5.1 Introduction

On the basis of the analysis of the empirical data and inferences made thereon, the detailed findings are presented in the various sections of this chapter in the order of data analysis followed earlier. This chapter contains findings based on the different tools used followed by suggestions for the implementation of Islamic banking in the sample area and concludes with the scope for further research.

5.2: Findings of the study

Findings based on Percentage Analysis

1. Gender:

A majority (76.7%) of the respondents were male while the rest 23.3% were female. It clearly indicates that financial empowerment of the women in the sample area is less when compared to men. This may be due to socio cultural factors of the economy prevalent in the sample area. Men are usually the head of the family and hence, taking care of the financial needs and other financial aspects of the family, is their sole prerogative. The other reason could be that the level of financial literacy among the womenfolk may be relatively less compared to menfolk until the recent past in the sample area. Women usually take up household works and preferred to be housewives. Such a culture has made the womenfolk to be highly dependent on the head of the family, not only to fulfill their financial needs but also give more time to the family and thereby absolve themselves of the financial obligations. Thus, we find that there is a clear gender bias in the sample and this is but expected in the conservative and traditional culture of these south Indian cities. Similar results were found by Gait and Worthington [43].

2. Age:

In the age category, majority (45%) were in the age group of 18-25 while a substantial segment (31.7%) belonged to the age-group 26-35. This concurs well with the findings of Wabekwa [15]. It indicates that the financial empowerment in the family is associated with the earning members and they fall in the age group of 18-35. The other reason could be that these respondents are easily approachable than the rest of the respondents. Age does play an important role in observing new concepts and ideas and
also in implementing them. The level of financial awareness, in general, and decision making related to finance, in particular, may be more among the youth when compared to others in the sample.

3. **City of nativity:**

Respondents from Mallappuram in Kerala formed 39.2% as highest number of sample respondents from the region. This was followed by 23% from Chennai in Tamil Nadu, 20% from Hyderabad in Andhra Pradesh and 17.5% from Bangalore in Karnataka. The reason behind the selection of these cities is due to the relatively large population of Muslims. There is a very high probability that the targeted audience are aware of the concepts of Islamic banking and hence the ease of getting more valid responses to the questionnaire.

4. **Educational background:**

Most of the respondents (39.0%) had completed undergraduate courses (UG) and this formed a significant part of the sample. The second largest group representing the sample was respondents who were Post graduates and this accounted for 26.6%. This was followed by those who had Higher Secondary Certificates and below with 22.7% representation in the sample. The rest 11.6% were diploma holders in the sample.

5. **Religion:**

Among the three major religious background that are prevailing in the sample area, namely Hindus, Muslims and Christians, majority of the respondents (70.3%) were Muslims and the rest were non-Muslims. Out of the non-Muslims, 24% were Hindus and the remaining 5.7% were Christians. From this, it becomes clear that the targeted sample area consists of higher density of Muslim population when compared to others.

6. **Occupation:**

Respondents from Private employment formed 41.3% and those who were self-employed constituted 16.2% and Government servants accounted for 9.8%. Professionals were 7.1%, housewives were 6.8% while those from ‘Others’ category were 18.8%.

7. **Sector of bank in which account is maintained:**

Of the respondents who participated in the survey, 48% of them had accounts in Public sector banks, and 42% had accounts in private banks. The rest 9.9% had accounts
in both private and public sector banks. It is inferred from this that the public sector banks are playing a key role in banking operations in the sample area.

8. **Level of Income per year:**

A substantial chunk of 38% of the respondents had income less than 1 lakh INR, 26.5% had incomes between INR. 1 lakh and 3 lakhs, 17% of the sample had INR 3-Rs.5 lakhs income per year. While 9.2% had income from INR 5-7 lakhs per year, a similar chunk (9.3%) belonged to ‘Above 7 lakhs’ income category.

9. **Status of family members living abroad**

49.5% of the respondents have family members who live abroad while almost an equal percentage 50.5% have indicated that they do not have any of their family members who live abroad. It is possible that the respondents who do not have any of their relatives living abroad might themselves have had an overseas opportunity earlier but might have returned during the time of data collection. This might result in them being relatively more knowledgeable about the terminologies and concepts related to Islamic banking.

10. **Practice of qard hasana:**

Respondents who did not practice Qard Hasana (benevolent interest free loans) were 76% of the sample in the sample area and a small segment (24%) of the sample respondents had practiced the same. This indicates a poor level of adoption and practice of giving benevolent interest free loans which is one of the basic Islamic banking methods. The prime reason for this could be the non-availability of Islamic banking methods in the sample area and also the lack of awareness and lack of accessibility among the respondents in the sample area.

**Findings based on Weighted Average Mean**

1. **Level of Awareness of terminologies of Islamic Banking**

Out of the four terminologies related to Islamic banking, only three of them have been found to be aware among the respondents. The third term ‘Halaal’ with a mean score of 3.44 is the one which has got the highest level of awareness among the respondents. The fourth term ‘Riba’ which means Interest is not known among the majority (28.82+23.29=52.11%) of the respondents. This is because the terms Shariah,
Haraam and Halaal are not exclusive to Islamic banking and are a part of the common parlance of the Muslim community, while the term ‘Riba’ is used only in the financial context.

