2014, 2012).

- **Purchase/Usage Occasion**: e.g. regular occasion, special occasion, festive occasion, gift-giving.
- **Benefit-Sought**: e.g. economy, quality, service level, convenience, access.
- **User Status**: e.g. First-time user, Regular user, Non-user.
- **Usage Rate/ Purchase Frequency**: e.g. Light user, heavy user, moderate user.
- **Loyalty Status**: e.g. Loyal, switcher, non-loyal, lapsed.
- **Buyer Readiness**: e.g. Unaware, aware, intention to buy.
- **Attitude to Product or Service**: e.g. Enthusiast, Indifferent, Hostile; Price Conscious, Quality Conscious.
- **Adopter Status**: e.g. Early adopter, late adopter, laggard.

Seen from the first is the occasion or special events and days. Buyers can distinguish between the need to purchase or use the product. Sometimes segmentation can help

companies expand their product range. For example, sometimes the company can use Mother's Day and Father's Day and other festivals to increase the sales of candy and flowers, there are many companies ready to promote products.
Christmas "A company can also care about some special events in life, such as getting married, giving birth to a child, getting sick and being fired, giving these people new desires and desires." (Geoffrey E. Meredith, 2002).

Another segment that is included in the behavior segment is the user status. The market can be divided into "non-users, former users, potential users, first-time users and ordinary users" (Philip Kotler and Gary Armstrong, 2005) products. The key to success is to develop different marketing strategies that allow customers to target new customers or potential customers. For example, some potential users will become real users at certain stages of life, so the mother (who will soon be pregnant and will soon become a mother) will soon become a heavy user. The producers of baby products and services will know their names and provide their products to capture some buyers who will become special customers of the company. The key companies in the market are designed to attract potential users who can benefit from it, while small companies are committed to attracting current users away from market leaders.

Middle Eastern consumers are demanding high quality products and services (Fry, 2001). In addition, due to satellite TV, international travel and the Internet, many are informed. There is a considerable middle class, with a strong brand awareness, the appetite for foreign products and services is growing.
Religious beliefs are often seen as a starting point for market segmentation. Les and McCoy (2002) argue that this applies to both the country and the Middle East. The impact of Islamic values on buying behavior and marketing mix preferences for all age groups and social classes is strong. In addition, traditionalism and innovative conflict forces (Jordan, 1998), technology.
Embrace and conservatism, ideals and expectations (Rice, 1999) are emotionally embedded in the Middle East consumer. All of this is a huge challenge for marketers who are trying to design differentiated approaches to the consumer market. There is a discrepancy between purchasing behavior within and outside the country, so while

universal values usually dictate marketing, the understanding of country or market-specific factors is critical to its success (Siddiqi, 1999). On the one hand, racial diversity in the region means that there is a difference in the nature and quality and price of goods and services. Retailers often solve this problem by hiring managers and store assistants from different nationalities.

This helps to customize the service with cultural sensitivity. In the national masses and social class to establish brand awareness is very difficult, but the fashion consumer goods and consumer goods fast consumer brand sensitivity is higher. Young consumers are the most brand-conscious (Martin, 1999) and invest heavily in high-end foreign brands. At present, the fashion industry's fastest growing. However, maintaining brand loyalty is becoming increasingly difficult. In addition to Islam, politics can have a significant impact on consumer behavior. Consumers who oppose foreign policy in some countries tend to boycott the products of these countries. US products in Iran, Syria and Yemen, and even Saudi Arabia and Jordan is the case, consumers generally accept the US goods. Consumers are now inclined to buy products from Japan, Germany and France. Thus, the combined effects of political and religious attitudes
Based on the company's country of origin and brand consumer associations, faith can be a powerful factor in the company's market position in the region.

There are two major types of religion in Nigeria; which are Islam and Christianity. (Wikipedia, 2011 b; and Pew Forum, 2010).The Muslim population is concentrated in four out of six geo - political zones of the country: North -central, North -West, North- East and South - West. Between 1999 to 2004, twelve states in northern Nigeria became Sharia compliant (Ostien, 2006). Thus, becoming a dual religion and the concentration. If Islamic Religion was faithful in one part of the country it made it very convenient for CBN to segment Nigeria market on the basis of religion (e.g. Muslim segment and Christian segment) and target the Muslim segment with Islamic banking. Importantly, religion and geographical factors are identifiable variables and to that extent, the identification criterion is largely fulfilled.

The population and demography of Muslims and Christians in Nigeria can be identified and quantified. For example, Muslim population in Nigeria is 78, 056,000 constituting 50.4 percent of the country's population and 5 percent of world's Muslim population (Pew Report, 2009). However, 56 percent of the Muslim population in Nigeria are adults (Wikipedia, 2011b), which suggest that a large number of Muslim population fall within the working age. Therefore, it could be argued that a market segment with prospects exceeding half of the total market population deserves to be targeted with a distinct marketing mix, such as Islamic Banking.

Table 3. Religion in Nigeria

Religion	Year Reported	Number of Adherents (Based on a 2009 survey)	Percentage of population
Islam	2009	78 056 000	50.4%
Christianity	2009	76 281 000	48.2%
Other	2009	(Not Given)	1.4%

Source: Pew Report, 2009.

Furthermore, the two major religions in Nigeria are unequally sprayed among different regions and states of Nigeria. Wikipedia (2011:1) describes the distribution of Christian and Islamic religions in Nigeria as follows:

In general, however, the country should be seen as having a dominant Muslim north, a mixed Christian and Muslim Southwest and Middle belt, a non-Muslim, primarily Christian South East and South -South, with each as a minority faith in the other's region. Thus, a majority of Muslim population in Nigerian is concentrated in the north which have embraced Sharia in the time past. Using 1952 population census and 2002 World Christian Data Base, Ostien (2006) estimated the population of Muslim in each of the six out of twelve Sharia states in northern Nigeria to be above 80 percent, while four Sharia states have over 60 percent Muslim population (see: Ostien, 2006). Only two Sharia states have Muslim population ranging from 48 to 56 percent. Thus, the Sharia states represent a potential target market for privately owned and operated Islamic Banks in Nigeria.

2.4. Process of Segmentation Islamic Market(S-T-P).

Through the previous, it can be summarized that the strategies in general are directed to achieve the objectives and goals and these goals are determined for the marketing fields based on the strength and weakness factors, marketing opportunities and threatens (swot) that effect on the market. Here we will cite some researchers about the concept of Islamic marketing strategy.(Thompson .J. 1994).

There are different definitions have been mentioned for the marketing strategies and each definition reflects the point of view of the writer or researcher where Thompson looked to it as the way which through the marketing goals on the long and short-term can be reached. Also, the marketing strategy can be defined as the determination of the target markets and prepare the available marketing mix and the market sector represents a set of homogenous agents where the market seeks to fulfill their needs according to their desire. While the marketing mix are the elements that are composed under the organization control that includes the product, price, distribution and promotion. The goal of the strategy as addressed by Baron as a "harmonious pattern of actions that taken in the market environment to create the value by enhancing the performance" and even the marketing strategies is the core or the center of the modern administrational strategy.(Baron,2000 ,p.95).

Therefore, it is clear how different the meaning of the marketing strategy from one writer to another and thus, this interprets the differences of its definition. These various definitions have been studied and summarized as the following definition as "The means that are used by the marketing management when planning the marketing activity associated with the product that will be provided to the market and taken into consideration the expected variables in the internal and external environment of the market". This definition is characterized in the marketing strategy by determining the following characteristics or properties:

1. Consider the marketing strategy a mean to achieve the goals of the marketing plan.
2. Consider the marketing strategy a part that was derived from the general strategy of the market.
3. The marketing strategy focuses on its four elements from developing the products to pricing, promoting and distributing.

4. Take into consideration the competitive circumstances and work on strengthening the competitive center of the market.
5. Generally, the variables that expected to occur in the market environment are taken into consideration.

One of the most important strategic concepts, contributed by the marketing discipline to islamic financial market and other types of markets, is that of market segmentation". Market segmentation is a process, in which groups of buyers within a market are divided and profiled according to a range of variables, which determine the market characteristics and tendencies. The process of segmentation is part of a chronological order, which follows on to include targeting and positioning. Targeting is the process of identifying the most attractive segments from the segmentation stage, usually the ones most profitable for the business. Positioning is the final process, and is the more business-orientated stage, where the business must assess its competitive advantage and position itself in the consumer's minds to be the more attractive option in these categories.

Market segmentation assumes that different market segments requires different marketing programs – that has, different offers, prices, promotion, distribution or some combination of marketing variables. Market segmentation is not only designed to identify the most profitable segments, but also to develop profiles of key segments in order to better understand their needs and purchase motivations. Insights from segmentation analysis are subsequently used to support marketing strategy development and planning. Many marketers use the S-T-P approach; Segmentation→ Targeting → Positioning to provide the framework for marketing planning objectives. That is, when a market is segmented, into one or more segments which are selected for targeting, the products or services that are positioned in a way that resonates with the selected target market or markets.(Hoek, J, Gendall, P, and Esslemont, D, 1996).

2.4.1. Segmentation

Abuneba clarified that the means of market segmentation strategy into sectors which means “the segmentation of the agents into similar groups at their economic and social circumstances and in other way market segmentation strategy into sector mean to develop the marketing and promoting programs that directed into a group of agents who probable that the organization serve them”. As well as, the market segmentation can be defined as “the whole procedures which through the entire market for some commodity or service will be divided into sub-parts of relatively similar consumers in their needs and abilities and select part or sub-market or more as targeted markets which aim to be reached by specific marketing mix”.

The process of marketing segmentation serving the marketing management as it is considered a tool that enable to fulfill the consumers’ requests and desires. Thus, in order to make this tool effective, it highly depends on market researches which are the researches that perform the matching goods role with the consumers needs.

In the section of the market segmentation process the different types of market segmentation and the variables of each type will first be explained. These typesare significant when identifying the right target customers to a product.

They include the demographic segmentation ,which is considered the most common one that deals with basic demographic factors such as age, income, gender etc. and divides the target customers into segments based on these variables.The geographic segmentation divides the target customers into segments based on geographical areas such as nations, regions, cities etc.The psychographic segmentation divides the customers into segments according to their values and lifestyle. Finally the behavioural segmentation divides the target customers into segments based on their attitude toward a product.On the basis of the description of the types it will be concluded which of the types are best suited when identifying the target customers of respectively the landline telephone and the mobile telephone in this case being the demographic and the behavioural segmentation.(Gunter and Furnham, 1992).

2.4.2. Targeting Islamic Financial Markets

After mentioning the market segmentation, the bank determines a market or a group of targeted markets and it is called the target Market. Target Market is defined as “a group of customers that the bank directing its marketing efforts to their side and thus, when the bank realize and understand its markets, it must select the curriculum to choose its marketing goals”. While Pride and Ferrel defined the target market as “a group of individuals or organizations where the bank be marketing mix for them that designed to fulfill the needs of that target market”. As well as, Simedgi and Othman pointed that the basic tasks for any bank is its determination the target markets that represents the field or the range which its desires to practice the different banking activities. Thus, it is assumed that this bank studies this target markets accurately and correctly to identify the most important contrast and difference points that must be taken into consideration and place the marketing strategy that compatible with the index that characterized by each market separately. (Pride & Ferrell,2000.p.167).

The goal of segmentation is to determine the targeted market which based on the marketing strategies are placed which compatible with the properties and nature of that market.

Determine the strategy of the target market

The first step in determining the suitable marketing strategy is determine the possible marketing sectors and the target markets selection by following a set of steps that represented by:

a. Focus on the market needs;
b. Determine the foundations in the market segmentation whether demographic, geographic or associated with the consumer behavior or that related to the service itself;
c. Determine the market sectors where the bank has the ability to serve them;
d. Expect the demand size in each market sector in order to know the probabilities of selling the banking service by all of the sellers;
e. Expect the bank share of the sales in each sector of the market sectors that been determined;

f. Determine the costs and incomes resulted from the services of each sector and make a comparison between each one of them to clarify the possibility extent of achieving the success or lack of success at that sector;
g. Ensure the suitability extent of each sector of the market sectors to the bank goals and it will not hurt these goals in case of entering into new market;
h. As a last step, the target markets are select.

2.4.3. Positioning Islamic Financial Markets

The third and final step in the market segmentation process deals with positioning. Once the bank has identified the segments and chosen which segment or segments to target the final step is to decide on ,what position it wants to occupy in those segments. Positioning is concerned with how the customers perceive the products and how it is defined by the customers in order to maximize the potential benefit to the bank . The result is a persuasive reason why the target market should buy the producer's products (Kotler and Keller, 2009: 308).

The process of market segmentation is associated with another important subject that are represented in the market location where the selection of the market sector (or many market sectors) requires from the Islamic bank to take into consideration that which will not be the unique but will face the competitors which provide similar or better banking services in this sector. Each one of these banks seek to get the lion share and booking for itself location or center that it wants to reach through the sleekness to state the characteristics and properties that its service enjoy than the other competitors in this sector.

This position can be defined as “the place that is occupied by the products in the customer’s brain as compared with the products of others that are determined by placement (market location) through distinct places of the products in the market and the attempt to serve and distribute it. In this regard, it can be said that” the most successful markets are these markets that are able to separate themselves from the “swarm” in order to achieve special positions in the competitive market where those markets are characterizing themselves to reach or achieve competitive advantages for their interest.

After placing the monuments and foundations of market segmentation in the framework of the content and business strategy and after choosing attractive market sector or more than the market sectors that been segmented on one or more of market segmentation foundations, the step with high importance comes which is the positioning in the sector or the target sectors where the organization needs to determine the position or the center which wants to reach inside these sectors. This process usually has many names including positioning, placement, the cognitive center of the product, market center, product assignment or fixing the mental image.(G.Hooley & J. Saunders, 1993, p.169).

This positioning became the main and core role in the modern marketing where it is considered as the crossing bridge between the market and target customers. By describing it to customers how the market differs from its competitors it's present and prospects. So, it is a real design for the market image to make the agents understand and appreciate its efforts comparing with compotators.

Kotler defines the positioning as the design of the product and its image in order to give specific place in the target consumers' brain. Also, it is defined as the use of marketing mix elements (product, price, distribution, and promotion) in order to configure and create a mental and unique image for the product, trademark or the organization in the consumers' cognition. Therefore, the positioning is determined through how to understand and feel the targeted consumers of the bank from what is provided for products according to specific characteristics compared with what the competitors provide.(Kotler & Duboi,2004, p.332).

In order to achieve the positioning, the market must conduct the suitable competitiveness characteristic which can reach the distinct position or the mental image that want to be occupied by the market in the consumer's brain within specific market sector compared with the mental image that the competitors occupy in the consumer's brain within the same sector. (Lambin & Chumpitaz, 2002, p.179).

In conclusion to the market segmentation process it is necessary to sum up the points made. When identifying the target customers it is necessary to consider the variables of the different types of segmentation. These types are the demographic segmentation, the geographic segmentation, the psychographic segmentation and the behavioural segmentation. The next step is to evaluate the market segments and decide on which segments to direct their marketing strategies at.The final step is to position the product so the product satisfies the target customers' expectations and desires. .(Dibb and Simkin, 1996: 18).

