



The Study Examining the Perceptions and Awareness Regarding Non-Interest Banking in India

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ABSTRACT

This study aims to evaluate the perception of Non-Interest Banking (NIB) among the Indian population by assessing their awareness and knowledge of key aspects related to NIB and the Shariah laws governing it. The research focuses on three main factors: Awareness of Non-Interest Banking, Knowledge of Non-Interest Banking, and Awareness of Shariah Laws Pertaining to Banking. Data was collected using a structured survey, and both descriptive and inferential statistical analyses were conducted to determine the overall perception of NIB among respondents. The findings highlight the level of awareness and knowledge among the population and provide insights into potential areas for further education and awareness campaigns.

Keywords: Perception, Awareness, Knowledge, Non-Interest Banking, Structured Survey

INTRODUCTION

Non-Interest Banking (NIB), also referred to as Shariah-compliant banking, has garnered significant recognition on a global scale as an alternative financial framework rooted in Islamic principles that prohibit interest-based transactions. This approach stands out amidst the diverse financial practices prevalent, particularly in countries like India, where a multitude of banking systems coexist. Consequently, gaining a nuanced understanding of how NIB is perceived becomes paramount, not only for its own growth but also for fostering broader acceptance within the financial landscape.

This study sets out to delve deeply into the levels of awareness and knowledge surrounding NIB within the Indian populace. It aims to explore several critical aspects, including the awareness quotient regarding NIB itself, the depth of understanding regarding NIB's guiding principles, and the familiarity with Shariah laws that dictate banking operations. Through a comprehensive analysis of these factors, the study seeks to contribute

substantively to the ongoing discourse concerning financial inclusivity and the rich diversity present within the Indian banking sector.

By unravelling the intricacies of NIB perception, this research endeavors to provide valuable insights that can inform policymakers, financial institutions, and educators alike. These insights can, in turn, serve as a compass for devising strategic initiatives aimed at augmenting awareness levels and fostering a deeper understanding of NIB concepts among the general populace. Ultimately, the findings of this study aspire to catalyze efforts towards promoting financial inclusion and diversity while bolstering the broader framework of the Indian banking industry.

Objective of the Study

1. To Determine the Perception and awareness of Non-Interest Banking

LITERATURE REVIEW

Bley and Kuehn's study explored students' perceptions and understanding of Islamic banking, examining the correlation between university students' comprehension of Islamic and conventional banks in the United Arab Emirates. The sample consisted of 676 graduate and undergraduate students from the School of Business and Management at the American University of Shariah. The findings revealed that Arab and non-Arab students held differing views on Islamic and traditional financial strategies. A key insight was that Muslim students favored Islamic banking due to their religious beliefs. Furthermore, successful non-Arab students demonstrated a better understanding of conventional banking products, while successful Arabic Muslim students had a stronger grasp of Islamic financial terminology and concepts. However, the study also highlighted a general lack of comprehensive knowledge about related banking concepts among the students. (Bley, 2004)

In their study, Rammal and Zurbruegg investigated the awareness of Islamic banking products among 300 Muslims in Adelaide, Australia. Their findings revealed that a significant portion of respondents lacked knowledge about the functioning of Islamic financial systems. However, they displayed keen interest in adopting these systems. Interestingly, although most respondents were aware of the existence of Islamic financial products, they were unfamiliar with core concepts of Islamic banking and specific strategies like profit-loss sharing agreements. The study highlighted that respondents' willingness to engage with Islamic financing methods, including profit/loss sharing contracts, was not hindered by their limited familiarity with "halaal" (Islamic Sharia) principles. Additionally, respondents indicated that their decision to use Islamic financial products was influenced by the reputation of the organization and the availability of services such as ATM access and phone banking. (Hussain Gulzar Rammal, 2007)

Khattak, N.A., and Kashifur Rehman conducted a study to investigate the relationship between key demographic characteristics and factors such as client satisfaction and awareness within the Islamic banking industry. They gathered data from a sample of 156 respondents living in various cities across Pakistan. The findings indicated a

mixed sentiment among consumers, as they expressed contentment with certain services but also voiced dissatisfaction with others. Overall, however, respondents displayed a general level of satisfaction with the Islamic banking services they were provided.