2. Level of Awareness of terminologies of Islamic Methods of Finance

For all the eight terminologies related to Islamic methods of finance, the level of awareness among the respondents is significantly poor (i.e. the variables recorded less than average mean score of 2.5). This concurs well with the findings of Nissar Ahmad Yatoo [59] and Ramana Sheikh & Faisal Ahammed [62]. The second term ‘Murabahah’ with a mean score of the 2.35 is the term which is least known among the respondents. This is because these terminologies are a part of the Islamic banking parlance and is not used even among the well-learned Muslims. Further, since there are no Islamic banks operational in India, as of now, it is not surprising that the awareness level for these terms is very low.

3. General Perception of the respondents towards Islamic Banking

There exists a positive perception about Islamic Banking and that a large segment of the respondents (65.93%) have preference for an Islamic bank over a conventional bank. This is concurs well with the findings of Faisal, Asif and Asad Rahman [25]. The results of the table are classified on the basis of the mean scores and classified into two types, namely, highly positive perception factors and moderately positive perception factors about Islamic banking. The items with mean scores of 3.5 and above are classified as highly positive factors and those below 3.5 mean scores are classified as moderately positive factors.

Based on the mean score being above 3.5 (i.e. 70% and above level of agreement and favour of expression) in the sample survey, the following statements indicate a high level of positive perception about Islamic banking in the sample area:

- ‘I have heard of Islamic banks’, with a mean score of 3.5
- ‘I will do business with an Islamic banks, if it is introduced in India’, with a mean score of 3.69
- ‘Future prospects of Islamic Banking in India are very good’, with a
mean score of 3.55

- ‘My preference for an Islamic bank over a conventional bank is high’, with a mean score of 3.76

4. **‘Awareness’ as a patronage factor towards Islamic banking**

The level of awareness as a factor influencing the prospects of Islamic banking adoption in the sample area is supported by the various items with the high level of agreement for the items given in the awareness. The items loaded with mean scores of 3.5 and above are taken as primary influencing aspects. They are as follows:

- ‘Islamic Banking is based on the fundamental principles of Islamic Law’ with a mean score of 3.83
- ‘In Islamic Banking, interest is neither paid nor taken on savings and loans’ with a mean score of 3.78
- ‘Islamic Banking function on the basis of Profit & Loss Sharing with the customers’ with a mean score of 3.52 and
- ‘Islamic Banking is socio-economic in nature as it balances profit sharing with social responsibility’ with a mean score of 3.65.

Hence, it becomes clear that the awareness on Islamic banking is closely associated with the religious principles of Islam and therefore, the adoption of the same by the non-Muslims requires a lot of promotional activities to create awareness of its benefits. The fact that such benefits are meant for all and not restricted to Muslims alone should be clearly highlighted. In a secular country like India, where there exists a high level of illiteracy and myths of religious nature, such a task will a long time and the efforts towards this will bear fruit only over a longer period of time.

5. **‘Religious Reasons’ as a patronage factor of Islamic banking**

There is a moderate and average level of influence of religious reasons on the prospects of Islamic banking in the sample area. The same is represented in the form of low level of agreement for the items loaded in the factor religious reasons. The mean scores of the items loaded are:
• ‘Investing in Islamic banks will not conflict my religious beliefs’ with a mean score of 3.64
• ‘I will influence my family and friends to invest in Islamic Banks due to the religious reasons’ with a mean score of 3.39
• ‘I will invest money in Islamic Banks only due to the religious reasons’ with a mean score of 3.23 and
• ‘I will borrow money from Islamic Banks only due to the religious reasons with a mean score of 3.08.

This clearly indicates that the religious reasons may have moderate level of influence on the prospects of Islamic banking in the sample area.

6. ‘Products And Services’ as a patronage factor of Islamic banking

There is a high level of influence of ‘Products and Services’ as a factor influencing the prospects of Islamic banking in the sample area. This is indicated by a high level of mean scores for the items loaded in the ‘Products and Services’ factor. The mean scores recorded for the various items are as follows:

• ‘I will invest my money in Islamic Banks if there is speed of processing items’ with a mean score of 3.70
• ‘I will invest my money in Islamic Banks if its personnel are friendly and courteous’, with a mean score of 3.61
• ‘I will invest my money in Islamic Banks if it provides financial planning assistance and financial counseling’, with a mean score of 3.57
• ‘I will invest my money in Islamic Banks only if it provides fast and efficient services, with a mean score of 3.58
• ‘I will invest my money in Islamic Banks if it provides a wide range of products and services’ with a mean score of 3.56
• ‘I will invest my money in Islamic Banks if it provides locker services’ with a mean score of 3.55.

The variables loaded with scores above 3.5 are considered as highly influencing variables. Hence, design and development of attractive product line is important for the better prospects and success of Islamic banks in the sample area. From this, it is evident that ‘Products and Services’ play a vital role in
banking selection criteria. Therefore, Islamic banking needs to provide good quality offerings in order to survive in the competitive market conditions.

7. ‘Vicinity/Ease of Access’ as a patronage factor of Islamic banking

It is evident from Table 4.3.7 that the mean scores of all the items loaded in ‘Vicinity/Ease of access’ are below 3.5 and therefore considered to influence the patronage moderately. In other words, ‘Vicinity/Ease of Access’ as a factor that influences the choice of bank selection enjoys only a moderate level of influence in the sample area.