2.5. Bank selection criteria and market segmentation in Islamic Banking.

Islam is fundamentally the primary reason behind choosing Islamic banking. Customers in Islamic banks seriously consider whether the bank complies with Islamic Shariah rules in all the stages of the banking activities (Kader, 1993; Metawa and Almossawi, 1998; Naser et al, 1999; Haron et al, 1994; Ahmad and Haron, 2002; Erol et al, 1990). The variables deemed important under religious (Islamic) construct include compliance to Shariah rules, the offering of Shariah-compliant services, offering interest-free loans etc. However, studies have also showed that Islamic belief is neither the only reason, sometimes, nor the primary reason behind choosing Islamic banking.

Along with religious backgrounds, customers want a good use of their investment. They want the best cost-benefit tradeoff, branches and ATMs' in convenient location, faster transaction processing, caring employees, good financial advice from managers etc (Erol and El-Bdour, 1989; Erol et al., 1990; Omer, 1992; Haron et al., 1994; Gerrard and Cunningham, 1997; Mettawa and Almossawi, 1998; Naser et al., 1999; Ahmad and Haron, 2002; Abbas et al., 2003).Dushuki and Abdullah (2007) concluded that Islamic banks must not only rely solely on religious factors as a strategy to secure customers' allegiances but they should also emphasize providing quality and efficient services. They have also identified the absence of social responsibility issues in terms of selecting a bank.

There has been the serious lack in researches in Islamic banking, especially in the area of customer satisfaction, in Bangladesh. In their latest working paper, Rashid and Hassan (2008), ran a factorial regression analysis to find out about the influential banking selection factors. To the best of our knowledge, this is the only study on bank selection criteria, about the customers from the Islamic banks in Bangladesh. This study has found Compliance to Shariah laws as one of the influential factors, whereas the other factors are the convenience, cost-benefit, corporal efficiency, core banking services and facilities, and confidence. Corporal efficiency and Confidence are two most important factors found from this analysis.

Measuring the impact of customer demographics on bank selection criteria gives birth to newer marketing strategies for banks. It helps to understand group behavior of the customer and therefore it makes positioning and branding activity easier. Studies in customer preference and market segmentation in Malaysia, Jordan, the UAE were mostly done by categorizing the customers based on religion; whether they are Muslims or none- Muslims. Sudin et al. (1994) found no significant difference in bank selection criteria between Muslim and Non-Muslims living in Malaysia. However, some researchers sought completely a different mechanism for wider acceptability of the research. Erol and El-Bdour (1989) and Erol et al. (1990) compared the bank selection criteria between Islamic and Conventional Banks, which is not the focus of our study here.

Boyd et al. (1994) placed importance on the marital status, married or unmarried, of the customers found that customers are different in putting more emphasis on various bank selection factors such as reputation, cost-benefit, efficiency etc. However, their report revealed that customer those are ‘single’, have put less prominence on reputation rather the ‘married’ customers. Another demographic variable, the size of the household in terms of the number of family members as dependents, was tested and the study found that ‘heavy’ households emphasis on reputation, cost-benefit, and efficiency, whereas the others put more importance on convenience and cost-benefit issues. Occupation of the respondents was another demographic segmentation take into account. The report disclosed that more white-collar households are emphasizing on reputation, modern facilities, and convenience. However, the counterparts, blue-color households, put greater emphasis on core banking (availability of basic services), cost-benefit issues. Lastly, Gender of the respondents revealed interesting results. Males are putting importance on faster service, convenience; however, female gave importance to longer-term aspects relating to organizing their finances and becoming more financially secure.

Kaynak et al. (1991) reported differences in the bank selected criteria based on gender, age, educational background of the bank customer in Turkey. This study reported that male customer put more importance on the reputation of the bank, business hours, parking facilities, availability of wide range of services, and fast and efficient services than the female customers. The convenience (especially bank location) played the important role for the customer under age 40. According to educational segmentation, customers with more than primary education considered empathy, fast and efficient services, the location of the banks more important than the uneducated group.

Market segmentation can lead to insights about the basic process of consumer behavior. Edris and Almahmeed (1997) extended the analysis on market segmentation in Islamic banking by analyzing the behavior of 500 business firms on their differences with bank selection criteria. They have further segmented the sample based on whether the companies are originally based in Kuwait or not.

Studies on the satisfaction of the customers in financial service sectors have been well known among the academicians since the mid of the 80s'. Parasuraman et al. (1988) opened a new window of research in service quality by establishing SERVQUAL model. Their model has been replicated in many countries with multi-dimensional sectors, and found close to a big success. Since, customer satisfaction has a close relationship with customer retention especially in markets that are highly competitive and saturated like financial services (Lopez et al. 2007); it is necessary to continuously monitor changes in satisfaction among different segments of customers. In this regard, studies on customer segmentation and bank selection criteria along with customer satisfaction started warily came in the study done by Snow et al. (1996). This study concluded that there were clear differences in the service's expectations for retail banks in Canada among different ethnic groups. Research continues with Furrer et al. (2000), which reported the relationship between segmented customers based on cultural background and their satisfaction. They also developed a Cultural Service Quality Index (CSQI) and established multicultural market segmentation.

Market segmentation and customer satisfaction have been largely affected by banks' massive involvement in technological banking activities (Keeton, 2001). DeYoung (1999) found that some consumers willing to pay high service charge since they are receiving e-banking services at the next foot step, however, some people still want to see banks are reducing fees/ charges where they believe in personalized attention instead of large technological investment, which may increase cost.

Globalization has raised the competition among Islamic banks worldwide and they must provide technological services along with compliance with Islamic Shariah law. Therefore, identification of niche is vital, which calls for clear understating of the customer segments. At the next stage, banks would be able to make necessary adjustments to their policies according to the specific demand of the customer groups. Islamic banking is still in an embryonic stage and customer management is largely absent with majority Islamic banks in Bangladesh. Since, competition is increasing, it became a more than necessity to analyze customer segments and make strategies according to demand of the customers.

2.6. Strategies of Market Segmentation

After studying the Islamic financial market and its segmentation. It is easy to choose the right strategies to target the market and so researchers have differed in their classification of market targeting strategies. With respect to the decision to which customer groups or segments to target the market may choose one or a combination of the following marketing strategies; mass marketing strategy (undifferentiated marketing), single segment strategy (differentiated marketing) or multi-segment strategy (concentrated marketing)(Dibb and Simkin, 1996:P. 15-16)

2.6.1. Undifferentiated Marketing Strategy

According to this strategy, the Islamic financial market provides one offer through one marketing mix directing to all the marketing sectors as they consider targeted markets. The basic concept of this strategy focuses on the concept that the consumer needs are similar and typical. Then, one commodity can serve all the consumers by one marketing mix. This strategy neglects a basic truth that the probable purchasers do not look alike in terms of their desires, tastes, characteristics and purchase ability. Thus, directing one marketing mix does not suit with this disparity between the market members. However, this strategy may work for marketing some food products which through the desires and tastes are not varied, such as sugar, salt, eggs and like (Lanbin and Chumpitaz,2002, p. 176).

In fact, this strategy is considered to be of little use at the present time according to the desire of many markets to fulfill the different desires of the consumers. This strategy can be effective in the highlights of two main conditions (Thabet Abdel Rahman, Gamal El Din Mohamed,2005, p. 188):

- It must be a high percentage of the consumers which have similar desires and needs according to the product.
- The financial market must be able to develop one marketing program and continue it with the conditions that it must meet the market needs and desires.

One of the most important characteristics that attracts the financial markets to follow with this strategy is the achievement of economic savings where the profiling and production with high quantities lead to reduce the production costs. As well as, decrease the marketing cost through the development of one marketing program. Nevertheless, the market that follow this strategy may face high competition in the markets according to increase the number of matkets that attempt to serve the same large market sector because these large sectors always attract many competitors which motivate the markets to serve the other small sectors (Mohammed Farid Alsahn,1998, p. 230). Despite the disadvantage of this strategy, it may be the best selection in case of the confirmation of user preference for the characteristic of low price.

2.6.2. Differentiated Marketing Strategy

According to this strategy, the islamic financial market provides different offers of one product and direct it to limited sectors of the total market with different marketing mix and suitable to each sector. Each sector of the market sectors is considered separated targeted market of the other sectors. The basic concept of this strategy is focused on the concept that the needs and desires of the individuals vary and thus, the response of the different offers of this product will vary accordingly (Philip Kotler and Gary Armstrong, 2005, p. 210). This strategy is usually used when the financial market deals with more than one product and each product is directed into specific sector.

The islamic financial markets behind the adoption of this strategy aims to expand the sales, increase the profitabilityand create the loyalty to the product. The basic characteristics on following this strategy is focused on increasing the sales if compared with the other strategies. In addition, enhance the competition center through the increase of its ability on serving their agents which increase the agent loyalty to the market product and thus, increase its shares in the market. Although, the financial market attempt to serve a number of sectors will cause in rising the costs of the production and marketing because the conducting of the products composition with less quantities will increase the production costs.
Moreover, increase the marketing costs through the development of different marketing mix to each product. Also, the desire of the financial market in developing its products and provide composition will lead to the necessity to increase the costs of research and development and marketing researches. Therefore, the diversity in sectors must stop when the marginal revenue of the sales for each sector reach to the level which then becomes less than the marginal cost of the added sector ((Philip Kotler and Gary Armstrong, 2005, p. 211).

From the above, the Islamic financial market in the highlights of differentiated marketing strategy and undifferentiated marketing strategy seeks to behind the whole market but with differences in the characteristics that required by each category of the consumers. Also, many financial markets may see that there is a third probability when their resources are limited which is the concentrated marketing strategy.

2.6.3. Concentrated Marketing Strategy

This strategy depends on market segmentation and it divides the market into homogeneous sectors but it focuses on serving one targeted sector in the market or few number of market sectors though one marketing mix. It is the specialized markets strategy which always adopted by the markets with limited financial resources according to the partial decline in the cost in which characterized and concentrates its efforts and resources on one part of the market which lead to gain some advantages including study the market and its services efficiently and then achieve strong market center according to the experience that own and good reputation that get from the market. Moreover, the process of following the concentrated marketing strategy may reduce the broad of the competition which the financial market may subject and the power of the competitors in one sector is less than the strong competitors on the whole level of the market.

In exchange, the application of this strategy may accompany with high dangerous as a natural result of the concentration on specific sector which may expose the markets into danger of changing modes on the goods or the entering of the large financial markets at this field which may lead to pull a part of the market to the benefit of some organizations.

From the above, we can conclude that the financial market looks on competitive advantages in the number of the market sectors which can be covered by measuring the economic opportunities for different sectors and choose those can be covered and how to reach the best. Then, the competitive center will be determined for each one of them through the concentration. This will be discussed in the pro point. (Lambin and Chumpitaz, 2002, p. 211).

2.7. Advantage and Disadvantage Segmentation of Islamic Market

In a global market that predominantly operates through the conventional financial system, Islamic finance began its journey about 40 years ago. Initially, its patronage was limited to the Middle East, where it was conceived. But over the years, the islamic market has grown progressively and has spread to over 70 countries and has become a $2 trillion market at the global level. Let us take a look at five advantages and disadvantage that are offered by Islamic market, which has made it a preferred choice among countries that have accepted it as a financial discipline

2.7.1. Advantages of Islamic market segmentation

The market segmentation achieves a range of benefits and enjoys a range of advantages that increase its importance to institutions such as Islamic banks. Due to the competition between organizations and the rapid development of technology as well as the seriousness of the overall approach to the market with the concentrated marketing strategy made the market segmentation very important presently and in the future to come.The segmentation of the Islamic financial market has many advantages. (Stanton & others,1997 .p. 66).

1.Helps to identify market segments on their compatibility between services and between the desires of customers and what is the appropriate marketing mix which saturates those needs and desires.

2. Easy to arrange bank market segments according to their present value and future resulting in the possibility of the bank's effective use of marketing sources.

3. Facilitates the complex and non-complex and heterogeneous market analysis and converted into homogeneous sectors and identity management.Thus can the bank to identify and evaluate opportunities in front of him in those parts.(Lancaster & Reynolds, 1998.p.40).

4. Market segmentation puts the bank in a competitive position better, because the market segmentation process to avoid the bank direct competition with the major competitors in the market, this is done through the provision of a good or service and clear competitive advantages, compared with competitors in the context of the targeted sector.The market can identify the main competitor's sites, and thus can avoid these sites.

5.Clarity marketing objectives of the islamic market, the presence of clear objectives for marketing within the target sector It allows the market to make plans to achieve those goals.

6. Meet customer needs better than competitors do .(Kotler & Armstrong, 2000.p.182).

2.7.2. Disadvantages of Islamic Market Segmentation

Although the advantages and benefits of market segmentation, it faces three basic problems. Market segmentation suffers from the following disadvantages:

1.Weak management commitment to retail: the forefront of this problem all the problems in terms of their importance, there are in many banking departments in the Islamic financial markets have felt the need to achieve equality in customer services, all customers are equal front of Islamic banks followed by the necessity get all customers for good service, excellence and credibility.

2. Segmentation increases costs. When a bank attempts to serve several market segments, there is a proliferation of products. The cost of production which rises due to shorter production runs and product variations.

3.There is an abundance of information in the Islamic financial markets : Requires market segmentation information which vary greatly from those available traditional from banking information systems for customers, the information is not limited to existing customers, but rather beyond that to potential customers,in order to diversify its customers structure and range of services provided to them and to achieve profitability and retain customers together ,increasing this particular information requirements the quality and quantity and varying the size of the bank and the challenge is not just getting to information, but rather to identify the type information for formulate retail strategies. (Financial and Banking Studies, 1997.p.56).

2.8. Instruments of Islamic Finance.

One of the main features of the Islamic financial system is the spread of financial products and the legal definition or partnership of business, as evidenced by many Islamic law schools (Mannan, 1993). While these are usually common with common products such as mudarabah, mushbalaka, murabaha and ijara, and the less common mugawla and salume are very striking for recently developed products that are very similar to Western debt instruments. Lack of interest is the main feature of Islamic finance, which is controversial because many Islamic law schools have different interpretations of the translation of the Koruna's usury definition (Noorzoy, 1982).
The Koran (1995) also pointed out that the original ban on nuclear weapons was due to the old "Islamic Arabian Arabian Borrower" debt multiplier and could not be paid in a timely manner, including principal and accrued interest. This is the source of actual tensions and is in fact a form of bankruptcy protection that reflects the concept of social justice in Islam (Kuran, 1995) because it tends to drag criminals into slavery. However, despite the prohibition of "nuclear weapons" or any products that provide fixed additional timetables, few countries are able to completely prevent the use of debt instruments (Pryor, 2007) (Aggarwal & Yousef, 2000) and the Western Global System of International Finance The dominant position of fiscal policy (Asad, 2008).