The study revealed an interesting pattern: while respondents demonstrated awareness of conventional banking products, they exhibited a lack of understanding about Islamic financial products such as Mudarabah and Ijarah. (Khattak, N.A., & Rehman, 2010) Numerous studies have focused on Malaysians, investigating differences in attitudes and perspectives toward Islamic banking between Muslims and non-Muslims. One such study involved a sample of 200 Malaysians from the Klang Valley, consisting of 100 Muslims and 100 non-Muslims. The study revealed an interesting contrast: non-Muslim participants viewed Islamic finance as primarily relevant to Muslims, whereas Muslims expressed support for Islamic finance. (Loo, 2010) Ahsanul Haque conducted face-to-face interviews with 473 Malaysian clients to explore their perspectives on Islamic banking. The study revealed that Malaysian clients, overall, held positive attitudes towards Islamic banking. Notably, there were minor but substantial differences in attitudes between Malay and Chinese consumers, as well as Chinese and Indian customers. Furthermore, the poll found inequalities in beliefs among men and women. (Haque, 2010)

Tambiah and colleagues assessed the awareness, perception, and interest in Islamic Retail Banking among Malaysian clientele in both rural and urban areas, including Muslims and non-Muslims. The study revealed a correlation between geography and awareness, indicating that consumers from rural and urban areas varied in their awareness of Islamic Banking, with rural respondents generally being less informed. Among the terms surveyed, respondents were most familiar with Riba, Al-Wadiah, and Shariah. The majority of Muslim participants expressed familiarity with these terms. Regarding uncertainty and complexity, rural respondents perceived Islamic retail banking to be more intricate and uncertain compared to urban respondents. Urban participants, on the other hand, regarded Islamic retail banking as more visible. Urban respondents also displayed a higher perception than rural respondents when it came to returns from fixed deposits, savings plans, and house loans with set repayment periods, overdraft facilities, and cost-effective service charges. Finally, the data revealed substantial differences in knowledge, perceived complexity, uncertainty, and comprehension of Islamic Retail Banking across urban and rural banking customers. This variation in perception also extended to the desire for Islamic Retail Banking. (Thambiah, Ismai, & Eze, 2011) In a study conducted by Md Faisal, Asif Akhtar, and Asad Rahman in four Class B cities in North India, a positive attitude towards Islamic banking was observed among both Muslims and non-Muslims. Similarly, Nissar Ahmed Yatoo and S.Sudalai Muthu conducted a study examining demographic variables' impact on attitudes toward Islamic banking. This empirical study used original data acquired from six Indian states. Surprisingly, despite the tremendous global expansion of Islamic banking across more than 100 nations, their studies revealed that Muslims in India are unaware of the facts, concerns, and practices of the Islamic financial system. In response, they proposed the development of programs to increase awareness of Islamic banking and finance. (Faisa, Akhtar, & Rehman) (Yatoo & Muthu, 2013)

To maintain competitiveness, the Islamic Banking System must draw in new customers, necessitating the implementation of suitable strategies. Jamajidi D., Hussin, and Wan, H.L. conducted a literature review to explore the potential influence of demographic factors on the acceptance and utilization of Islamic Banking Systems. Recognizing clients through segmentation and preferences becomes imperative for banks to provide customized and fitting services to their consumers. (Jamshidi, Hussin, & Wan, 2013) In a research study, Yusuf and Shamsuddin conducted a deliberate random sampling of 128 Muslims residing outside the Islamic world in Leicester, UK. Their observations revealed that Muslims showed a strong eagerness to shift from the conventional financial system to the Islamic financial system, displaying a favorable attitude towards Islamic banking. Intriguingly, irrespective of their comprehension of Islamic finance, 64% of the total participants were willing to abandon their existing accounts and open new ones with the new Islamic institution. Surprisingly, the study indicated that education levels did not significantly contribute to a better understanding of Islamic finance, as the majority of participants had not received formal education in Islamic studies. (Yusoff & Shamsuddin, 2003)

RESEARCH METHODOLOGY

This research adopts a survey methodology to explore the feasibility of Anglicizing perception to embrace Non-Interest Banking as an alternative banking solution. The study employs a questionnaire distributed nationwide in India through various social media platforms.