The mean scores loaded for the variables are as follows:

- ‘I will invest my money in Islamic Banks if there is an extensive ATM network’ with a mean score of 3.47
- ‘I will invest my money in Islamic Banks if there is an extensive branch network’, with a mean score of 3.33
- ‘I will invest my money in Islamic Banks if it provides wide electronic communication system like internet banking and SMS alerts’, with a mean score of 3.33 and
- ‘I will invest my money in Islamic Banks if there is access to public transport’, with a mean score of 3.31.

This indicates that ‘Vicinity/Ease of access’ has a moderate influence on the prospects of Islamic banking in the sample area.

8. ‘Attractiveness’ as a factor influencing the prospects of Islamic banking

‘Attractiveness’ as a factor influencing the prospects of Islamic banks is having a low level of influence due to the low levels of mean scores recorded in the sample survey. The mean scores recorded for the items loaded under the factor, ‘Attractiveness’ are as follows:

- ‘I will invest my money in Islamic Banks only if the external appearance of the bank is good’, with a mean score of 2.77
- ‘I will invest my money in Islamic Banks if it has got different partitions of counters for the various services’, with a mean score of 3.21
- ‘I will do business with an Islamic Bank if its hours of operation are attractive’ with a mean score of 3.22 and
- ‘I will invest my money in Islamic Banks if the interiors are good respectively’, with a mean score of 2.93.

Banking as a business closely associated with the trust and safety. Hence, ‘Attractiveness’ of an Islamic bank may have little role in attracting customers to its fold and to influence the prospects of a banking system.

9. ‘Reputation’ as a factor influencing the prospects of Islamic banking

‘Reputation’ of a bank matters a lot in the selection of an Islamic bank as it has recorded a high level of mean scores for all the variables in the factor ‘Reputation’. The mean scores of 3.5 and above are considered as highly influencing variables. The mean scores recorded for all the variables are as follows:
- ‘I will invest my money in Islamic Banks if the confidentiality level of the banks is high’, with a mean score of 3.72
- ‘I will invest my money in Islamic Banks if I have confidence in the bank’s management’, with a mean score of 3.68 and
- ‘I will invest my money in Islamic Banks depending on the reputation and brand image of the promoters/trustees in the order of priority’, with a mean score of 3.50.

Hence, reputation of a bank is considered to be a vital factor influencing the prospects of Islamic banking in the sample area.

10. ‘Cost/Benefit’ as a factor influencing the prospects of Islamic banking

‘Cost/Benefit’ as a factor in influencing the prospects of Islamic banking in the sample area has a strong influence on it for most of the variables loaded and the mean scores of the same are recorded as follows:
- ‘I will borrow money from Islamic Banks if it permits lower monthly payments’, with a mean score of 3.51
- ‘I will invest my money in Islamic Banks if it provides lower service charges for usage of cheques’, with a mean score of 3.52
- ‘I will do business with Islamic Banks if its charges for inter-bank transactions are low’, with a mean score of 3.55 and
• ‘I will do business with Islamic Banks if it provides zero-balance account facility’, with a mean score of 3.54.

Based on the above mean scores for ‘Cost/Benefit’, it is inferred that the respondents usually carry out a cost benefit analysis before venturing into investing or depositing their money in Islamic banks in the sample area. Thus, it becomes clear that the prospects of Islamic banking is highly influenced by Cost/Benefit and therefore Islamic banks cannot thrive just based on the religious angle alone and has to provide competitive monetary benefits to its customers in the sample area in order to survive in the competitive market.

11. Perception of the benefits of Islamic Banking

There is a highly positive perception about the benefits of Islamic banking systems in the sample area due to the high levels of agreement and mean scores for all the variables mentioned therein. The mean scores of the variables favoring the perception of benefits of Islamic banking in the sample area in the order of priority are as follows:

• ‘Islamic banks can help in the collection and distribution of obligatory charity (Zakah) and hence will help in reducing poverty’, with a mean score of 3.84,

• ‘Islamic banks may help poor people with benevolent loans & hence will help improve India’s socio-economic status’, with a mean score of 3.82,

• ‘Islamic banks will be better controlled due to dual-monitoring both by RBI and by Shariah (Islamic Law) Advisory Boards’, with a mean score of 3.80,

• Islamic banking will result in fair, just, equitable and ethical ways of borrowing and investing, as its principles do not permit investing in socially-prohibitive and unethical activities’, with a mean score of 3.74 and

• ‘Islamic Banks will attract more investments from Indians living abroad especially in the Middle East and hence will lead to financial inclusion’, with a mean score of 3.73 respectively.
Thus, it is clear that there exists a positive and favorable perception among the respondents in the sample area towards the future possibility of providing Islamic methods of finance and hence, Islamic banking.