The Islamic financial system is based on the five principles of the Islamic injunction (Iqbal, 1997). They are forbidden interests, profit and loss sharing, no gharar (speculation and gambling transactions), currency devaluation and evasion (prohibition) activities.

These have been studied in the previous chapters. Financial instruments based on these principles have been developed to provide investors with acceptable returns in order to promote day-to-day banking by providing loans or borrowings for Islam (Islamic Sharia). The following lists some of the popular Islamic financial products sold by Islamic banks and financial institutions around the world. There are many different financial instruments on the money market. Depending on the nature of the money market, they may vary from country to country, but most of these instruments are similar in nature. Chapter 1 reviews and evaluates the commonly used financial instruments in the money markets of developed and developing economies to determine whether they can be used as Islamic financial instruments.

2.8.1. Trade credit (Marabaha)

This credit is usually used for daily business transactions. These tools help exporters and importers to finance their business activities. Trade credit principles after the buy. Allowing enterprises to purchase equipment and supplies credit, so that enterprise suppliers financing. Malabark sells its assets at deferred prices, ie, does not pay the full price of the asset when the asset is purchased. This is because the Islamic financial sector to create debt transactions invalid. Involving three parties: customers, sellers and asset financing.

Murabaha involves the transfer of working capital or capital after the specified margin increases, the minimum margin determined by the central bank.

(Badr El-Din, 2003). Often, entrepreneurs apply to the bank or investment partner for the purchase of raw materials for production. The material invoice is accompanied by an application, the bank subsequently buys the material and then transfers it to the entrepreneur again at the purchase price, including negotiated deposit and bank profit margins (Aggarwal & Yousef, 2000; Badr El-Min, 2003). The more complex the structure of these tools, the more demand for more active participation of investors, which means that banks manage these tools better than the stock market.

2.8.2. Lease finance (ijara)

Ijara is known as a lease contract. It allows one party to lease assets at a specific time and cost. In ijara the lessor (usually the bank) is asking the customer (the lessee) for the required assets and renting it to the customer's rental costs. The rent includes the capital cost of the asset and the profitability of the lessor.

There are two types of leasing:

(A) Al-Ijarah: Similar to operating leases.

(B) Al-Ijarah wal-Iqtina (lease purchase): The lessee is obliged to purchase the asset at the end of the lease term. The price of the leased asset sold to the lessee is predetermined. The previously paid rent is part of the purchase price. It is often used for home financing. Yi Yala or leasing, the financial industry has experienced considerable development. This is arranged by the banking sector, is a partnership, the bank as an investor to buy, and then pre-agreed rental rental equipment required by the entrepreneur. The equipment is still the bank's assets, which will recover the cost of capital plus the profits paid by the entrepreneur (Rowey, July, & Fevre, 2006). Ijara contracts are typically used for high-value industrial equipment such as Sudan Airlines and Emirates and other large companies (AlZawya, 2009). However, the ijara contract is similar to the procurement agreement in the Western market and focuses on the fixed period of the prohibition of debt instruments (Aggarwal & Yousef, 2000).

2.8.3. Equity finance (mudaraba)

Mudaraba is an entity that gives capital (financial), it is known as the entity that provides professional knowledge and management (entrepreneur) arrangements. Operating profit is assessed at a predetermined rate, and the loss is borne by the financier (capital supplier), which is very similar to the traditional financial business relationship. The person who provides the capital is equivalent to a sleeping / sleeping partner in a partnership. Mudaraba is usually used for investment funds. Investors will pay to the Islamic Bank, the bank charge management fees. The mudarabah contract is a partnership between the firm (mudarib) and at least one investor (Abdouli, 1991; Aggarwal & Yousef, 2000), which provides the only source of capital. Many Islamic law schools consider this to have equal interest in Western financial markets (Mannan, 1993). The difference, however, is that a muddy contract means a more legally defined legal definition than Western financiers (investors) and agents (managers). If the losses associated with the mudarabah contract, investors will not be rewarded, the same entrepreneur will not get any compensation. If the project proceeds smoothly, the proceeds are separated according to the pre-trade negotiation conditions.

2.8.4. Debt finance (sukuk)

In 2002, the Islamic Development Bank Islamic Finance Law Conference first proposed the term "Sukuk". Sukuk is the proof of the relevant nominal value, after the completion of the subscription business, the evidence paid to the buyer refers to the issuer's nominal amount; its holder will be a group of assets or profit owners of assets or project beneficiaries Or special investment activities. Sukuk is an investment certificate that includes claims for huge amounts of assets. So, in addition to cash flow, there are sukuk ownership. If the bond is similar or different from the bond, the issuer is obliged to pay the fixed rate to the investor in accordance with the contract. However, for sukuk investors, the return on investment depends on the return on assets and the return on assets.

Sukuk bondholders ensure that the investment will be used for infrastructure development, the return is halal, that investment will not be transferred to any illegal activities, the fund manager will not make any fraud. Asset development will proceed in a safe manner, not any type of manipulation or wrongful act.

Sukuk provides returns to its holders by:
(A) The provision of ownership of the assets.
(B) Let them share rental income.
(C) By accumulating various sukuk returns.

Types Of Sukuk

Islamic financial institutions Accounting and auditing agencies (AAOIFI) have issued different sukuks standard guidelines, classified as tradable and non-tradable, development and industrial project financing. Ijara and Manfah are asset-based sukuks, Istasna and Murabaha are debt-based sukuk, Mudaraba and Musharaka are equity-based sukuk, while Wakala is an institution-based sukuk. However, Mudaraba, Musharraka, Mullahabah, Ihara, Istasner and Mixed Sukke are often used to raise funds.

A.Mudaraba Sukuk

The investment in sukuk is the ownership of Mudaraba's equity. The holder shall, on the basis of the undivided ownership of the shares representing the assets, the remuneration calculated on the basis of the shareholding ratio. Mudaraba sukuk tends to influence, more public participation in projects that require huge capital. Customers are called Mudarib, shareholders and banks called Rabbul-mal (Zawya, 2014).

B.Musharaka Sukuk

It is techincally, similar to Mudaraba sukuk, but only the difference between country and organization between sukuk issuer and sukuk holder. In this case, a committee composed of sukuk holders may refer to investment-related decisions. In addition, the Musharra card certificate is considered to be a negotiable instrument that can be traded on a secondary market (Nisar, 2014).

C. Murabaha Sukuk

Techincally, the issuer of the certificate is the seller of the Murabaha merchandise, the buyer who purchased the sukuk is the buyer of the goods, the price of the purchase sukuk is the purchase cost of the commodity. Sukuk holders may sell the goods on a cost basis at maturity. As the issue of sukuks is considered to be the debt owed by the goods followers, so in the secondary market is not allowed to trade.

D. Ijara Sukuk

It is important and clear to know that; Sukuk's investors represent ownership of real estate. Suku owners have the right to own assets, to obtain rents from assets, and Sukuk's treatment is not affected by tenant rights, that is, secondary markets can be traded. The cost of real estate management, maintenance and damage is borne by the sponsor.

E. Istasna Sukuk

Istasna sukuks usually provide funding for large infrastructure projects. Product or asset manufacturer as issuer of the certificate.

2.8.5. Venture capital (musharaka)

Mushala is known as a business relationship which is founded under the contract and the parties agree to share profits and losses in the designated joint venture. Mushala is very similar to traditional financial organizations. The difference between murahaba and musharaka is that in musharaka, all partners / shareholders must provide funding for murahaba, and only one partner / shareholder needs to invest. Musharrak contract involves partnerships, partners are also here; ie entrepreneurs and investors, providing funding and management business (Aggarwal & Yousef, 2000; Al-Suweilem, 1998). The loss is proportional to the individual's contribution to both parties and the proportion of free-profit negotiations (Aggarwal & Yousef, 2000; Al-Suweilem, 1998). These contracts are similar to traditional control rights (Aggarwal & Yousef, 2000), which is proposed as the best contract for the development of Islamic venture capital and private equity markets, where a certain degree of capital allocation and certain effects must control the current management (Al-Suweilem , 1998; Khan & BenDjilali, 2003). Sultan Bank in 2001 through the KSE auction as a short-term financing source (KSE Annual Report, 2004), introduced the government's shihama certificate, which is a variant of the musharaka contract.

2.9.Islamic financial engineering

2.9.1.Introduction to Islamic financial engineering

It is widely believed and we are facing with many negative impacts of the financial products, that Islamic finance engineering can provide effective assistance to achieve the strategic objectives planned by the installations, banks, financial markets, because the Islamic finance engineering doesn’t only limit the functional role in financial transactions by relying on economic efficiency but it goes much further by imparting the legitimizing credibility on financial transactions, and before going into clear and precise rooting for Islamic financial Engineering concept we should talk first about the concept of financial engineering (traditional) and then address the difference between them and the Islamic financial Engineering by highlighting the most important characteristics that distinguish them.

2.9.2.Conventional and financial Islamic engineering definition:

Financial engineering is defined as: The design, development and implementation of tools and innovative financial mechanisms, and drafting of innovative solutions to the problems of financing. Thus, financial engineering involves three types of activities which are the design, development and innovation, innovation is not intended merely the prevailing difference, but it must be distinct to the extent achieved the best level of efficiency and idealism.(Munir Henedy, 2003).

While the Islamic financial engineering is defined as the range of activities that include design, development and implementation of each of innovative financial instruments in addition to the formulation of innovative solutions to the problems of funding and all this in the context of Islamic law directives.

It can be said that the overall definitions which have summarized the Islamic financial engineering are combined with the definition of the traditional financial engineering, which led to the impossibility of providing a precise definition of Islamic financial engineering, especially after it became clear the correlation between each other in terms of origin, Incorporation or in terms of characteristics and principles.(Abdul karim kunduz, 2007).

As comparison between the two definitions, we find that the correlation is based mainly on the principle of economic efficiency through the creation and development of financial products and tools that achieve the purposes of the dealers, with the lowest possible level of risk and size of costs that can be produced from a particular policy.

While the fundamental difference lies in the priority of the legitimacy credibility for economic efficiency in Islamic financial engineering, in the sense that the development and innovation in line with the directives of Islamic law; then the in charge of development and innovation in the traditional financial engineering enough to be experienced in financial transactions and operations, while the responsible for Islamic financial engineering should be familiar with the purposes of the law and jurisprudence of Islamic transactions in addition to his experience and understanding of financial operations.

2.9.3. Islamic financial engineering characteristics

The Islamic financial engineering are characterized bya group of characteristics, the most important: (Tariq Allakhan and Habib Ahamed, 2003).

2.9.3.1. Real innovation instead of imitation

The available diversity in Islamic financial products is considered a real versatile and not simulated, as in the financial engineering tools, where each tool of Islamic financial engineering have a contractual nature and the characteristics that distinguish them from other tools, Whether it is the risk of guarantees or pricing, and this on the basis that the intend of the financial engineering is what meets the genuine interest of the economists traders in the markets, and not just simulated contract of the fictitious contracts and this confirms the added value of innovation.

2.9.3.2. Islamic law instead of positivism legislation

The Islamic financial engineering specializes in the Islamic legislation which derives its various principles and foundations in the design of financial products, in accordance with the provisions of Islamic law and get away as much as possible from the jurisprudence existing differences.

Also the basis of Islamic financial engineering is the principle of participation in risk as, which mean burden-sharing among the various parties and not the principle of risk prevention and transferred it to the other parties, which is the basis of financial engineering.

2.9.3.3. Finance instead investment

Islamic financial engineering works to attract the capital available within a certain class of individuals who refuse to handle with the traditional financial engineering and used in financing instead of investmentbecause they are less risky, In the sense that its main objective is to manage liquidity, unlike the traditional type, which aims to find new financial instruments for the purpose of hedging, speculation and investment.

2.9.3.4. Islamic financial engineering targets

Islamic financial engineering seeks to achieve some set of targets, including: (Swailem ,2004, p.165-167).
The provision of Islamic financial products of high quality which are considered to be a legitimate alternative to the traditional financial products are characterized by credibility and legitimacy

- **A-** Achieve economic efficiency, the financial engineering products can increase economic efficiency by expanding investment opportunities in participation in risk and reduce transaction costs.
- **B-** Achieve attractive yields for investors and diversify its profit sources.
- **C-** Contribute to revive the economy by taking advantage of the capital that are reluctant to participate in projects funded usurious.
- **D-** Assistance in management and achievement the harmonization between risk, yields and liquidity of companies and financial institutions.
- **E-** Assistance in the development of domestic and international money markets through the creation of an Islamic financial markets.
- **F-** Provide a stable and real funding from resources already exists in the economic cycle, which reduces the inflationary effects.
- **G-** Provides innovative legitimacy solutions to the problematic funding.
- **H-** Reduce investment risk by diversifying of its forms.

2.10.Islamic financial engineering products:

We will discuss; by studying and analyzing of all Legitimacy vouchers, Islamic securitization and Islamic financial derivatives:

2.10.1. Islamic securities (Legitimacy vouchers):

Financial jurists in the financial institutions were able to develop a range of Islamic financial instruments taken into account the liquidity management and assets in the Islamic financial institutions, without the relationship that includes the creditor and the debtor.

A highlight of what has been achieved through the Islamic financial engineering; we find the idea of the existing vouchers as substitutes for financial bonds that are based on the religiously forbidden financial bonds, and the legitimate vouchers known as: documents of equal value representing the common shares in the ownership of elders or benefits or services or in the units of a particular project or special investment activity, and that's after the collection of the value of the vouchers and lock the door of the IPO and use it for the purpose for which it was issued for.(Abdul Karim kunduz, 2007).

So the voucher is an ownership tool, the owners have the right to profits if it is found, and requires the need to separate the financial disclosure of the project from the financial disclosure of the entity that issued to it.

Types of legitimate vouchers traded on the cash market: There were many areas of the vouchers issuance which spell out in the following:(Fatih Mohammed, Masrafi magazine volume 26. and AL Zarri,2001).

A- Loaning vouchers (speculative): Loaning or speculative formula means an agreement between two parties whereby one party provides the capital and called the owner of money, while the other party offers work in a condition that the project profits split according to a proportion satisfies both parties at the beginning of the decade Council, in this case, it is different from usury for being that the yields are not specified predetermined as a percentage of capital, but as a percentage of profits and therefore they are variable and may not materialize, speculative vouchers is tradable as long as it represents the object of known origin works known activity and not contradicts to the law and on trading the following provisions shall be applied:

- If the speculative money accumulated after the IPO is still cash, the speculative trading vouchers is considered swapping cash with cash and the provisions of exchange applied on it.

- If the speculative money became debt, provisions of dealing debt applied on the trading voucher.

- If the speculative money becomes mixed assets between money and benefits, it is possible to trade speculative vouchers according to the price agreed upon.

B- Participation vouchers: Are investment vouchers representing the participation of ownership capital and it is not different from the loaning vouchers, only in regulating the relationship between the issuing entity that sponsoring the vouchers and vouchers holders, and administration may entrust a commission of participants back to them in making investment decisions.

From the application of the participation vouchers the participation of the state or the contribution by shareholding company as one party and the owners of vouchers from another party, to finance the purchase of real estate, for example, managed by a specialized entity with the aim to achieve yield which is distributed to owners by owned by each of them.

