ABSTRACT

Islamic finance presents a new avenue as a novel alternative to the conventional financial set-up in this country. Driven strongly by moral values and ethical considerations, it presents an opportunity, not only to the marginalized minority of this country, but also to others who are not inhibited by the religious connotation to it. Therefore, the purpose of this study is to find out the prospects of Islamic banking in India.

The objectives of this study have been met by conducting a survey to elicit the responses from retail customers of both private and public sector banks in the four cities of South India. The survey was carried out among both Muslims and non-Muslims to find out about the awareness levels, patronage, motivation and perception towards Islamic banking in India.

The results reveal that the respondents have a favourable perception towards Islamic banking especially from the city of Hyderabad, since it has got a lot of institutions that run courses on Islamic banking. This study also helps to understand the socio-economic profile of the potential customers and hence, provide better insights to policy makers about the need for the introduction of Islamic banking in India and the need to fulfill the financial aspirations of the marginal sections of the society.

In the current study, it is found that Islamic banking is having low level of awareness among the respondents. However, the attitude towards adoption of Islamic Banking seems encouraging, as reflected in the study, notwithstanding the regulatory and politico-social hurdles along the way of its implementation. As Islamic banking will bring about the financial inclusion of the marginal sections of the society, it has to be implemented at least in a phased manner. This will not only help India attract foreign remittances especially from Gulf Co-operation Council (GCC) countries but also to realize its dream of becoming a financial hub. This may not only serve the economic needs of potential customers of Islamic banking but also contribute to the economy of the country, at large.

This study has drawn its sample from the retail customers of banks from the four southern states of India. Therefore, in order to extend the findings of this study to the general populace would be inappropriate. However, the findings of this research gain significance on account of
the fact that this sample represents a segment of the entire population of South India and thus, act as a pre-cursor to a detailed study involving various other such demographic denominations. The future directions for this research could be carried out by drawing such clusters across the rest of the country. This may help to understand and get a better and broader perspective of the need for Islamic banking and hence, its prospects in India.

Key words: Financial inclusion, economic empowerment, foreign remittances, patronage, bank selection criteria, perception of Islamic banking