12. ‘Motivation’ towards the potential use of Islamic banking

There is a high level of motivation shown towards the adoption of Islamic banks among the sample respondents due to the high level of mean scores registered for all the variables under ‘Motivation’. The mean scores of all the variables are as follows:

- ‘Islamic banking will ensure justice in the financial transactions’ with a mean score of 3.82
- ‘Islamic banking contributes to the welfare of the economy’, with a mean score of 3.83
- ‘Islamic banking invests their money in business with the depositor’s money and therefore shares the risks’, with a mean score of 3.71
- ‘By investing my money in Islamic Banks, I am assured of ethical investing’ with a mean score of 3.73 and
- ‘I do not foresee any disadvantage while investing my money in Islamic Banks, due to the strong resilience shown by it during the recent economic crisis’, with a mean score of 3.70.

From the above, it becomes clear that the respondents exhibit a high level of motivation towards the adoption of Islamic banking in the sample area. This implies that the respondents in the sample area expect a high level of service quality to be provided and maintained by Islamic banks. Thus, Islamic banks need to meet and deliver the expectations of the potential customers in order to survive in the marketplace.

13. Bottlenecks For Implementation Of Islamic Banking

The bottlenecks for the implementation of Islamic banking in the sample area are significantly perceived by the respondents with a high level of mean scores of 3.5 and above for all the different variables. The various issues in the implementation in the order of priority are as follows:
• ‘Inadequate knowledge of Muslims about the concept of Islamic Banking is the main bottleneck for its implementation’, with a mean score of 3.69,
• ‘Legal hurdles are the main bottleneck for its implementation’, with a mean score of 3.62,
• ‘If Islamic Banking is renamed as interest-free banking, it will gain acceptance from the public’, with a mean score of 3.61,
• ‘The regulatory framework is the main cause for the potential delay in the implementation of Islamic Banking in India’, with a mean score of 3.64, and
• ‘Lack of professionals is the main bottleneck for the implementation of Islamic Banking in India’ with a mean score of 3.52.

Thus, it becomes clear that the respondents exhibit a strong perception about the various impediments in the successful implementation of Islamic banking in the sample area. Thus, meticulous planning and strong promotional activities need to be carried out to overcome these bottlenecks.

Findings based on the inferential statistics:

Findings based on t-test:

1. **Relationship between gender and general perceptions on Islamic banking:**

   There is a highly significant difference between the gender of the respondents with regard to their perceptions on Islamic banking.

2. **Relationship between gender and the level of awareness of Islamic banking:**

   There is a highly significant difference between the gender of the respondents with regard to their awareness of terminologies of Islamic banking. Based on the mean value, it is found that male respondents (with a mean score of 12.84) have exhibited higher levels of awareness of terminologies of towards Islamic banking with their means scores being higher than that of the female respondents.
3. **Relationship between gender and the factors of patronage of Islamic banking:**

   There is a highly significant difference between the gender of the respondents with regard to their patronage towards Islamic banking for the variables, ‘Awareness’ and ‘Attractiveness’. Based on the mean value, it is found that male respondents (with a mean score of 24.53 and 12.38) have exhibited higher levels of patronage towards Islamic banking with their means scores being higher than that of the female respondents.

4. **Relationship between respondents’ practice of qard hasana and their perceptions on Islamic banking:**

   There is no significant difference between the practice of ‘qard hasana’ by the respondents with regard to their perceptions on Islamic banking.

5. **Relationship between respondent’s practice of qard hasana and awareness on Islamic banking terminologies:**

   There is no significant difference between the practice of ‘qard hasana’ by the respondents with regard to their awareness of terminologies of Islamic banking. Based on the mean value, it is found that respondents who practiced ‘qard hasana’ (with a mean score of 21.12) have exhibited higher levels of awareness of terminologies of Islamic methods of finance with their means scores being higher than that of the respondents who have not practiced it.

6. **Relationship between respondents’ practice of qard hasana and their perceptions on patronage factors considered while adoption of Islamic banking towards Islamic banking:**

   There is no significant difference between the practice of ‘qard hasana’ by the respondents with regard to their patronage towards Islamic banking for the variable ‘Vicinity/Ease of Access’. Based on the mean value, it is found that respondents who did not practice ‘qard hasana’ (with a mean score of 20.15) have exhibited higher levels of patronage towards Islamic banking with their means scores being higher than that of the respondents who have practiced it.
Findings based on ANOVA:

1. Relationship between the age of respondents and their perceptions on Islamic banking:

   There is no significant difference between the age of the respondents with regard to their perceptions on Islamic banking. Based on the mean value, it is found that respondents in the age group 26-35 (with a mean score of 24.82) have exhibited the highest levels of perceptions towards Islamic banking with their means scores being higher than that of the other respondents. This may be due to increased level of financial awareness among the youth with the open market economy and financial literacy observed through markets.

2. Relationship between the age of respondents and their level of awareness on Islamic banking:

   There is no significant relationship between the age of the respondents and their awareness on Islamic banking.

3. Relationship between the age and the Patronage factors considered while adoption of Islamic banking:

   There is a significant relationship between the age of the respondents and their patronage towards Islamic banking for ‘Products and Services’, ‘Religious Reasons’, ‘Attractiveness’, ‘Cost/Benefit’, ‘Perception’ and ‘Motivation’. Based on the mean value, it is found that respondents in the age group of 26-35 (with a mean score of 25.75) have exhibited the highest levels of patronage towards Islamic banking with their means scores being higher than that of the other respondents.