C- Profitableness voucher: Profitableness inIslamic formula mean the sale of a known commodity with a price covers the costs plus a margin profit agreed upon between the seller (the bank, for example) and the buyer.

The possibility of obtaining profitableness vouchers is possible only in the initial state of the market, particularly in the case of biggest size of the asset or the project the place of profitableness (airplane or large development project),While trading in the secondary market is against the law, because the profitableness sale may be postponed and therefore it is considered debt and debt selling is not legitimate, but there are some doctrinal views that allows the trading in profitableness vouchers, but within the bowl majority of other asset as rental contract, participation or loaning for example.

D- Rental vouchers: Rental vouchers known as equal value vouchers represents declared identical parts in stable property absolute associated with rental contracts or represent a number of described service units provide from committed to its holder in a future time. These vouchers represent stable property absolute or property of future services.

Rental vouchers are considered less risky when compared to the rest of other proprietary tools, such as stocks, for example, it can predict the yield of the financial paper in rental place, and that's to the ease knowing revenues and expenses of the rented property, upon this the types of rental vouchers versatile, according to the rental property can be for example, in the airplane industry, residential real estate, factories, different kinds of movables and other.

E- Islamic voucher and Tooling voucher: Islamic voucher: Is a voucher that represents the sale of deferred delivery commodity with an advanced price, and the deferred delivery commodity are such kinds of debts because they are described in the patrimony and still in 2the patrimony of the seller, so these vouchers are considering not for sale or trade in the case of the issuance of the voucher by one of the parties the seller or the buyer, which is when investments are held to maturity.

While tooling vouchers in its reality is Islamic vouchers, which represent the sale of deferred delivery commodity with advanced price, and the commodity is such kind of debt because they are described in the patrimony, but its price may be postponed, and sales in the two cases are still pending in the Islamic seller or manufacturer patrimony, so these vouchers consider are not for sale or trading in the event of the issuance of the instrument by one of the parties the seller or the buyer.

F- Investment funds vouchers: Investment funds are known as the collecting of funds through the IPO in its vouchers, for the purpose of investing it inaccurately defined investment field in the release bulletin. (Lahim Al –Nasser, 2008).

2.10.2. Islamic financial derivatives:

Traditional financial derivatives are a product of the traditional financial engineering products that can be defined as: tools and financial contracts derived their value from some value; may be an asset (stocks, bonds, mortgages) or index for example(interest rate, exchange price) or debt derivatives, where value is derived from debt.(Munir Henedy, 2003).

Financial derivatives have invented originally for the purpose of hedging and protection from the risks, such as fluctuations in interest price and exchange price and other risks in the world of investment and money, because it allows converting the value of asset or debt from one party to another.

However, it can be a double-edged sword, they are also used to avoid risk, it can lead to increased risk and this happens through speculation among individuals and institutions about the value of the asset and not to protect the value from risk, especially after the expansion of the use of financial derivatives eerily and the invention of what is known as exotic derivatives and the lack of specific regulations in the work of these tools.(Munir Henedy, 2003).

The current global financial crisis highlighted these derivatives, even if they were not the direct cause behind it, but without a doubt, it exacerbated it and led to big losses.

For this we should know that the use of financial derivatives under Islamic rationing can make us benefit from the many advantages of these tools, including derivatives ability to transfer risk and thus achieve stability,and may have also improved liquidity management and increase it with low cost and take advantage of Islamic funds investment opportunities and financing opportunities available in the global capital market.(Sami Swailem, 2000).

So the development of Islamic financial derivatives has become an urgent necessity for Islamic finance, but its development must be available in the following conditions:

- Derivatives must be compatible with Islamic law.
- Advantage and benefits must be achieve for traditional financial derivatives
- Must be tradable in the international financial markets.

2.10.3. Islamic securitization:

Traditional securitization enters the area of the debt, if the loan portfolio sold to those who still owes debt the jurists stipulate the possibility of that in case the value of the debt paid off (in cash) and not in futures, while if the loan portfolio is sold to those who have no debt (a reality of the situation in the securitization) the jurists agreed on inadmissibility for paying in future, but if the sale was immediately the majority of jurists agreed on inadmissibility of that too, while Maliki believes that it is admissible under special conditions.

Securitization in its present is illegal under Islamic law; if fact its sale of debt with debt also the loan portfolio sold for less value and this is located in the area of forbidden usury.(Ali Mohiuddin.(http:// webcache .gogleuser content . com).

1 . The importance of Islamic securitization:

Securitization is a part of the financial engineering products, which is considered as an evolving financing process, which is in the Islamic financial market in the form of renting, participation and speculation, while the debt can be securitized in foundation and do not traded, which is done in the Islamic financial market with the profitableness, Islamic and tooling vouchers, Which is the size of their deal increased "despite its modernity "to $ 180 billion and is expanding day after day and deal with some western countries.

The process of Islamic securitization from the practical solutions to activate the financial markets and a precautionary tool, as well as can be utilized in the development of the Arab-Islamic financial markets and protect them from financial crises, the process of securitization, an important short-term financial instruments that can be used in the cash market to provide liquidity requirements, as well as risk management in the way that achieve the goals of institutions.(Islamic securitization ,http://www.alghad .com).

2. Methods of Islamic securitization:

To treat the problem of liquidity drought and protect the Arabic Islamic markets from the risk of financial crises in case of the application of Islamic securitization the debt must follow many ways; if the organization in debt to others and would like not fulfilling its obligations in cash to the lack of sufficient liquidity or for other reasons, they can follow one of the following methods:(Ayachi Fdad, 2000).

Convert those debts into stocks, especially when it issue new regulations within the allowed regulation and systems then the debts becomes stocks owned by creditors and representing portions of the assets of that institution and applies what applies to the rest of the company's stocks.

- If the financial institution has goods such as cars, machinery or other, and want to get rid of them and the cost of storage and maintenance, it can be offered to creditors to swap their debts that is in the institution patrimony and then the institution will achieve two benefits, get rid of the commodity stocks that represents a financial burden and permanent cost to the institution with fulfill the commitment to debt.

- The issuance of property absolute rental bonds to encourage the creditors to swap their debt in exchange for the bonds, which is differ from normal property bonds but they are rented property absolute owned generate a known specific yield.

2.11.The mechanism of Islamic financial products

2.11.1. Financial papers trading ways:

Since the Islamic financial products include vouchers, stocks, and bonds then the mechanism of launching those products are the same mechanism of launching the financial papers in the stock market for being does not have a particular market, and we will review how is the issuance and trading of financial papers in the stock market and trading systems that are used to trading the main financial papers in stock market.

The issuance of financial papers placed in the primary market. And it is called Release market or the first the IPO, where the exhibitor (Company, Bank, Government) offers its financial papers to subscribe for the first time in the stock market with its nominal value. This process is known as the first session of the issuance in the primary market, where it established according to it and enters new financial papers - stocks, bonds, vouchers - in the stock market for the first time. And the issuance of financial papers should be by the broker or a member as a bank or company. The financial papers recycled and the transfer of the ownership and possession of between more than one person in the secondary market. The following scheme illustrates the relationship between the primary market and secondary market and dealers:(Al Khudairi, 1996, p.40-41) and (Nofal,1996, p.93).

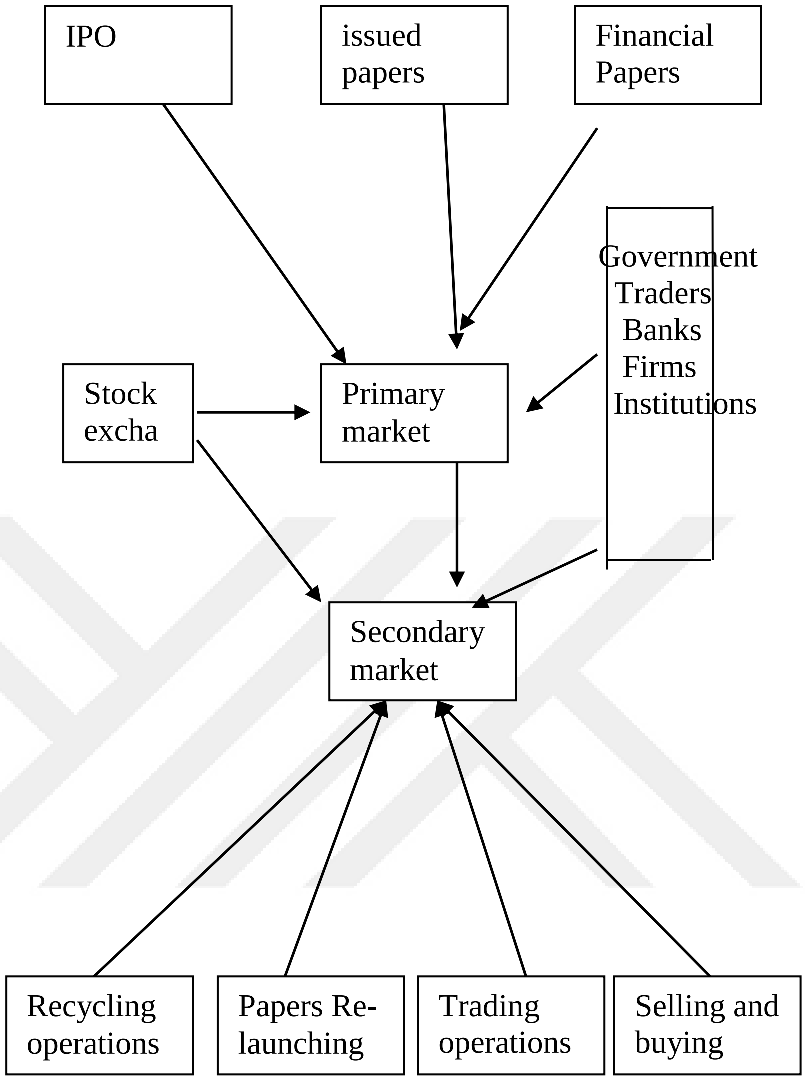


Figure 1: The Relation between Primary and Secondary Market and Traders

Sources: (Al Khudairi and Nofal, how to learn exchange, investment in securities ,1996).

2.11.2. How record financial papers:

Financial papers are recorded at the stock market by submitting a request from the issuer of financial papers (Bank, Company) to be recorded in the price schedule in the stock market during a certain period, determined by the Exchange Commission on the date of closing of the IPO of that papers.

And the issuer should provide all necessary documents for registration, and should pay the subscription fees and other amounts of money that set in the internal regulations of the stock market, and may not be dealing with the non-stock accepted in the price schedule or in a temporary Schedule , and may not be traded in a none-allotted place in the stock market, or in non-specific deadlines for it. (Al–Khudairi,1996, p.42.and Nofal,1996, p.91).

2.11.3. Ways and methods of trading:

It is mentioned above that dealings in the stock market must be by brokers or their agents, and may not be for others to sale and purchase contract in the stock market. So those who wish to invest their money in the sale or purchase of financial papers they should know the way to invest their money, where there are two ways for this:

1- Bank: The investor goes to the bank that he wants to deal with it and issues instructions to purchase financial papers that he wants to invest the money in, and the bank will make all the necessary procedures on behalf of the client, in the instructions that received from the investor. (Nofal, 1996, p. 93. and Radwan,1996, p.100).

2- Broker: The investor contacts one of the houses brokerage that specialized in buying and selling of financial papers. In this case, the client should seek to find a broker known for his competence, honesty and good reputation. We believe that in both methods the client has to issue orders to the bank or broker specifying the following matters:(Radwan,1996, p.110).

A- Determine the desired traded financial papers by selecting the correct name them as it listed in the price schedule in the stock market. And determining the type of paper, the subject of the bargain (stock, bond, establishment quotas) (Nofal,1996, p.93 .and Haroun,1999, p.64).

B- Determining the amount of traded financial papers required. And the prices they wish to deal with. (Kenneth & Alan ,1998, p.46-47).

The customer must be familiar with the types of orders issued to the broker, and what include these orders from the limitation. From the orders that are necessary for an investor to have knowledge of, the following:(Al Khudairi,1996, p.154-157) (Nofal, 1996, p. 95-99).

1- Market order: which is an order of invite implementation the bargain with the best price can be gotten in the market (selling or buying).

2- Limited order: This is the order that limited to a certain number of financial papers or specified price or a specified period.

3- Day order: the order that has to be implemented during the working day.

4- Good till canceled: the order that related for the purchase of what is being offered in the market with a specific price without specifying the type of financial papers and duration implementation.

5- Step order: the order which directs the broker to purchase or sell a certain number of financial papers at varying prices gradually.

6- Stop loss order: it is divided into an order to stop purchase or an order to stop selling.

7- Options contacts order

8- Forward contacts order: which is an order related to a contract binding the two parties with a fixed price during a certain period, to pay the whole cost or installments.

9- Future contracts order: which is a final order related to a binding contract for both parties.

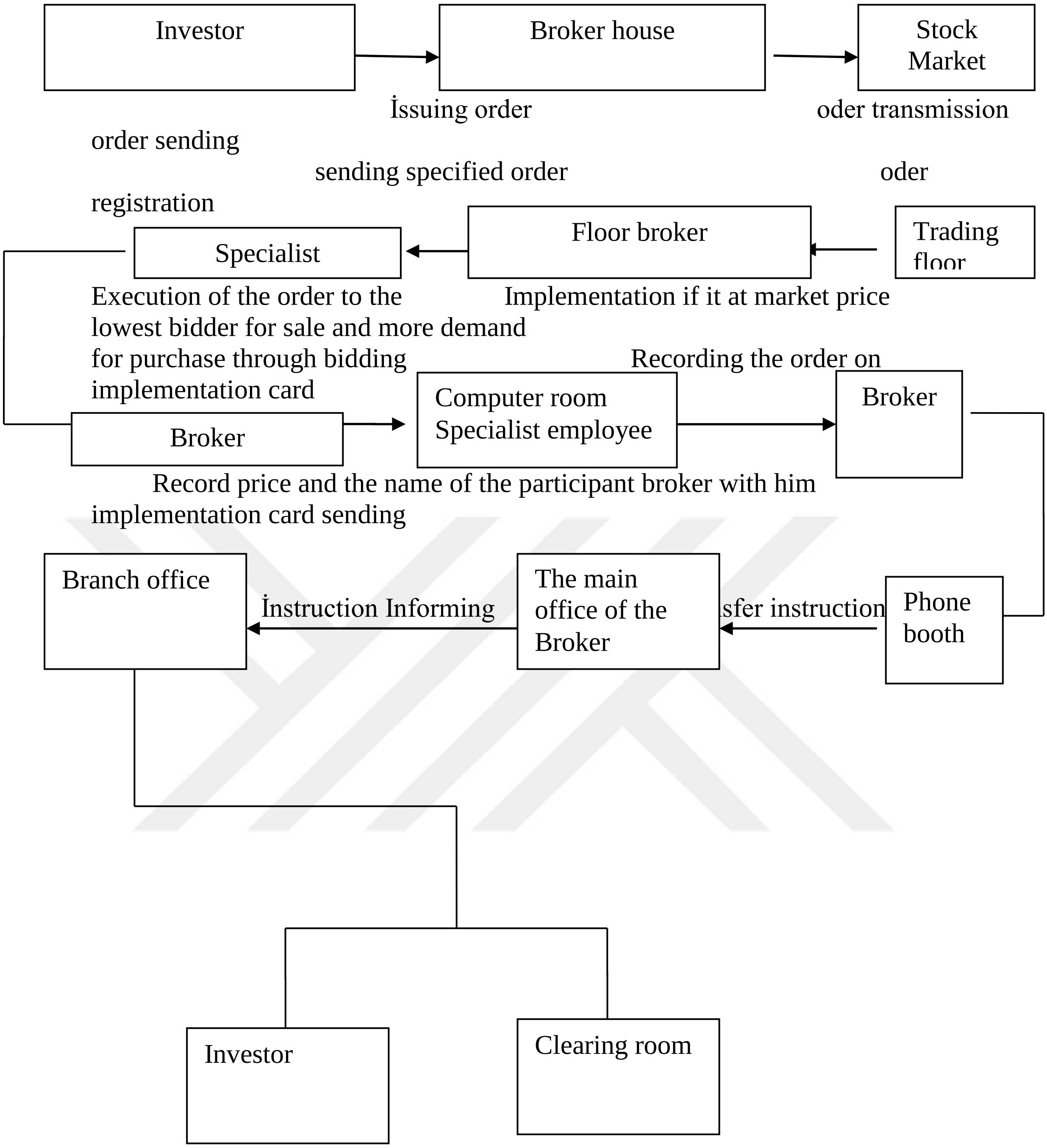
10- Margin order: it is an order related to the purchase of financial papers through partial funding by the customer, and the broker took to finance the rest part. (Kenneth&Alan ,1998, p.46).