Population of Study

The study focuses on India's diverse population, including individuals with varying genders, age groups, education levels, occupations, incomes, marital statuses, employment, and religious beliefs, allowing a comprehensive exploration of demographic, socio-economic, and cultural variables.

Universe of Study

This study, referred to as the universe, is an inclusive research approach that considers diverse perspectives and experiences from individuals in India, ensuring a comprehensive understanding of the societal landscape and a nuanced and representative analysis of the research topic.

Sampling Technique	Convenience
Sample Size	496
Area of Survey	India

Sampling Technique

The research, which took 6-8 months, collected data from 1000 potential respondents, resulting in 496 responses, a response rate of 49.6%, indicating high engagement and participation among the target population.

Tools for Data Collection

- **Primary Data:** This research utilized various methods, primarily involving self-administered questionnaires, to assimilate factual information.
 - **Questionnaire:** The questionnaire's initial section focuses on understanding respondents' demographic profile using yes/no and ranking questions to gain a foundational understanding of their background.
- **Secondary Data:** The study combines primary data from a questionnaire with secondary data from online journals, theses, and related papers. This dual-method approach enriches the study's depth and direction, offering a comprehensive analysis of the research topic.

Techniques Used for Data Analysis

This research utilized SPSS and various statistical tools like Frequency Table With Percentages, Bar Graph, Pie Chart, and Chi-Square Test to analyze data and extract meaningful insights.

ANALYSIS AND INTERPRETATION

Objective 1: To Determine the Perception of Non-Interest Banking

The impression of NIB is assessed by assessing the knowledge of the following factors: The following criteria were used to assess knowledge of non-interest banking:

- Awareness of Non-Interest Banking
- Knowledge of Non-Interest Banking
- Awareness of Non-Interest/ Shariah Laws regarding Banking

Each facet of NIB is reviewed in two sections: the first portion uses descriptive statistics to assess the awareness level of all respondents, followed by inferential analysis for the entire population. The descriptive analysis of the sample is done by showing frequencies, percentages, and graphs, whereas the inferential analysis of the population is done using the One Sample Chi Square Test. Because awareness is measured in two categories: 'yes' and 'no', the frequencies of these are compared using the test. The typical null and alternative hypotheses for the One Sample Chi Square Test are:

H1	<p>H₀1: There is no awareness of NIB aspects in majority of the population in India.</p> <p>H_A1: There is an awareness of NIB aspects in majority of the population in India.</p>
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If the frequency of either group is much higher, it may be determined whether or not the community is aware of the specific NIB element. There are two possibilities in this case:

- A higher frequency of 'yes' indicates that the majority of the public is 'conscious' of the NIB component.
- A higher frequency of 'no' indicates that the majority of the people is 'not aware'.

Awareness of Non-Interest Banking

Table 1 NIB Awareness

Category	Freq.	%	Valid %	Cumulative %
Yes	278	56.0	56.0	56.0
No	218	44.0	44.0	100.0
Total	496	100.0	100.0	