4. Relationship between the religion of respondents and their perceptions on Islamic banking:

   There is a significant relationship between the religion of the respondents and their perception on Islamic banking. Based on the mean value, it is found that Muslim respondents (with a mean score of 25.51) have exhibited the highest levels of perception on Islamic banking with their means scores being higher than that of the other respondents.
5. **Relationship between the religion of respondents and their awareness on Islamic banking:**

There is a significant relationship between the religion of the respondents and their awareness Islamic banking for these variables. Based on the mean value, it is found that Muslim respondents (with the mean scores of 14.35 and 19.36) have exhibited the highest levels of awareness of the terminologies of Islamic banking and those of Islamic methods of finance respectively, with their means scores being higher than that of the other respondents.

6. **Relationship between the religion of respondents and their Patronage towards Islamic banking:**

There is a significant relationship between the religion of the respondents and their patronage towards Islamic banking for all the variables of patronage. Based on the mean value, it is found that Muslim respondents have exhibited the highest levels of patronage towards Islamic banking with their means scores being higher than that of the other respondents.

7. **Relationship between the city of respondents and their perceptions on Islamic banking:**

There is a significant relationship between the city of the respondents and their perception on Islamic banking. Based on the mean value, it is found that respondents from Hyderabad (with a mean score of 26.24) have exhibited the highest levels of perception on Islamic banking with their means scores being higher than that of the respondents from other cities. This may be due to a higher number of sample respondents in the survey from Hyderabad city being Muslims. In addition to this, the fact that there are privately run educational institutes in Hyderabad that offer short-term certificate and diploma courses in Islamic banking might have also contributed to this.

8. **Relationship between the city of respondents and their awareness on Islamic banking:**

There is a significant relationship between the city of the respondents and their awareness of the terminologies of Islamic banking. Based on the mean
value, it is found that respondents from Hyderabad (with a mean score of 21.66) have exhibited the highest levels of awareness of Islamic banking with their means scores being higher than that of the other respondents. It is concluded that Hyderabad can be tipped to be the ideal choice for introduction of Islamic banking.

9. **Relationship between the city of respondents and their patronage on Islamic banking:**

   There is a significant relationship between the city of the respondents and their patronage towards Islamic banking for these variables. Based on the mean value, it is found that respondents from Hyderabad (with a mean score of 28.44) have exhibited the highest levels of patronage towards Islamic banking with their means scores being higher than that of the other respondents.

10. **Relationship between the sector of the bank in which account is held by the respondents and their perceptions on Islamic banking:**

    There is no significant relationship between the sector of the bank and the general perceptions on the Islamic banking introduction in the sample area. Based on the mean value, the respondents having account with both public and private sector banks have highly favored and shown positive perception towards Islamic banking when compared to others in the sample. This is a good sign for the introduction of Islamic banking systems in the sample area.

11. **Relationship between the sector of the bank of the respondents and their awareness on Islamic banking:**

    There is a significant relationship between the sector of the bank of the respondents and their awareness Islamic banking terminologies. Based on the mean value, it is found that respondents having account with both the private and public sector banks (with a mean score of 14.10) have exhibited the highest levels of awareness of Islamic banking with their means scores being higher than that of the other respondents.
12. Relationship between the sector of the bank of the patronage and their patronage towards Islamic banking:

There is no significant relationship between the sector of the bank of the respondents and their patronage towards Islamic banking for these variables. Based on the mean value, it is found that respondents having account with both the private and public sector banks (with a mean score of 26.13) have exhibited the highest levels of patronage towards Islamic banking with their means scores being higher than that of the other respondents.

13. Relationship between the type of account of respondents and their perceptions on Islamic banking:

There is no significant difference between the type of account of the respondents with regard to their perception on Islamic banking for these variables.

14. Relationship between the type of account of respondents and their awareness on Islamic banking:

There is no significant difference between the type of account of the respondents and their awareness of Islamic banking. It is inferred that the type of account held by the individuals has no relevance to the level of awareness on Islamic banking.

15. Relationship between the type of account of respondents and their patronage on Islamic banking:

There is no significant difference between the type of account of the respondents with regard to their patronage towards Islamic banking. It is inferred that the bank selection criteria is independent of the type of account held by the respondents. Therefore, the introduction of Islamic banks may not have to be done specifically catering to a select set of account holders, as it can treat all account holders as its potential customers.
16. **Relationship between the educational qualification of respondents and their perceptions on Islamic banking:**

There is no significant difference between the educational qualification of the respondents with regard to their perception Islamic banking. Based on the mean value, it is noted that, diploma holders have a highly favourable perception when compared to other in the sample.

17. **Relationship between the educational qualification of respondents and their awareness on Islamic banking:**

There is no significant difference between the educational qualification of the respondents with regard to their awareness of Islamic banking. Based on the mean value, it is noted that the level of awareness on Islamic banking is found to be highest among the post graduates when compared to others.

18. **Relationship between the educational qualification of respondents and their patronage towards Islamic banking:**

There is no significant difference between the educational qualification of the respondents with regard to their patronage towards Islamic banking. Hence, it is concluded that educational qualification of the respondents plays a minimal role in the bank selection criteria.