2.11.4. Financial papers trading systems: There are two main types of financial papers trading in the stock market:

1- The auction system: A system that gives priority to the lowest bidder for the sale and the highest price (request) for purchase and is increasing in price according to the specified period. This system is in practice in most of the global financial papers stock market. (Radwan, 1996, p.108. and Ahamed,1995, p.412).

The client provides a selling financial papers request to a brokerage office. Where this office has members in the stock market (brokers). The official in the brokerage office transfer the client orders to the stock market through its connection to the entrusted employee with the receipt of orders. The order recipient sends the order to one of the staff trading floors, the mentioned employee registers the orders on a dedicated card and gives it to the floor Broker, the floor Broker implements the order with the best possible price if issued order for implementation at the market order.While if it was a limit order he contacts the specialist broker where he implements it at the first opportunity according to the price specified by the client. After completing the process, the broker registers the price on the card received by the employee in charge and record on it the name of the broker who participated with him in the process, then go to the phone booth where he delivers these instructions to the phone employee,

Which in turn transfers those instructions to the central office (head office of the broker) this office shall. information to the branch office, where the branch office inform the customer that the command has been executed, and gives him a bill containing the price that has been its execution and the quantity purchased or sold in accordance with the order issued by the office. (Radwan,1996, p. 106-107 . and Haroun,1999, p.66). In the clearinghouse the real transition of financial papers and price between the seller and the buyer, according to the following illustration scheme: (Kenneth, p.46-47. and Alan,1998, p.62-63).



The real process of transition Securities

Figure 2: Diagram Shows How Financial Securities Trading on the New Stock Exchange

Soures: Radwan. (1996).Markets Securities, p.106-107.

2.Negotiating and bargaining system:

This system is based on bargaining and the negotiations between dealers on prices, if it was agreed on the price and required quantity specified by the client then the bargain is execution. It is done in the London Stock market system.(Ahamed, 1995,p.411-412. And Radwan,1996, p.108).

2.12.Obstacles to the development of Islamic financial products

Radical and rapid changes in the economic world has seen in recent imposed a sharp competitive pressures and uneven, Especially for Islamic financial institutions, which have become looking for a way to ensure their survival next to the more experience and size financial institutions, it has concluded that it can not be done without providing Islamic financial products able to compete with traditional products on one hand and to meet the needs of the environment in which it operates, whether Islamic or non-Islamic from another hand.

So despite the development that the Islamic financial engineering has known, but it is still below the required level, due to a range of challenges and obstacles, including the following:(Razan Adnan , 2008.p.28).

2.12.1. Lack of highly qualified professionals

Islamic Financial work requires highly qualified and trained administrative efficiency to be familiar with the nature of the work of Islamic financial institutions on the grounds that they are different from traditional financial institutions. There is no doubt that the weak labor force will impose a threat in terms of operational risk and impede at the same time the possibility of bank growth.

2.12.2. lack of research and development

Some Islamic financial institutions lack to the concern in the concept of Islamic financial engineering, where it suffers from the absence of a culture of innovation and development, the annual reports of the 12 largest Islamic financial institutions in the Arab Gulf region proved semi-complete absence of financial allocations, especially research and development of Islamic financial products, while 9 European banks have spent more than a billion dollars on research and development process.

2.12.3. The Absence of Property Rights to The İdea of A Sophisticated New Financial Product

The financial institutions through the process of creating a financial product bears a high development costs and the risks of applying the product to check its feasibility, and after the success of this developed innovated product, we find that other financial institutions accelerated to its application and take advantage of it without bears any cost or risk t, and this is what inhibits the determination of financial institutions in trying of the development and innovation.

2.12.4. Poor Harmonization Between Legitimate Commission and Unify Reference Legitimacy

The acts of Islamic financial institutions face an important challenge which is poor harmonization between Legitimate commission and conflicting the juries opinions between Islamic countries and even within the same country, for example, we find some banks allow securitization business and others do not authorize the deal with it, so the Islamic financial institutions should work on finding a common scientific base of collective heuristics and unify the opinions.

2.12.5. Error in determining the target of Islamic financial engineering

The primary objective of the Islamic financial engineering gratification the needs of Muslims are neglected one way or another, the fundamental objective of the financial product that represented the creating value-added, so we must work to correct it by combining religious and economic destination and gratify the needs of Muslims and non-Muslims.

2.12.6. Credibility and Trust

This challenges in Islamic finance highlight among other realism issues that compact with a group of abusive beliefs to understand Islam, there is who sees the Islamic finance industry a conduit for terrorist financing and home to money laundering, as well as problems related to weak management skills that affect the credibility.

2.12.7. Competition and cost efficiency

These two factors are important challenges for Islamic financial institutions in terms of vast experience and wider networks and economic size in the global market for traditional financial institutions, which is an important competitive advantages overtake the traditional on Islamic as well as the traditional institutions that have Islamic legislations and Islamic financial institutions suffer another problem which is the high cost of operations for Islamic financial transactions.

2.12.8. Marketing

Marketing the Islamic financial products is another challenge especially for the growth of Islamic banks and financial institutions client base, it is not surprising to find the interest of Muslims on Islamic financial products minimal due to lack of understanding of the industry and a lack of knowledge of the products, without educating the customers with principles and the mechanism of action of Islamic finance, customers will stay away from dealing with Islamic products.

Included in this chapter is the introduction of Islamic finance, the concept of Islamic finance, the developments of the Islamic financial markets in general, as well as the market segmentation in general and the steps of market segmentation. Also include segmentation of basis Islamic financial market on a geographical, demographic, behavioral and psychological. The researcher pointed to the process segmentation of the Islamic financial market, which included segmentation, target segmentation, and Islamic market positioning. Also market segmentation strategies as well as the advantages and disadvantages of segmentation of Islamic financial markets. The researcher also referred to the tools of Islamic finance, introduction to Islamic financial engineering its products, methods of trading securities and obstacles to the development of Islamic financial products.

The researcher concluded that the segmentation of the financial market is of great importance in achieving profits and meeting the requirements of customers according to the basis in the division of financial markets, and to know the needs and desires of customers through the segmentation of the financial market. Also, identify strength points in the market segmentation and strengthening them, identify weaknesses and try to address them in ways appropriate to serve the needs of customers by providing the necessary services. To create ability creativity and high efficiency to reach a strong competitive position that ensures the achievement of its objectives through the segmentation of the financial market.

CHAPTER THREE

APPLICATION OF THE RESEARCH

3.1. Objectives of the study:

The main goal of this study is to highlight the real image of the financial market segmentations in international markets, also it aims to contribute in reaching scientific result about the standing discussions between researches about the possibility of implementing the market segmentation theories in Islamic financial markets and sectors as long as market segmentations is something vital and necessary and well-added benefit to stocks because if its overvalue that will take the investors away especially the small investors. So we should make the market segmentations to increase stocks liquidity. This study aims to know the standard of financial market segmentations and contributes to the achievement of the following main goals:

1. Achieve the highest degree of satisfaction to the needs and desires of consumers within each sector of the Islamic financial market.

2. Representing information about the Islamic financial markets to apply market segmentations.

3. Knowing financial and economic indicators to the ability of Islamic market segmentations.

4. Knowing the advantages and disadvantages of Islamic market segmentation.

5. Knowing the standers of Islamic market segmentation and its nature.

6. Markets should develop an appropriate marketing strategy for each sector and not deal with all sectors with the same strategy.

7. The need to focus markets on all indicators of the segmentation of the Islamic financial market and avoid attention to each other and the neglect of others.

8. Emphasize the need to spread and consolidate the culture ofIslamic market segmentation.

3.2. The Problem of Study

The financial market is one of the most important vital economic sectors because it represents a wide variety of customers who can be individual and organization, and differ from each other in terms of demands and specifications. According to these differences making many challenges big troubles to the financial sectors and companies in all, unless we deal with the market as a whole in the same way, according to the following questions:

1. Do know Islamic financial markets and understand the implications of the segmentation of financial markets?

2. Do Islamic financial markets realize the benefits they can get if the financial market segmentation?

3. What is the relationship between the segmentation of the Islamic financial market and financial and economic indicators?

4. What is the nature of the different needs, desires, and characteristics of customers and institutions?

5. Can Islamic financial market be segmented? If so, how?

6. Water is the economical indicators which discriminate the segments?

3.3. The important of study:

This study takes its importance from the relevance of search elements. From a theoretical point of view, it gives a summary and discussions for the most important contributions of the researches, in the field of market segmentations and its basis and aiming to enrich the finance literature. Also in its practical side, it is important from the rule of market segmentations to decide future orientations for the sectors and companies which are under researchers. Also, it may open a new gate for the future, and get a result which is useful for sectors and companies under researches. We have to keep in mind that the financial market segmentation is witnessing the severe competition between sectors and international companies from this side. As the other side, this study gives a database to build market theories that can be used to serve the trend in the market and the divisions that occur in this competitive environment so we can put the importance of this study as follows:

1. This study can directly give an answer to the important questions about the possibility of the way of market segmentations to the financial market and companies.

2. Some of the theories related to the market segmentations which are used in developed countries can be useful to the companies, so this study is important for the manager in the financial sector in World, because it will help them to know how they implement the market segmentations and to know the internal and external restrictions that minimize the usage of those techniques.

3. To address the obstacles to the development of Islamic financial products and ways to activate through the feces of various obstacles that stand in front of the development of Islamic financial products and propose solutions for their advancement.

4. Prove that Islamic thought is able to establish Islamic financial markets and fragmentation according to Shariya and Islamic.

3.4.Reasons for choosing the subject:

This study focused on identifying the Islamic financial market segmentation through its instruments and indicators to represent new information that is useful to investors. So far this study was conducted for the following reasons:

1. This study presented important information about Islamic market segmentations which can be useful for an accountant and financial managers and determining the instruments of financial according to the information given by stock market managements.

2. This study presents important information to the international stock council.

3.5.Literature review :

After reviewing a set of previous studies in English, which are related to the subject of the study and its variants, were summarized the most important previous studies that are closely related to the subject of the study . It is worth mentioning that the researcher did not find any of the previous studies dealt with the same variables of the study combined with the same research. Which are related to the segmentation of financial markets in different study societies. These studies can be summarized as follows:

(Bruce Hearn & Jenifer Piesse & Roger Srange, 2012). Islamic Finance and Market Segmentation: The Impact of Capital Costs. This study examines the impact of Islamic Islamic law on the equitable development of capital development on the development of stock exchanges. The aim of independent research is on Sudan Telecom and its presence in Khartoum and the Arabian Gulf, where capital costs are significantly higher than the latter. Although the cost of Islamic financial regulation is high, the banking system is more suitable for managing financing arrangements, and larger companies can circumvent this segment through cross-regional transactions. In particular, they argue that shariya compliance may lead to market segments in developing economies, leading to higher equity capital costs and suggests that cross-listing may provide more cost-effective financing channels. It describes the main features of some of the professional products used in the Islamic financial system and then compares the main principles and practices of Islamic finance with the main principles and practices adopted by the West. In addition, they also noted the importance of many countries in the Middle East and North Africa (MENA) region and outlined some of the key features of the Khartoum Stock Exchange in Sudan and then discussed some of the costs of estimating equity before using dividend capitalization The method is to estimate the cost of the Sudatel stock listed on the Khartoum and Abu Dhabi Stock Exchanges before the equity of Islamic financial markets. They also studied the ability of two Sudatel companies to attract foreign securities investors.

(Nathan Berg & Mohamed El-Komi and Jeong-Yoo Kim, 2016). Islamic financial market segmentation and Islamic law are not uniform standards. This study examines a new answer to the controversial Islamic economic paradox described by El-Gamal (2002). Despite the long-term development of Islamic financial standards, the market is still largely fragmented, and we understand market segmentation as a separation equilibrium, that is, financial insurance costs are useful as a social (although costly) signaling mechanism. The market subdivision based on the uniform standards of Islamic rule of law compliance takes place in two deep Islamic institutions of Islamic institutions (IFI) using different degrees of rigor, a set of common requirements that conforms to Islamic law theory, at least Islam. The teachings are consistent with the consistency of Islamic law that follows the standard market segmentation.
Different IFIs choose varying degrees of rigor to convert different premiums paid by different IFI customers. A moderately devout consumer group of IFI and the other is a highly pious market. IFI is a highly pious consumer who voluntarily offers more limited investment and financing products than other IFIs for medium-pious consumers. The model supports market segmentation by allowing multiple Muslim communities with different identities and willingness to pay for the corresponding changes in the type of signal to support market segmentation, multiple IFI options to provide different ranges of products and serve different markets, do not agree to unify minimum standards.

The following according to (Rusnah Muhamad, 2011) are classified as same: Market segmentation and Islamic compliance are procedures for Islamic financial institutions: Islam follows the dynamic characteristics of Islamic financial services (IFS) and is therefore an important process for Islamic financial institutions. This study examines the compliance procedures conducted by the Islamic Banking Institutions (IBIs), as the industry is considered one of the most mature international financial institutions. The firm law of Islam is considered to hurt the reputation of the Islamic bank. But the main question is whether consumers or consumers of specific groups believe that compliance with Islamic law is critical to purchase decisions. Therefore, the main purpose of this study is twofold: first explore and covers the possible consumer groups from a management perspective and conducts case studies on the applicability of the proposed: Islamic compliance framework. An interview analysis of the selected major market participants shows four consumer groups: religious groups; religious and economic rational groups; moral observation groups and economic rational groups.