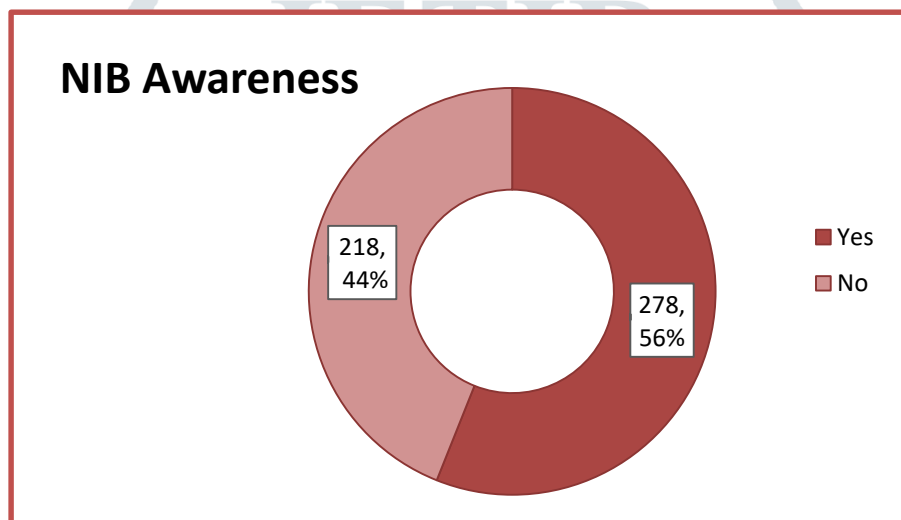


Figure 1 NIB Awareness Graph

According to the findings, 56% of respondents were aware of non-interest banking, while 44% were unaware. It may be assumed that the majority of respondents in the sample are aware of Non-Interest Banking. Although the observed frequency of 'yes' is higher than 'no', the significance of the difference for the population is examined statistically using a one-sample chi square test; the hypothesis, analysis, and findings are shown below.

H₀1.1: the frequency of both the categories 'yes' and 'no' for NIB awareness are equal and overall awareness of population cannot be concluded.

H₁1.1: the frequency of both the categories 'yes' and 'no' for NIB awareness are not equal and overall awareness of population can be concluded.

The frequency table and test statistic are presented below:

Table 2 NIB Awareness Test Statistics

Categories	Observed N	Expected N	Residual
Yes	278	248	30
No	218	248	-30
Total	496		
Test Statistics			
Chi-Square		7.26	*
df		1	
Asymp. Sig.		0.007	
*. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 248.			

The table shows that the test is significant at $p = 0.007$, so the null hypothesis $H_{01.1}$ can be rejected in favor of the alternative that the frequency of both the categories 'yes' and 'no' for NIB awareness are not equal, and thus overall population awareness can be concluded based on the observed data. Because the observed frequency of 'yes' is much more than 'no', it is possible to conclude that the majority of the population is 'conscious' of non-interest banking.

As a result of the observed statistics, it can be concluded that the vast majority of the Indian populace is aware of non-interest banking.

Knowledge of Non-Interest Banking

Table 3 NIB Knowledge

Category	Freq.	%	Valid %	Cumulative %
Yes	231	46.6	46.6	46.6
No	265	53.4	53.4	100.0
Total	496	100.0	100.0	