19. **Relationship between the Faculty of study of respondents and their perceptions on Islamic banking:**

There is a no significant difference between the faculty of study of the respondents with regard to their perception on Islamic banking. Hence, it is concluded that faculty of study has no relation to the general perceptions on Islamic banking practices in the sample area.

20. **Relationship between the Faculty of study of respondents and their awareness on Islamic banking:**

There is a significant difference between the faculty of study of the respondents with regard to their awareness of terminologies on Islamic methods of finance. Based on the mean value, it is found that respondents with ‘Arts’ as
their faculty of study (with a mean score of 20.46) have exhibited the highest levels of awareness of Islamic methods of finance with their means scores being higher than that of the other respondents. Similarly professionals are having better level of knowledge on the Islamic banking terminologies when compared to others in the sample.

21. Relationship between the Faculty of study of respondents and their patronage towards Islamic banking:

There is a significant difference between the faculty of study of the respondents with regard to their patronage towards Islamic banking. Based on the mean value, it is noted that, the respondents from the faculty of ‘Arts’ have exhibited higher levels of patronage towards Islamic banking is high when compared to others in the sample.

22. Relationship between the occupation of respondents and their perceptions on Islamic banking:

There is a significant difference between the occupation of the respondents with regard to their perception on Islamic banking. Based on the mean value, it is found that respondents among the Professional service group (with a mean score of 24.84) have exhibited the highest levels of perception on Islamic banking with their means scores being higher than that of the other respondents.

23. Relationship between the occupation of respondents and their awareness on Islamic banking:

There is a significant difference between the occupation of the respondents with regard to their awareness of terminologies of Islamic banking. Based on the mean value, it is found that ‘Private Employed’ respondents (with a mean score of 13.34) have exhibited the highest levels of patronage towards Islamic banking with their means scores being higher than that of the other respondents.
24. Relationship between the occupation of respondents and their patronage towards Islamic banking:

There is a significant difference between the occupation of the respondents with regard to their patronage towards Islamic banking for, ‘Religious Reasons’, ‘Products and Services’, ‘Attractiveness’, ‘Cost/Benefit’, ‘Perception’ and ‘Motivation’. Based on the mean value, it is noted that the factors considered while selecting an Islamic bank is highly influenced by the occupational background of the respondents with different degrees of influence.

25. Relationship between the annual income of respondents and their perceptions on Islamic banking:

There is no significant difference between the annual income of the respondents with regards to their perception on Islamic banking. Hence, it is concluded that the level of income of the respondents does not have any relationship with their perceptions on Islamic banking.

26. Relationship between the annual income of respondents and their awareness on Islamic banking:

There is no significant difference between the annual income of the respondents with regard to their perception on Islamic banking. Hence, it is concluded that there is no relationship between the level of income of the respondents and their level of awareness on Islamic banking.

27. Relationship between the annual income of respondents and their patronage towards Islamic banking:

There is a significant difference between the annual income of the respondents with regard to their patronage towards Islamic banking for these variables. Based on the mean value, it is found that respondents whose income is in ‘5-7 lakhs’ category exhibited the highest levels of patronage towards Islamic banking for these variables.
Findings based on the Friedman’s test:

1. General Perception about Islamic Banking in India:

There is a highly significant difference between the mean ranks towards the general perception towards Islamic banking. Based on the mean ranks, it is found that the variable ‘My preference for an Islamic bank over a conventional bank is high’ (with a mean score of 4.57) has exhibited the highest levels of perception towards Islamic banking with its mean rank being higher than that of the other variables. It is, thus, concluded that the preference for Islamic banking among the respondents is high and therefore the potential for its favorable acceptance is also high.

2. Awareness on Terminologies of Islamic Banking:

There is a significant difference between the mean ranks towards the terminologies of Islamic banking. Based on the mean ranks, it is found that the variable ‘Halaal’ (with a mean score of 2.77) has exhibited the highest levels of perception towards Islamic banking with its means ranks being higher than that of the other variables. This indicates that most terminologies of Islamic banking are not familiar among the sample respondents. Also, the fact that the term ‘halaal’ (which means permitted) is a word which is easily known to be aware even by non-Muslims and hence this term enjoyed a higher level of awareness, as compared to the rest of the terminologies.

3. Level of Awareness on Terminologies of Islamic Methods of Finance:

There is a significant difference between the mean ranks and the terminologies of Islamic methods of finance. Based on the mean ranks, it is found that the variable ‘Murabahah.’ (with a mean score of 4.83) have exhibited the highest levels of perception towards Islamic banking with their means ranks being higher than that of the other variables. Also the fact that all the terminologies of Islamic methods of finance have got a mean score well in excess of 4 indicates that the level of awareness on terminologies of Islamic Methods of Finance is found to be high among the sample respondents.
4. Awareness as a factor in the banking selection criteria:

There is a significant difference between the mean ranks towards awareness as a factor in the Islamic bank selection criteria. Based on the mean ranks, it is found that the variable ‘Islamic Banking is based on the fundamental principles of Islamic Law’ (with a mean score of 4.55) has got the highest levels of Awareness towards Islamic banking with its mean rank being higher than that of the other variables. Thus, it is concluded that though Islamic banking is meant for all, it is a myth that it has got a religious connotation to it and therefore, this needs to be dispelled. Further, this might result in a prejudice against the favor of implementation due to its religious connotation.