Suppositionally, the closest segmentation of these groups is based on values, norms and ethics (psychological segmentation), as well as the interests and expectations of ideas and attitudes, activities and lifestyles, and product or product attributes. The preliminary results of the study can be used to guide IBI in the design of marketing communication when the product or brand positioning strategy. An analysis of the case studies conducted shows that appropriate Islamic legal governance is in place and appropriate measures are being taken to ensure that these mechanisms work as expected. In addition, the bank's annual report clearly illustrates this process.

(Mohammed Abubakar, M, 2012) Effective Market Segmentation and Nigerian Islamic Banks Feasibility: Islamic banking has become a global phenomenon because both Islam and Western countries have accepted this. However, the Nigerian Central Bank (Nigeria) Nigeria introduced the Islamic banking industry, which caused a lot of criticism, especially non-Muslim criticism. As a typical subjective criticism of religious opponents, the study used market segmentation criteria to check the viability of Bank of Nigeria. As a library study, access to secondary data from a variety of secondary sources, and descriptive analysis.

Founding this study as targeted by Muslim groups is highly important, identifiable, measurable, accessible and reliable. Thus, the study concludes that the introduction of Islamic banks in Nigeria is worthwhile, while the Islamic banks are bright and prosperous in the country's future. Thus, studies have shown that, while Islamic banking has stayed, Muslim and non-Muslims should support the establishment of all citizens, regardless of religious beliefs.

(Rusnah Muhamad & T.C.Melewar & Sharifah Faridah Syed, 2012). Isolation and Branding of Islamic Financial Services: The purpose of this study is to explore the different consumer groups of the Islamic financial services industry (IFSI) and their relationship with Islamic financial services (IFS) products / brand positioning. Design / method / method - personal in-depth interviews with key positions of IFSI major market participants to explore consumer segmentation and buying motivations. IFS consumer four major part of the survey results of religious organizations; religious and economic rational groups; ethical observation group; and economic rational groups. These segmentation groups are appropriately classified by psychological (value) methods. Research limitations / implications - The empirical study of this study paves the way for future research and related research, identifying and enriching academic understanding and management practices, and integrating IFS market segmentation and brand positioning into global markets. Future research should focus on analyzing these issues from the perspective of IFS consumers to determine buying trends and actual relevance.

This study provides an empirical evidence of the foundation or first dimension of IFS consumer segmentation. These findings and researches help guide IFS organizations to manage their decisions about marketing communications and promotional strategies as well as product and branding strategies. This study provides originality / value for academia and IFSI, providing useful knowledge for strategizing the use of market segments to integrate IFS into the global marketplace.

(Errunza & Miller 2000). Market segmentation and international stock market capitalization. The purpose of this study is to understand the relationship between market segmentation and international stock market capital costs. The searcher suggests that the theoretical model predicts the impact of market segmentation on the reduction in capital costs, 126 companies from 32 different countries, and how 42% of the company's capital costs are affected, as well as many reasons for investors in the United States. Their findings support the hypothesis that financial market liberalization has significant economic benefits.

(Thadavillil J. and T. R. Nirmalanandan. And Kishore T.2000). Barriers to international investment and market segmentation: evidence of the GDR market in India. In this study, the market segmentation test and its impact on cross-border securities pricing using the Indian Global Depositary Receipt GDRs. Cross-listed securities may be traded at different prices when international capital markets are split. They use the theoretical and empirical models developed along the Hietala line to test this market segmentation hypothesis. Market segmentation and investor’s impact on asset prices: Evidence from outside the United States. There are some models that study the specific types of market segments in India, where capital flow barriers allow domestic investors to invest only in domestic securities, while foreign investors can invest in dollar-denominated Indian GDRs and other foreign securities. These GDR tests show that foreign investors holding these certificates are expected to have lower levels of expected earnings than domestic investors. Which led to the difference between developing countries than the Indian securities investment fund exchange rate adjustment price is high.

Both domestic and international factors affect the Deutsche Bank Index returns, and Indian basic securities are only affected by domestic variables. In 1991, the foreign exchange situation prompted the Indian government to open up capital flows, allowing Indian companies to enter overseas stock markets. Deutsche Bank's market is usually very successful for Indian companies and allows them to raise more than $ 6.5 billion in just six years. GDR instruments are actively traded on the London OTC and the Luxembourg Stock Exchange. This success inspires and reminds several other countries to enter the market, without the strict rules of the US Securities and Exchange Commission.

(Xianghai Ma.1996). Capital Market Segmentation and Stock Price: Evidence of China 's Securities Market. This study supports and provides asset pricing theory for China's stock market segmentation. In the Chinese stock market, the local company issued two stocks: A shares only apply to Chinese citizens, B shares only apply to foreign citizens. Whereas in the case of domestic investors can only invest in A shares, foreign investors can invest in B shares and other foreign shares of the A shares and B shares between the difference, depending on the investor's risk attitude, B shares and foreign shares between the relevant stocks and Investors' expectations of future earnings. The evidence of the Chinese stock market supports the empirical significance of this theory. The cross-sectional difference between A-share and B-share price is related to the attitude of B-share to the risk and relevance of foreign shares. B shares discounted time series variability is highly correlated. But the discount has nothing to do with the real interest rate. Changes in B shares over time can lead to regulatory changes.

(Stephen R.F. and G. Experson K.999). The Impact of Market Segmentation and Investor Identity on Asset Price: Evidence of Foreign Foreign Shares in the United States. The purpose of this paper is to examine the performance and risk of non-US equities in the US market. With sample having a total of 153 companies from Canada, Europe and the Asia-Pacific region between 1976 and 1992 for the first time in the United States. They have the incentive to study this phenomenon, because of the importance and inference related to the capital market integration and segmentation problems which can be reflected from the stock price to the international market. Due to investment barriers to divide market barriers, taxes, information restrictions and other factors to stimulate the adoption of fiscal policy to reduce its negative impact. The theory argues that the stock price of cross-market crossings is expected to rise and subsequent expected gains will decline as additional premium premiums to supplement these barriers disappear. Our overall evidence is consistent with this assumption. Studies have shown that the Nasdaq OTC market in the New York Stock Exchange listed company stock price increase, the result attributed to increase the recognition of investors or improve liquidity. For example, Merton 1987 provides a theoretical basis for improving investor acceptance in order to broaden the CAPM postponement of the Sharp-Lindner Capital Asset Pricing Model and to relax the assumption that investors provide equal information. He said the expected return was reduced with the size of the company's investors.

(Mustafa N.Gultekin N.Bulent G and Alessandro P. 1989). Capital regulation and international capital market segmentation: Japan and the US stock market securities research focus on the two countries Japan and the United States capital market integration test. In Japan, the Foreign Exchange and Foreign Trade Control Act promulgated in December 1980 was actually a real institutional change that almost eliminated capital controls. Using the multi-factor asset pricing model, we can see that the risk of US-Japanese risk before opening is different. This evidence supports the government as a source of international capital market segmentation. The concept of a complete fusion of world capital markets is critical to the development of international finance and macroeconomic theory; it is behind the recent international policy discussions.

The capital market was once integrated into cases where the fully relevant rate of return assets were unrelated to their trading locations. Although the barriers to government capital flows or personal attitudes or irrationality may lead to segmentation. If the assumptions of the integration of international capital markets are rejected, there is still an important empirical problem that has not been answered and is related to the division of labor. The overall test of international capital market integration is likely to be uncertain because it is difficult to determine the testable capital asset pricing model in an open economy, which is difficult to distinguish and attribute to the objective differences between financial asset transactions and personal attitudes Sex. Therefore, in this paper, we decided to focus on the recent major capital market liberalization events in industrialized countries and to eliminate capital controls in Japan at the end of 1980 and to analyze Japan's dollar risk price stock market during the opening period.

(Linda A. and Julapa J. 1996). Financial Intermediary Return Risk and Market Segmentation. This study examines the risk exposure and prices of financial intermediaries in different industries to determine whether the US financial services market segmentation exists. They use each company's SIC code to distinguish between depository institutions, securities companies, insurance companies, mutual funds and other financial companies. They find evidence of market risk levels and market risk premium market segments that all types of financial intermediaries do not use evidence of interest rate risk, suggesting that hedging programs using interest rate derivatives are ubiquitous. Thus, the risk of market and risk differentiation is based on the type of financial intermediation. They question that a market segment, insurers face higher interest rate risk, especially in the late 1980s to the early 1990s. The bank's interest rate risk premium is the highest among all financial intermediaries. In general, they found that securities companies as a group with the largest market risk exposure, in accordance with the order of banks, other financial companies, insurance companies and mutual funds down the market beta, although in the review of the market when the order of the opposite risk premium, Believe that the relationship between market risk and price will reverse the relationship, rather than interest rate risk.

Investigating the effects of changes in the two regulatory policies, they found that:
(1) Changes in monetary policy behavior led to banks to bear more market risk, may be due to its decline in value.
(2) With venture capital requirements
(3) The highest interest rate risk and threat: 1988-1994 period of commercial banks insurance companies experienced premiums may be due to venture capital requirements under the interest rate risk, bank interest rates, the higher the risk of subsidies. In general, during the 1974-1994 period, as the regulatory limit increased, the bank's market risk exposure increased, and the interest rate risk of insurers was exposed to moderate levels.

(Mr. Qian, Wilson H., S. Tong, 2000). The impact of market segmentation on share prices: China's syndrome China's A-share market is only open to local investors, B-share market is only open to foreign investors. Contrary to other markets with similar segmental structure, China's B shares are relatively low relative to A shares. We show that this phenomenon can still be explained by basic economic principles. Specifically, the presence of H-shares and "red-chip" markets in Hong Kong provides a good choice for B-share markets. They found that when more H shares and red chips listed in Hong Kong, B shares discounted. This is consistent with the elasticity of the elasticity of demand. Although B shares are in contrast to other Chinese markets compared to discounts in the Chinese market, they prove that this phenomenon can still be explained by basic economic principles. Specifically, the presence of H-shares and red-chip markets offers a good choice for B-share markets, so foreign investors' demand for B-shares may be quite flexible. When more H shares and red chips are listed in Hong Kong, foreign investors are out of the B-share market. This is more obvious on the Shanghai Stock Exchange. H shares listed on the Shanghai Stock Exchange, H shares listed B shares relative to Shenzhen B shares closer. They believe that the H shares issued by the Shanghai B-share price is better than Shenzhen B shares discount. These results are consistent with the consistent demand for elasticity.

(Warren B. and Julapa J. 1994). Thai capital markets are based on restrictions on foreign ownership and stock prices. They apply the data of the Thai stock exchange to study the impact of capital flows barriers, the Thai stock exchange has been divided into foreign ownership restrictions on local and foreign transactions. The cross-sectional differences between local and foreign prices are related to foreign ownership restrictions, liquidity and information availability severity agents. The time series variability between local and foreign income disparities is consistent with the difference between risk exposure and expected risk premium, indicating that the phased capital market is effectively decomposed.
The results have had a significant impact on the portfolio and direct investment activities of developing countries. Many emerging capital markets have significant barriers to international portfolios. However, it is seldom seen how these specific

obstacles affect the expected return. The study examines the impact of these laws in Thailand. Although Thailand is not the only type of barrier we have studied, "the Thai stock market is particularly well suited for learning because it has two independent listed ordinary shares that have reached foreign ownership restrictions, one is the local and another listed company for foreigners Starboard "price is usually higher than the" motherboard "price. They investigated the four major reasons for the price difference between Thai locals and foreigners.

The comparative and respective supply and liquidity differences of foreign plates and the availability of information, the difference between these price risk and risk premium, explain the price difference of some time series behavior. They are more aware of the impact of capital flows barriers, the relevant market friction on the design and operation of emerging capital markets, new privatized companies and the development of direct investment and securities investment in developing countries, they can affect Thailand and other countries " Foreign board ", convertible euro bonds and the price of closed country funds of developing country companies pr2emium is a rational explanation.

(Sugato C. Asani S and Lifan WU. 1998). Market segmentation and cross - listing stock pricing: the theory and evidence of China 's A - share and B - share stock. Compared with many other countries, China's foreign B shares in the domestic A-share transaction price of an average discount of about 60%. One reason for the substantial discount to B shares is that foreign investors have less information on Chinese stocks than domestic investors. In addition to the development model, into the information asymmetry and market segmentation, and draw the A shares and B shares of the relative pricing equation. In theory, foreigners can trade A-share index securities to improve B-share liquidity. In recent years, domestic stock price discounts are less concerned with domestic stocks, such as the Chinese stock market example, in foreign stocks (that is, to provide foreign investors to the stock) there are many cases,

Local investors can only trade A (local) shares, when foreign investors are limited to trading B (foreign) stocks. Although the two equity interests are the same in terms of shareholder equity, such as voting rights and profit sharing, foreign investors pay only a small portion of the price paid by local investors for the same stock (Bailey, 1994; Wo, 1997; Chen And Su, 1998). In this study, they studied the theory and experience of dual-listing Chinese stock pricing. Consistent with the previous literature, they found that B shares had a considerable discount on A shares. Specifically, the average and average price discounts for B-shares in our sample were 58.68% and 60.71%, respectively, between January 1994 and December 1996. They argue that foreign investors have less information on local companies than domestic discount investors. They are developing a theoretical model that combines asymmetric information and market segmentation. They argue that foreign investors are less likely to gain and assess information about local Chinese firms than domestic investors. These difficulties are due to the lack of reliable information about the local economy and enterprises, language barriers and accounting standards are different.

(Jongmoo J.C. and Murli R. 1997). International, global Capital Markets, Market Segmentation and Transaction Risk Factors Joint Testing: Market segmentation and exchange risk are two major factors that differentiate between international financing and investment decisions and domestic financing risks. The purpose of this study is to test the existence of multi-factor asset return models and exchange rate risk factors in the world capital market division.

In contrast to research using only stock index data or bilateral testing in bilateral countries: This study uses individual stock price data for 337 stocks in seven major capital markets outside the United States, taking into account the role of market segmentation, the presence of risk exchange risk factors Is quite interested in their own things, but also shows that no risk factors of the usual market segmentation test may be in the model error specification by the wrong constraints. In this paper, we use the maximum likelihood estimation procedure used by Gibbons [1982] to estimate the factor risk premium. It is estimated that there are domestic and foreign market factors and exchange rate risk factors in the context of multi-dimensional model. Then, the variables used in the three-factor model are related to the factors that are extracted using factor analysis and then use factor analysis to provide additional evidence of risk factor pricing.

The outcome show:

(A) The factor structure of asset returns is internationally heterogeneous.

(B) Many national capital markets can be described as partial segmentation rather than extreme full segmentation or synthesis.

(C) exchange risk is an impact. An important factor in asset returns is a supplement to domestic and world market risk factors.