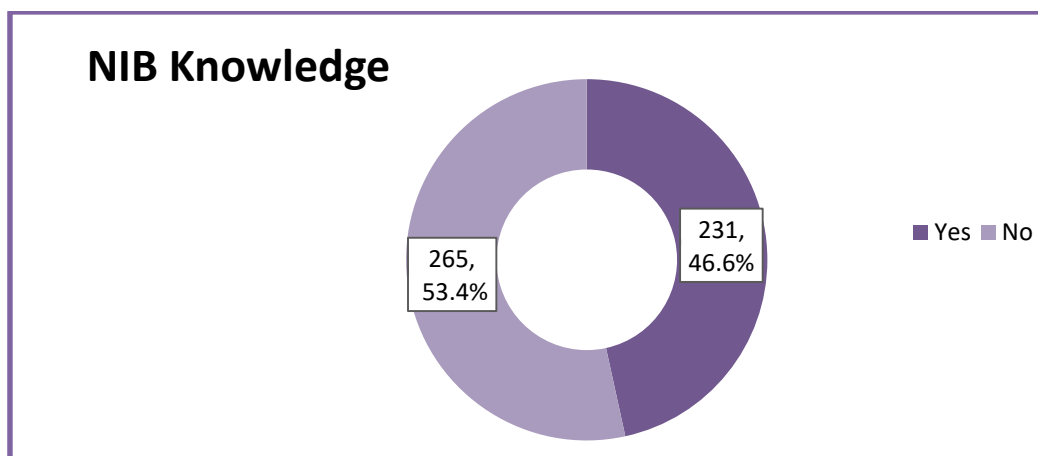


Figure 2 NIB Knowledge Graph

It was shown that 46.6% of respondents had knowledge about Non-Interest Banking, whereas 53.4% had no awareness. It is possible that the majority of respondents in the sample are unfamiliar with non-interest banking. Although the observed frequency of 'no' is higher than 'yes', the significance of the difference for the population is assessed statistically using a one-sample chi square test; the hypothesis, analysis, and findings are shown below.

H₀1.2: the frequency of both the categories 'yes' and 'no' for NIB knowledge are equal and overall knowledge of population cannot be concluded.

H₁1.2: the frequency of both the categories 'yes' and 'no' for NIB knowledge are not equal and overall knowledge of population can be concluded.

The frequency table and test statistic are presented below:

Table 4 NIB Knowledge Test Statistics

Categories	Observed N	Expected N	Residual
Yes	231	248	-17
No	265	248	17
Total	496		
Test Statistics			
Chi-Square		2.33	*
df		1	
Asymp. Sig.		0.127	
*. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 248.			

The table shows that the test is insignificant at $p = 0.127$, so the null hypothesis H₀1.2 cannot be rejected in favor of alternate, and it is assumed that the frequency of both the categories 'yes' and 'no' for NIB knowledge is equal, so overall population knowledge cannot be concluded from the observed data. Because the observed frequency of the 'yes' group is identical to that of the 'no' category, it is impossible to determine whether the majority of the population is 'having' or 'not having' knowledge of non-interest banking.

Awareness of Shariah Laws Regarding Banking

Table 5 Shariah Laws Awareness

Category	Freq.	%	Valid %	Cumulative %
Yes	236	47.6	47.6	47.6
No	260	52.4	52.4	100.0
Total	496	100.0	100.0	

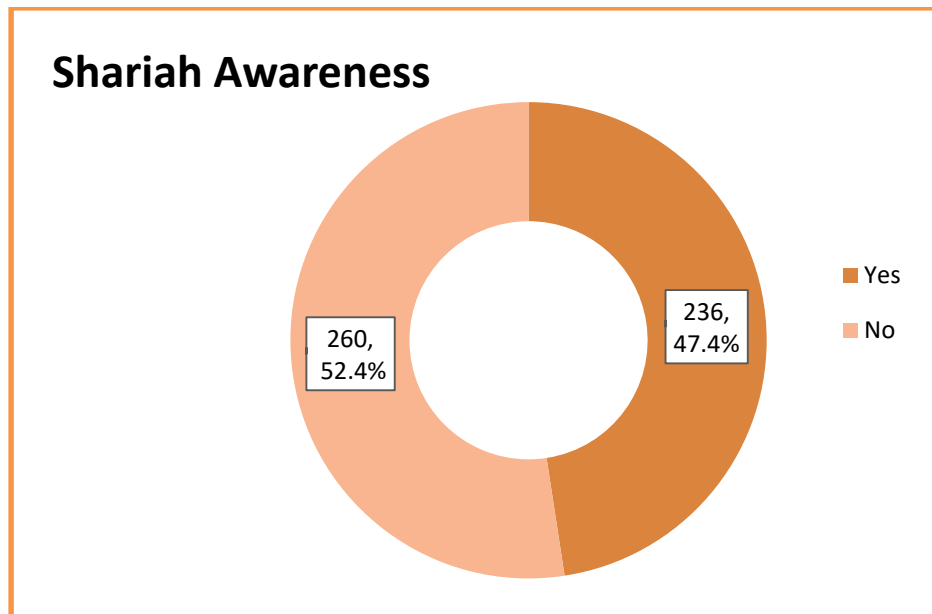


Figure 3 Shariah Laws Awareness Graph

47.6% of respondents were aware of Shariah laws, while 52.4% were not. The majority of respondents in the sample may not be aware of Shariah laws. Although the observed frequency of 'no' is higher than 'yes', the significance of the difference for the population is assessed statistically using a one-sample chi square test; the hypothesis, analysis, and findings are shown below.