5. Religious Reasons as a Factor in the Islamic Banking Selection Criteria:

There is a significant difference between the mean ranks towards ‘Religious reasons’ as a factor in the Islamic bank selection criteria. Based on the mean ranks, it is found that the variable ‘Investing in Islamic banks will not conflict my religious beliefs’ (with a mean score of 2.76) has got the highest score for the ‘Religious Reasons’ being a factor in the bank selection criteria, as compared to the other variables.

6. Products & Services as a Factor in the Islamic Banking Selection Criteria:

There is a significant difference between the mean ranks towards ‘Products and Services’ as a factor in the Islamic banking selection criteria. Based on the mean ranks, it is found that the variable ‘I will invest my money in Islamic Banks if there is speed of processing items’ (with a mean score of 4.29) has got the highest score for the ‘Products and Services’ being a factor in the bank selection criteria, as compared to the other variables. This implies that Islamic banks have to provide excellent services like speed of processing items to survive in the competitive marketplace.

7. Vicinity/Ease of Access as a Factor in the Islamic Banking Selection Criteria:

There is a significant difference between the mean ranks towards ‘Vicinity/Ease of Access’ as a factor of Islamic Bank selection criteria. Based on the mean ranks, it is found that the variable ‘I will invest my money in Islamic Banks if there is an
extensive ATM network’ (with a mean score of 3.79) has got the highest score. This implies that an extensive ATM network increases the favor of acceptance of Islamic banking.

8. Attractiveness as a Factor in the Islamic Banking Selection Criteria:

Although there is a highly significant difference between the mean ranks towards ‘Attractiveness’ as a factor in the Islamic banking selection criteria, it is noted that, the various items loaded in the category are below average impact variables. Hence, ‘attractiveness’ has got only an average level of influence in Islamic bank selection criteria.

9. Reputation as a Factor in the Islamic Banking Selection Criteria:

There is a highly significant difference between the mean ranks towards ‘Reputation’ as a Islamic bank selection criteria. Based on the mean ranks, it is found that the variable ‘I will invest my money in Islamic Banks if the confidentiality level of the banks is high.’ (with a mean score of 2.08) have exhibited the highest levels of perception towards Islamic banking with its mean rank being higher than that of the other variables. Thus, it is concluded that the confidentiality and trust factor as a bank selection criteria is true in case of the selection of Islamic banks also.

10. Cost/Benefit as a Factor in the Islamic Banking Selection Criteria:

There is a significant difference between the mean ranks towards ‘Cost/Benefit’ as a factor of Islamic bank selection criteria. Based on the mean ranks, it is found that the variable ‘I will do business with Islamic Banks if it provides zero-balance account facility’ (with a mean score of 3.61) has got the highest score and this implies that the choice of Islamic bank is also influenced by the benefit provided to the customers by the banks.

11. Perception as a Factor in the Islamic Banking Selection Criteria:

There is a highly significant difference between the mean ranks towards the ‘Perception of benefits’ as a factor of Islamic bank selection criteria. Based on the mean ranks, it is found that the variable ‘Islamic banks can help in the collection and
distribution of obligatory charity (Zakah) and hence will help in reducing poverty’ (with a mean score of 3.11) has got the highest score as compared to the other variables. Thus, poverty reduction is perceived among the sample respondents as one of the important factors in the choice of Islamic banks due to the socio-economic nature inherent in Islamic banking methods.

12. Motivation as a Factor in the Islamic Banking Selection Criteria:

There is a significant difference between the mean ranks towards the motivation to potentially use Islamic methods of finance.

13. Perceptions on Bottlenecks for implementation of Islamic Bank in India:

There is no significant difference between the mean ranks towards Bottlenecks for Implementation of Islamic banks in India.

Findings based on multiple regression:

1. The multiple correlation coefficient is 0.688 measures the degree of relationship between the actual values and the predicted values of the Adjustment. Because the predicted values are obtained as a linear combination of Awareness of terminologies of Islamic banking($X_1$), Awareness of Islamic methods of Finance($X_2$), Awareness($X_3$), Religious Reasons($X_4$), Products and Services($X_5$), Vicinity/Ease of Access($X_6$), Attractiveness($X_7$), Reputation($X_8$), Cost/Benefit($X_9$), Perception($X_{10}$), Motivation($X_{11}$), Bottlenecks for implementation($X_{12}$), the coefficient value of 0.688 indicates that the relationship between adjustment and the twelve independent variables is quite strong and positive.

2. The Coefficient of Determination R-square measures the goodness-of-fit of the estimated Sample Regression Plane (SRP) in terms of the proportion of the variation in the dependent variables explained by the fitted sample regression equation. Thus, the value of R square is 0.473 simply means that about 47 % of the variation in adjustment is explained by the estimated SRP that uses Awareness of terminologies of Islamic banking($X_1$), Awareness of Islamic methods of Finance($X_2$), Awareness($X_3$), Religious Reasons($X_4$), Products and Services($X_5$), Vicinity/Ease of Access($X_6$), Attractiveness($X_7$), Reputation($X_8$), Cost/Benefit($X_9$), Perception($X_{10}$), Motivation($X_{11}$), Bottlenecks for implementation($X_{12}$),
Services (X3), Vicinity/Ease of Access (X6), Attractiveness (X7), Reputation (X8), Cost/Benefit (X9), Perception (X10), Motivation (X11), Bottlenecks for implementation (X12), as the independent variables and R square value is significant at 1% level for X1, X2, X3, X5, X6 and X11; 5% level of significance for X9 and not significant for the variables X4, X7, X8, X10 and X12 respectively.