(Ehsan H.F. and Earl RW 1992). The relationship between market segmentation and municipal finance disclosure and net interest expense. This study provides evidence that market segmentation affects the relationship between financial disclosure and net interest costs, municipal bonds. Previous studies have shown that the regional division of municipal bonds on regional and national lines is characterized by different sources of information and costs. Assuming that the financial reporting variable is more favorable than the big city where the bonds are normally issued, there is less information on the less issuer's less issuer bonds in the regional market than the interest costs of these issues. Treasury Market Cook (1982) defends the point that the cost of obtaining small issuers from alternative sources is relatively high. For issuers who do not have frequent issuance of bonds, the regional underwriter may be the only information broker between the issuer and the investor (the rating agency is outside the rating agency). The results show that the financial reporting measures are stronger than the regional first-level market (determined by the composition of the underwriting group). By substituting the size of the agent, the size of the city and the size of the problem, some are weaker, but overall consistent results. The results show that group leaders (whether managed by national or regional underwriters) provide sufficient (possibly conservative) agents for market segmentation.

The results show that the overall quality of the national market report is generally high, but there seems to be a large response to the number and quality of financial disclosures and bond pricing due to the lack of pricing sources for small letter of credit. Finally, our findings suggest that researchers need to be sensitive to the institutional structure of municipal bond market characteristics.

(Christo A. P and Qinghai W. 2009). Market Segmentation and Domestic Market Capital Costs: A proof of Urban Bonds This study deals with the impact of the domestic market segment on the US municipal bond market. The market (country level) is separated from the asymmetric tax-free system. Municipal bond investors are exempt from bonds issued by national and local bonds issued by their national bonds, rather than bonds issued by other countries. They found that market segmentation limits investor risk sharing opportunities, leading to arbitrage barriers and increased demand for financial intermediaries. The result is a unified interpretation of the municipal bond market literature, such as high yield, high transaction costs and insurance prevalence. The general conclusion is that the division of the capital market creates a huge cost that can be achieved through different venues, of which only one is the proceeds.

(Jian Yang.2003). China's stock market segmentation and information asymmetry: This study explores the market segmentation and information asymmetry pattern of Chinese stock market. Through recursive cointegration analysis, it confirms and acknowledges that none of the six markets has a long-term relationship with other markets. The variance decomposition of the forecast error clearly shows that foreign investors in the Shanghai B-share market have better information than the Chinese investors in the A-share market and foreign investors in Shenzhen and Hong Kong. This finding challenges the broad assumptions that foreign investors have less on the literature, but suggests that foreign investors can learn more about emerging markets.

Ian D. Jack G and Ananth M. (1997). Market segmentation and stock prices: A proof for emerging markets. With a study on the relationship between stock price and market segmentation caused by Mexican ownership restrictions. Focusing on the multi-stakeholder differences between domestic and foreign traders and domestic individuals and institutions. For a stock that is not limited to a particular investor group, the price premium is high. They analyzed the theoretical and empirical determinants of intercompany and cross time. In addition to economic factors, but also reflects the infinite inventory is relatively scarce. Their empirical results provide support for the Stulz-Wasserfallen hypothesis, emphasizing the relative scarcity of unrestricted stocks. They found that the unrestricted price premium had a positive correlation with the external demand agent, the proportion was not limited to the total number of shares, compared to the two series of relative liquidity agents, the proportion of unlimited total explanations of the time series during the observation And cross section.

This study studies the subdivision of Islamic financial markets and its application in Islamic countries.

According to the study, it was different from previous studies because it studied the subdivision of Islamic financial markets. Researchers have conducted some clear research on the research topics in previous studies, and there are major flaws in the research of this topic.

Thus, inspite of the importance of this issue, the researchers were unable to conduct any research on all the variables studied. The study measures the financial variables used to segment the market by using statistical software programs (SPSS), one of the most important models for measuring Islamic financial market segmentation. The study also applies to Islamic countries. (32) samples of Islamic countries, through several statistical methods to test the financial data of these countries, rather than most of the previous studies through the same questionnaire.

3.6.Methodology of the Study

3.6.1. Method Of Research

The methodology used in this study includes a phase. In order to answer the first goal, the researchers explored the different stages and potential motivations of consumer groups from the World Bank Islamic State Annual Financial Report from 2011 to 2012, which is from the Islamic countries of (32) and chose these The state provides most of their data. The data are from the annual financial report for the following reasons:

1. The purpose of the current study is to explore the possible basis for Islamic financial markets, given the limited research in the past and the fact that the market segments are directed, although traditional market consumers have conducted extensive segmentation studies. The difference between traditional and Islamic financial markets in terms of the structure and implementation of products or services is the element of salad compliance, and presents the basis of the market segments that are commonly used in traditional market products or services.

2. The subdivision of Islamic financial markets is a relatively new area, and research in this area is rather limited. Given the novelty of these issues, a number of studies have been conducted around the world to examine the level of awareness of Islamic banking and financial concepts and the specific products or services of Muslim and non-Muslim consumers. The results of these studies show that the Islamic market and financial concepts and principles and the level of awareness of products and services are quite low, which means that the data collected at this point in time is not suitable for consumers. Thus, as an exploratory study, can help limit time and reduce costs.

3.6.2. Data Analysis Methods

Terminology clustering analysis does not recongize specific statistical methods or models, such as discriminant analysis, factor analysis, and regression. They usually do not have to make any assumptions about the basic distribution of the data. When using clustering analysis, they can also form a set of similar variables that are made in factor analysis. They can group the cases in a number of ways. The choice of method depends on the size of the data file. The usual method for small data sets is impractical for thousands of case data files. SPSS has three different processes for clustering data: hierarchical clustering analysis, k-means clustering, and two-step clustering. These are described in this chapter. If you have a large data file (even if 1000 cases are large for clustering) or a mixture of continuous and categorical variables, you should use SPSS two steps. If they have a small data set, and they want to easily check for more and more solution clusters, you may need to use hierarchical clustering. If you know how many clusters they want, and they have a medium-sized dataset, they can use k-means clustering. They will use three SPSS processes to centralize three different sets of data (Barr J. Babin, 2010, p. 481).

Discriminant analysis (also referred to as discriminant function analysis) is a powerful description and classification technique developed by RA Fisher in 1936 (A), characterized by a different set of features (called descriptive discriminant analysis); (B) The cases (ie, individuals, subjects, participants) are classified as pre-existing groups with similarities between other cases (sometimes referred to as predictive discriminant analyzes) belonging to the group. The mathematical objective of the discriminant analysis is to combine the weights from the A group of P dependent variables in the same way as k groups. Different discriminant procedures include discriminant (SPSS; Norusis & Norusis, 1998), DISCRIM (SAS: Shin, 1996) and stepwise discriminant analysis (BMDP; Dixon, 1992) can be used for discriminant analysis. Specific descriptive questions that can be answered by discriminant analysis include:

(A) What is the difference between the groups in the study?

(B) What is the difference between the number of groups between specific variable groups?
(C) which continuous variable best characterizes each group, the continuous variable is not a feature of the individual group?
(D) The result of a given multivariate analysis of variance (MANOVA) shows and highlights the presence of a group difference Data, which specific variables best illustrate these differences?
Predictive discriminant analysis solves this problem (Joseph F. Hair, 2010.p.236).

3.6.2.1.Cluster analysis

Clustering analysis is a set of multivariable techniques whose primary purpose is to group objects based on their own characteristics. It is called analysis, typology construction, classification analysis and numerical classification. Its different names are due to the use of clustering methods in different disciplines such as psychology biology, sociology, economics, engineering and business. Although these names are different between different disciplines, all methods have a common dimension: classifying them according to the relationships between clusters. This common dimension represents the nature of the clustering method of data classification proposed by their own grouped data. (William C. Black, 2010.p.481).

3.6.2.2.Discriminant analysis

When the dependent variable is a classification (nominal or non-metric) variable, and the argument is a measure variable, the discriminant analysis is appropriate for statistical techniques. In many cases, the dependent variable consists of two groups or categories, such as male and female, or high and low. In other cases, more than two groups involved, such as low, medium and high classification. Discriminant analysis can handle two or more (three or more) groups. When two categories are involved, the technique is called two sets of discriminant analyzes. When three or more categories are identified, the technique is referred to as multiple discriminant analysis (MDA). Logical regression is limited by its two groups in its basic form, however, other methods can handle more groups (Rolph E. Anderson, 2010.p.236).

3.7. The study Model Variables and Hypotheses

3.7.1. The Variables of the Study

In an attempt to answer the problem on the one hand, and to achieve the goals envisaged on the other hand, the study used a descriptive approach with respect to the theoretical side. The study endeavored to display all aspects of the theoretical side expansively and deeply. Therefore, the study relied upon set books, theses and articles that related to the theoretical side for all variables of the thesis. Then the articles were discussed in detail and compounded with our title one by one. Furthermore, we analyzed and criticized the situation. Finally, we arrived at the original conclusion.

Market segmentation measures are the dependent variables of this study. These variables are:

1-Bank capital assets: Bank capital assets represent the net worth of the bank or its value to investors. The asset portion of a bank's capital includes cash, government securities and interest-earning loans, such as mortgages, letters of credit and inter-bank loans.

2-Inflation rate: Inflation is defined as a sustained increase in the general level of prices for goods and services. It is measured as an annual percentage increase. As inflation rises, every dollar you own buys a smaller percentage of a good or service. The value of a dollar does not stay constant when there is inflation. The value of a dollar is observed in terms of purchasing power, which is the real, tangible goods that money can buy. When inflation goes up, there is a decline in the purchasing power of money.

3- Interest rate (Borrowing): Interest rate is the amount charged, expressed as a percentage of principal, by a lender to a borrower for the use of assets. Interest rates are typically noted on an annual basis, known as the annual percentage rate (APR).

The assets borrowed could include, cash, consumer goods, large assets, such as a vehicle or building. Interest is essentially a rental, or leasing charge to the borrower, for the asset's use. In the case of a large asset, like a vehicle or building, the interest rate is sometimes known as the "lease rate". When the borrower is a low-risk party, they will usually be charged a low interest rate; if the borrower is considered high risk, the interest rate that they are charged will be higher.

4- Broad money growth: Broad money is the most inclusive method of calculating a given country's money supply. The money supply is the totality of assets that households and businesses can use to make payments or to hold as short-term investments, such as currency, funds in bank accounts and anything of value resembling money. The formula for calculating money supply varies from country to country, but broad money is always the farthest-reaching; narrow money includes fewer elements in the calculation

5-Domestic credit to private sector: Domestic credit to private sector refers to financial resources provided to the private sector by financial corporations, such as through loans, purchases of nonequity securities, and trade credits and other accounts receivable, that establish a claim for repayment. For some countries these claims include credit to public enterprises. The financial corporations include monetary authorities and deposit money banks, as well as other financial corporations where data are available (including corporations that do not accept transferable deposits but do incur such liabilities as time and savings deposits). Examples of other financial corporations are finance and leasing companies, money lenders, insurance corporations, pension funds, and foreign exchange companies

6- Lending interest rate: Interest rates are a price paid for borrowing funds expressed as a percentage per year. It can also be defined as the price a borrower needs to pay to the lender for transferring purchasing power to the future. Continues to argue that interest rates rank among the most crucial variables with macroeconomic word in the world of Finance. Indicates that the rate of interest represents the cost of borrowing capital for a given period of time, given that borrowing is a significant source of finance for the firms, interest rate are of great importance to them since it greatly affects their income and by extension their operations.

7- Deposit interest rate: The interest rate paid by financial institutions to deposit account holders. Deposit accounts include certificates of deposit, savings accounts, and self-directed deposit retirement accounts.

3.7.2. The study Hypothesis

Major Hypothesis

H1: The financial markets of Islamic countries can not be segmented according to economical indicators (GDP per capita, Growth rate, Tax revenue, Exports of goods and services, Imports of goods and services).

H2: The financial markets of Islamic countries can be segmented according to some financial indicators (Bank capital assets, Inflation rate, Interest rate borrowing, Broad money growth, Deposit interest rate, Lending interest rate, Domestic credit private sector) .

H3: Economical indicators can discriminate the segments of financial markets of Islamic countries(GDP per capita, Growth rate, Tax revenue, Exports of goods and services, Imports of goods and services).

3.7.3.Findings

Segmenting The Islamic Countries According to Financial Indictors

One can determine a number of financial indicators to segment the Islamic financial markets. Some of these indicators are not available. The World Bank and some different official sources are used to obtain data. According to the World Bank website selected financial indicators, the use of SPSS statistical software package program to classify the Islamic countries. Variables from different sources are exchange rate, stock trading, bank capital and asset ratio, inflation rate, interest rate borrowing, broad money growth rate, deposit interest rate, loan interest rate and domestic credit. So that we can understand, whether the financial markets of Islamic countries can be divided.

As a first step, four different financial indicators were selected for 32 Islamic countries for use as input for such segmentation. As mentioned earlier, there are two different types of clustering analysis. We are more inclined to try stratification and K-means analysis methods to find the difference between the two methods of segmenting the market. The preliminary results of the analysis show that exchange rates and stock trading cannot divide the market. Therefore, these two variables are removed from the analysis; the other seven indicators are still analytical market.

As can be seen and inferred from the different iterations, the two groups are used to cluster the best number of 32 Islamic countries. Also in a hierarchical clustering aggregation scheme, a single solution with two clusters and vertical directions is used as the classification method. Since the variables are measured at different scales, the absolute value is preferably measured as a transferor. On the other hand, in the K-Means clustering analysis, it is also preferable that ten iterations are preferred, and two clusters are selected as a sufficient number.

The first output of the cluster analysis is the initial clustering center, whose value is based on the vector of the seven financial variables.

Table 4: Initial Cluster Centers

Variable	Cluster	
	1	2
Bank capital assets	12.20	8.90
Inflation rate	16.60	5.40
Interest rate	.00	-.50
Broad money growth	.00	14.60
Deposit interest rate	.00	2.90
Lending interest rate	.00	4.90
Domestic credit private sector	.00	108.40

This initial cluster centers shows that bank capital assets and inflation are two important variables which format both two clusters, and other variables such as interest rate, broad money growth rate, deposit rate, loan interest rate and domestic credit are only the second cluster. This is because the financial instruments in the financial market transactions of the stock, due to changes in some financial variables, its market value by a positive or negative impact, which shows the performance of the market and operating performance. In addition, it also involves the general situation in the market and other factors. Financial market conditions, as well as the state of the economy, such as economic growth, inflation and interest rates.

It is also useful to look at the iterative history of the analysis. The two-step iteration history is as follows:

Table 5: Iteration History

Iteration	Change in Cluster Centers	
	1	2
1	25.811	31.727
2	1.020	5.565

Table 5 shows two iterations enough to shape the cluster. The second iteration is less than the first iteration. Therefore, there is no need to run the analysis for the third time. As a result of these two iterations, 32 countries were grouped. The first cluster consists of 22 countries and the second cluster consists of 10 countries.