$H_{01.3}$: the frequency of both the categories 'yes' and 'no' for Shariah Laws awareness are equal and overall awareness of population cannot be concluded.

$H_{11.3}$: the frequency of both the categories 'yes' and 'no' for Shariah Laws awareness are not equal and overall awareness of population can be concluded.

The frequency table and test statistic are presented below:

Table 6 Shariah Law Awareness Test Statistics

Categories	Observed N	Expected N	Residual
Yes	236	248	-12
No	260	248	12
Total	496		
Test Statistics			
Chi-Square		1.16	*
df		1	
Asymp. Sig.		0.281	
*. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 248.			

The table shows that the test is insignificant (p value = 0.281), so the null hypothesis $H_{01.3}$ cannot be rejected in favor of alternate, and it is assumed that the frequency of both the categories 'yes' and 'no' for Shariah Laws

awareness are equal, so overall population awareness cannot be concluded from the observed data. Because the observed frequency of the 'yes' group equals that of the 'no' category, it is impossible to determine whether the majority of the population is 'knowing' or 'not aware' of Shariah Laws.

FINDINGS

The findings from the analysis of the perception of Non-Interest Banking (NIB) and awareness of related aspects are as follows:

1. Awareness of Non-Interest Banking (NIB):

- 56% of the respondents were found to be aware of Non-Interest Banking, while 44% were not.
- The One Sample Chi-Square Test indicated a significant difference ($p = 0.007$), rejecting the null hypothesis that both 'yes' and 'no' categories are equal in awareness.
- Therefore, it can be concluded that a majority of the population in India is aware of Non-Interest Banking.

2. Knowledge of Non-Interest Banking (NIB):

- 46.6% of the respondents demonstrated knowledge of Non-Interest Banking, while 53.4% did not.
- The One Sample Chi-Square Test did not show a significant difference ($p = 0.127$), indicating that the frequencies of 'yes' and 'no' categories are equal in knowledge.
- Thus, it cannot be conclusively determined whether the majority of the population has knowledge of Non-Interest Banking based on the observed data.

3. Awareness of Shariah Laws Regarding Banking:

- 47.6% of the respondents were aware of Shariah Laws regarding banking, while 52.4% were not.
- The One Sample Chi-Square Test did not indicate a significant difference ($p = 0.281$), suggesting that the frequencies of 'yes' and 'no' categories are equal in awareness.
- Consequently, it cannot be determined whether the majority of the population is aware of Shariah Laws regarding banking from the observed data.

In summary, while a majority of the population in India is aware of Non-Interest Banking, the study did not yield conclusive results regarding the overall knowledge of NIB principles and awareness of Shariah Laws governing banking activities. These findings underscore the need for further research and targeted educational initiatives to enhance understanding and awareness in these areas.

CONCLUSION

In conclusion, the study aimed to determine the perception of Non-Interest Banking (NIB) among the Indian population by assessing awareness levels and knowledge regarding NIB principles and Shariah laws governing banking activities. The findings revealed that a majority of the respondents were aware of Non-Interest Banking, indicating a positive perception and understanding of this alternative financial system.

However, the study also highlighted areas of concern, particularly regarding the knowledge of NIB principles and awareness of Shariah laws. While a significant portion of the population demonstrated awareness of NIB, the knowledge level regarding its principles was not conclusive. Additionally, awareness of Shariah laws governing banking activities was not significantly different from lack of awareness, indicating a need for further education and awareness campaigns in this regard.

These findings underscore the importance of ongoing efforts to enhance understanding and awareness of Non-Interest Banking and related Shariah laws among the Indian populace. Policymakers, financial institutions, and educators can utilize these insights to develop targeted initiatives aimed at promoting financial inclusivity and diversity within the Indian banking sector. Overall, the study provides valuable insights into the perception of NIB in India and lays the foundation for future research and educational endeavors in this field.

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