Table 6: Number of Cases in Each Cluster

Number of Cases in each Cluster		
Cluster	1	22
	2	10
Valid		32
Missing		.000

The most relevant output is the cluster membership table. This table lists the designation of two clusters for two countries. After reorganization, the form is as follows:

Table 7: Cluster Membership of the Countries

Cluster 1	Distance	Cluster 2	Distance
Afghanistan	19.785	Bahrain	08.386
Algeria	11.841	Iran	32.423
Azerbaijan	25.803	Jordan	09.729
Cameron	14.661	Kuwait	16.717
Egypt	15.522	Lebanon	19.862
Ghana	22.845	Malaysia	36.645
Indonesia	16.358	Morocco	11.870
Iraq	22.789	Tunisia	09.333
Kazakhstan	19.920	Turkey	23.154
Libya	15.800	Emirates	14.775
Mali	08.525		
Nigeria	15.276		
Oman	24.293		
Pakistan	10.231		
Philippines	19.170		
Qatar	24.437		
Saudi	18.219		
Senegal	16.418		
Somalia	29.322		
Sudan	15.508		
Turkmenistan	25.350		
Uzbekistan	25.516		

From this important table it can be concluded that most of the second group members from the Middle East countries accept Malaysia. Therefore, it is not wrong to call this cluster the majority of the Middle East countries. Since the first cluster is a mixed country of the Middle East, Africa, Central Asia and Asian countries, it is called a mixed country. Thus, it can be said that when the first cluster is heterogeneous, the second cluster is geographically homogeneous. Even if Malaysia is not a Middle East country, but in these countries ranked first. On the other hand, if we will be Malaysia from the center of the central part of the majority of the Middle East, we can realize that Malaysia is the center of the first country, up to 36.645 points, while Bahrain, Jordan and Tunisia if the cluster is very concentrated.

This research shows that the goal of a narrow country is to avoid the use of all or part of the distributors, agents and intermediaries to use price increases, especially in the case of poor communication between development and traditional channels On the basis of objectivity or on a non-scientific basis, price increases are the returns of more different types of equal marketing benefits that do not have space, time, function, formation and possessiveness.

The output of the hierarchical clustering analysis is a tree. This figure shows the following.

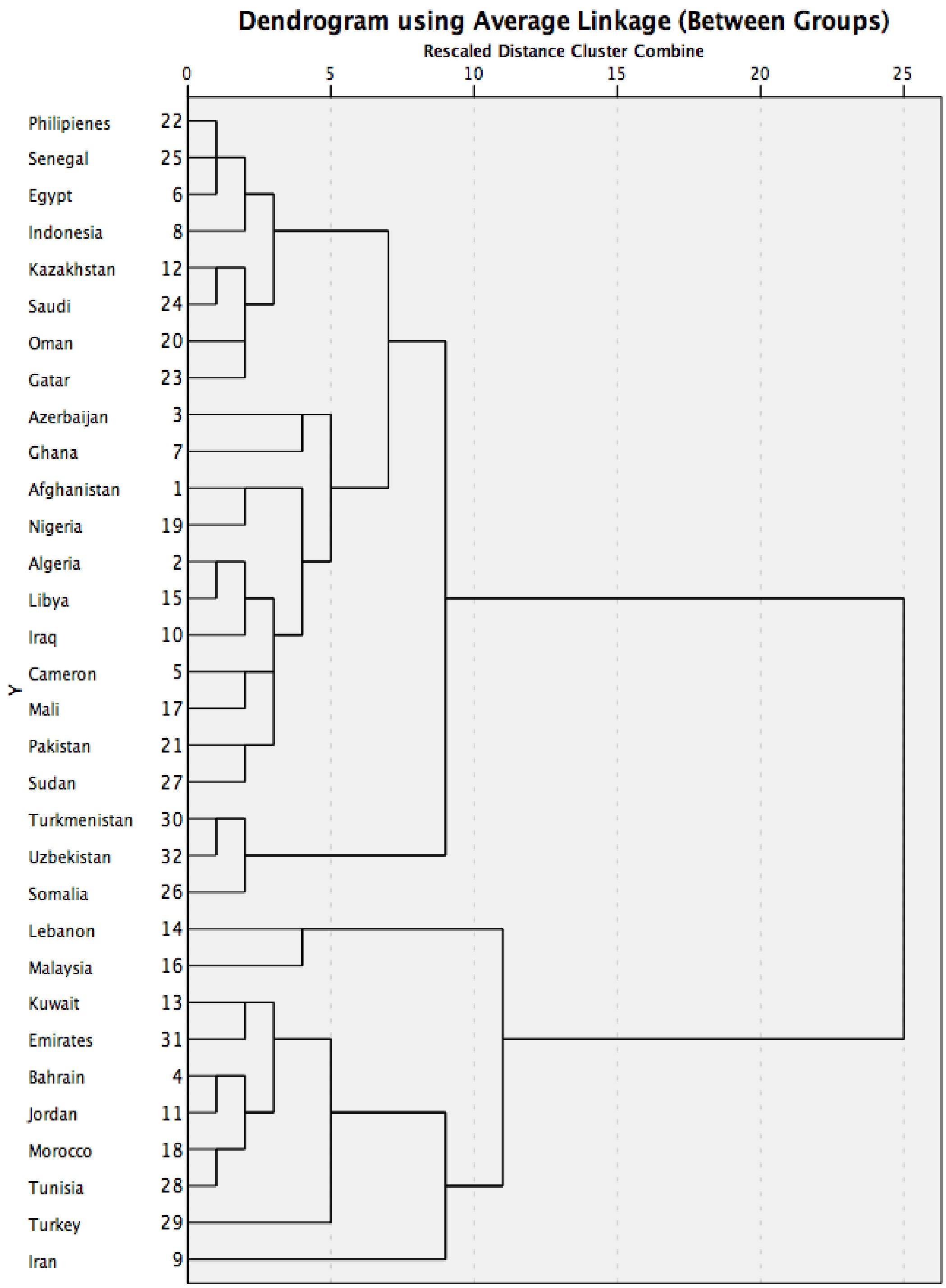


Figure 3: Classifying Islamic Countries Under Two Categories

The tree (Dendrogram) shows that the first cluster is way larger than the second cluster and is more heterogeneous because it has many clusters. These subgroups consist of a number of non-adjacent countries. For example, these countries seem to be very close to each other, even if they leave each other.

- Philippines, Egypt and Senegal.
- Kazakhstan, Saudi Arabia, Oman and Qatar
- Algeria, Libya and Iraq
- Cameron, Mali, Pakistan and Sudan
- Turkmenistan, Uzbekistan and Somalia

From these subsets it can be seen that at least one informal country belongs to a subcluster that differentiates the first cluster. This result can be explained by the fact that a market of a group of countries with a single or integrated economic link can be applied by a group of countries with a common economy and relationship. The size of the group can be reduced to only two countries, so apply. The concept of style requires centralized production centers and a few due to the inevitability of industrialization and centralization, distribution centers are often closer to the production sites than production centers.

Conclusively, it is necessary to learn the methods of each variable in each cluster.

Table 8: Final Cluster Centers

Variable	Cluster	
	1	2
Bank capital assets	7.25	10.12
Inflation rate	13.71	9.64
Interest rate	-1.60	-1.94
Broad money growth	14.13	9.06
Deposit interest rate	3.56	4.46
Lending interest rate	6.12	4.41
Domestic credit private sector	19.11	72.00

The table clearly figures out the characteristics of each cluster. The second cluster has higher bank capital, deposit interest and domestic credit. On the other hand, the same cluster has less inflation rate, interest rates, broad money growth and lending rates . Table 8 explains that the size of the deposit has an impact on the credit level because it directly affects the high liquidity to look for investments in these funds, reflected in the general credit increase, which means that large deposits will become the driving force for the expansion of the loan.

Indicators Which Discriminate the Segments

It is useful to divide the Islamic countries into two different clusters based on financial indicators, and it is useful to know which economic indicators completely distinguish between the two parts. As a result, the differences between the two segments will be apparent and the repetition of the study after a reasonable period of time will show the trend of these segments. The discriminant analysis is used for this purpose. In addition, the analysis will present an equation that can be used to understand the attribution between the two branches of the two countries.

The first SPSS output of the discriminant analysis is a test of the uniformity of the composition, indicating the validity of distinguishing each economic indicator.

Table 9: Tests of Equality of Group Means

Variable	Wilks' Lambda	F	df2	Sig.
GDP per capital	.966	1.055	30	.313
Exchange rate	.982	.539	30	.468
Stock traded	.900	3.346	30	.050
Growth rate	.994	.183	30	.672
Tax	.973	.825	30	.371
Export per capital	.871	4.435	30	.044
Import per capital	.688	13.618	30	.001
Broad money of GDP	.650	16.186	30	.000

This result shows that stock trade, export per capital, import per capital and broad money of GDP are vaild variable in discriminating the two segments. Because this table is similar to the variance analysis, indicating whether there is a difference between the two segments. It is necessary to study the arithmetic means and compare them. To do this, you can check group statistics. Only consider important variables.

Table 10: Group Statistics

Cluster		Mean	Std. Deviation
1	GDP per capital	8860.3682	18739.47784
	Exchange rate	542.0773	1858.75410
	Stock traded	4.4636	9.78476
	Growth rate	2.1636	15.10719
	Tax	7.9045	9.46122
	Export per capital	36.4682	21.30588
	Import per capital	30.0591	11.64514
	Broad money of GDP	38.4000	28.89236
2	GDP per capital	15868.0600	15722.60837
	Exchange rate	1214.3200	3337.21018
	Stock traded	13.2500	17.47559
	Growth rate	4.2500	3.38633
	Tax	11.2100	9.72242
	Export per capital	54.6100	25.33068
	Import per capital	50.8600	20.28996
	Broad money of GDP	100.0800	58.64056
Total	GDP per capital	11050.2719	17903.81838
	Exchange rate	752.1531	2382.01549
	Stock traded	7.2094	13.06298
	Growth rate	2.8156	12.60556
	Tax	8.9375	9.51341
	Export per capital	42.1375	23.80721
	Import per capital	36.5594	17.53117
	Broad money of GDP	57.6750	49.06677

While stock trade, export per capital, import per capital and broad money of GDP are smaller than the total average, same indicators are bigger than the total average .This result can be explained by the fact that the state usually relies on the structure of fiscal policy to stabilize, correct and balance public finances, and the fiscal policy indicators that have led to a decline in public expenditure and GDP. The results can also be resolved through market segments to address distortions in the trading market and allow nonbank financial institutions to appear on the market.

The right time to evaluate the results of the discriminant analysis.

Table 11: Wilks' Lambda

Test of Function(s)	Wilks' Lambda	Chi-square	Df	Sig.
1	.457	20.368	8	.009

This direct table shows only one discriminant function, because there are only two segments. Since the chi-square values are significant at the 0.009 level, the discriminant function is valid and can be used to distinguish these segments. In addition, the eigenvalues of the function are higher than one (1.189), and the canonical correlation is large enough (73.7%). Thus, the following table sets out the coefficients for each new country to be classified or reclassified for each indicator of an existing country.

Table 12: Canonical Discriminant Function Coefficients

Variable	Function
	1
GDP per capital	.000
Exchange rate	.000
Stock traded	.019
Growth rate	.033
Tax	-.009
Export per capital	.009
Import per capital	.032
Broad money of GDP	.018
(Constant)	-2.880

Unstandardized coefficients

The most relevant SPSS output is shown below. Through this table can be understand which indicators discriminate the sements and how much. More than 30% of the value is considerable.

Table 13: Structure Matrix

Variable	Function
	1
Broad money of GDP	.674
Import per capital	.618
Export per capital	.353
Stock traded	.306
GDP per capital	.172
Tax	.152
Exchange rate	.123
Growth rate	.072

Therefore, the indicator who segregate the two segments strongly, respectively are broad money of GDP, import per capital, export per capital and stock traded. This result can be explained by the clarity of the general economic situation that is difficult to sort out, such as the level of employment, the rate of inflation and the interest rate that affects the shopping trend. Investors should be cautious when assessing overall retail sales figures. One of the common screening criteria is to study annual sales growth. Once new stores are opened, the total retail sales may increase significantly, so there is a better standard for comparing sales of a store in the past year. Retailers know how to squeeze existing stores and extract more money from them.

Finally, SPSS output gives

Table 14: Classification Results

		Cluster	Predicted Group Membership		Total
			1	2	
Original	Count	1	22	0	22
		2	3	7	10
	%	1	100.0	.0	100.0
		2	30.0	70.0	100.0

a. 90.6% of original is grouped as cases correctly classified.

The grouped classification results show that the members of the Mixed Country Division are completely classified, and 70% of most Middle Eastern countries are split on the right

Method. Since the average classification of the average is, 90.6% is reasonable. The identification equation is sufficient to separate the two segments economic Indicators.

CONCLUSION

This study aims to examine financial markets in general. Also the concept of financial markets and standards of their classification. As well as to clarify the components of financial markets and tools which are traded in the money and capital market. This study was able to clarify the meaning of segmentation in general, by defining the segmentation from the point of view of many writers. For example, Kotler and Armstrong (2006), market segmentation is the processes of dividing the market into smaller groups of buyers with distinctively, different needs, characteristics or behaviors that may require separate products or marketing combination. This study aimed to determine the bases, which were adopted in the segmentation of the Islamic financial market which were (Geographic segmentation, Demographic segmentation, Psychological segmentation and Behavioural segmentation). As well as the process and strategies of segmentation Islamic market.

According to this goal and based on the research questions and hypotheses, the results of statistical analysis are as follows: The financial markets of Islamic countries can not be segmented according to economical indicators (GDP Per Capita, Growth Rate, Tax Revenue, Exports of goods and services, Imports of goods and services).Also, the financial markets of Islamic countries can be segmented according to some financial indicators (Bank capital assets, Inflation rate, Interest rate borrowing, Broad money growth, Deposit interest rate, Lending interest rate, Domestic credit private sector). The final economical indicators can discriminate the segments of financial markets of Islamic countries (GDP Per Capita, Growth Rate, Tax Revenue, Exports of goods and services, Imports of goods and services).

Since the financial markets of Islamic countries can be segmented according to some financial indicators. On the other hand, the financial markets of Islamic countries can not be segmented according to economic indicators. Also, economic indicators can discriminate the segments of the financial markets of Islamic countries. Both methods can be relied upon (Cluster and Discriminate analysis) in the market segmentation to get the best profits they can offer the best service to customers.

Recommendations

1. Markets should develop an appropriate marketing strategy for each sector and not deal with all sectors with the same strategy.

2. The need to focus markets on all indicators of the segmentation of the Islamic financial market and avoid attention to each other and the neglect of others.

3. Emphasize the need to spread and consolidate the culture of Islamic market segmentation.

Proposals

Based on the findings and recommendations of the study, the researcher makes the following suggestions regarding future researches:

1. Conducting a study to show the effect of the segmentation of the financial market in the composition of the product position in the market.

2. Conducting a study to show the effect of segmentation and targeting of the financial market in customer satisfaction.

3. Study the role of segmentation and targeting the financial market in the development of the new product.

4. Conducting a survey to determine the most widely used bases in the segmentation of the Islamic financial market to achieve effective segmentation.

5. Conducting study on the application for customers

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