3. Here the coefficients of X1, X2, X3, X5, X6, X7 are 0.213, 0.067, 0.230, 0.184, -0.167, 0.015 respectively and they represent the highly significant impact on attitude and potential patronage towards Islamic banking as constant. The estimated positive sign implies that adjustment score would give a cumulative increase by 0.213 for every unit increase in Attitude and potential patronage towards Islamic banking and the coefficient value is highly significant at 1% level. Similarly for the independent variables X9 moderate level of impact is observed with coefficient values are at 5% level of significance. On the other hand, it is noted that, for the independent variables X4, X7, X8, X10 and X12 represents partial effect on the attitude and potential patronage towards Islamic banking and is not significant at 5% level of significance.

**Findings of Discriminant analysis:**

Dimensions such as general perceptions on Islamic banking, awareness of terminologies of Islamic banking, awareness of terminologies of Islamic methods of finance, awareness, religious reasons, products and services, vicinity/ease of access, attractiveness, reputation, cost/benefit, perception, motivation and bottlenecks for implementation have higher impact with prospects of Islamic banking in India at 0.05 significant levels. Arrived value of Wilks’ lambda is significant to test the Discriminant model, and if the F test shows significance at 0.05 confidence levels, then the individual independent variables is assessed to see which differ significantly in mean by group and these are used to classify the dependent variable.

Variances were equivalent for each group but in Discriminant analysis the basic assumption is that the variance-co-variance matrices are equivalent. Box’s M tests the null hypothesis that the covariance matrices do not differ between groups formed by the
dependent variable. The log determinant is not significant so that the null hypothesis that the groups do not differ can be retained. The log determinants appear similar and Box’s M is 601.185 with F = 3.041 which is significant at p < .000.

The classification results reveal that 68.9% of respondents were classified correctly into predicted group membership. This overall predictive accuracy of the discriminant function is called the ‘hit ratio’. Muslim religion respondents were classified with slightly better accuracy (77.4%) than Hindu and Christian respectively (49.1% and 46.2%).

5.3: Suggestions

Although Islamic banking is very much sought after by the Muslims due to the religious injunctions prohibiting the dealing of giving and taking interest, it is also getting a lot of attraction these days from others as well due to the socio-economic nature prevalent in it. Thus, the introduction of Islamic banking will not only bring about financial inclusion of the Muslims, but also contribute to the growth and development of the economy of our country. Therefore, the following suggestions are made for the easy implementation of the same.

1. **Creating awareness among the masses:**

   Although Islamic banks can offer many benefits, it has to be tangibly felt by at least a few so that others could adopt the same. In order for this to happen, a lot of promotional activities need to be undertaken to create awareness among the masses. Further, as this concept involves financial aspects, it will be initially met with a lot of apprehensions. Therefore, in order to overcome these, awareness campaigns may be conducted by way of conferences and seminars so as to remove any misconceptions. This could be done by way of introducing Islamic windows in conventional banks, so that the existing customers of conventional banks may try their hands at the Islamic windows. This model has largely succeeded in many foreign countries.

2. **Building trust and confidence among the potential customers:**

   The business of banking is linked with trust and confidence. Creating trust among the customers, investors and other stakeholders is possible only through reliable advertisements and promotional activities. Additional services
like financial counseling may be offered to existing customers to build trust and win their confidence.

3. **Building IT infrastructure for reaching educated mass:**

   Today IT and ITES are revolutionizing the way banking operations are carried out. Therefore, Islamic banks cannot lag behind their conventional counterparts in this respect. In order to attract potential customers to its fold, it needs to have in place the state-of-the-art IT infrastructure not only to reach out to the customers but also to giving its customers the comfort of doing banking operations without needing to commute to the banking premises.

4. **Manpower Training:**

   One of the challenges that Islamic banks will face during the initial phase of its implementation would be the shortage of trained manpower to oversee its functioning and run the daily operations on a sustainable basis. Therefore, in order to circumvent this problem, it is suggested to provide short term and certificate courses on Islamic banking so as to get a hands-on experience of the concepts and its applications.

5. **Reaching out to the customers:**

   Although Islamic banks will get a favourable acceptance due to its success stories in other parts of the world, it will still be met with apprehensions and the ‘fear of the unknown’ attitude from its prospective customers. Therefore, suitable market strategies need to be devised to reach out to the masses by customizing its products and services to suit the changing Indian financial landscape.

6. **Regulatory Amendments:**

   Islamic banks are regulated by both the central bank and ‘Shariah’ board. The present regulatory framework in India does not permit the functioning of a full-fledged Islamic bank in the current scenario. This regulatory hurdle could be best overcome by means of making a suitable amendment to the existing provisions, so that, at least an Islamic window could become operational in a
conventional bank. Such a practice has paid rich dividends in other countries which originally introduced Islamic banks on an experimental basis.

5.4 Conclusion

Islamic banking presents a window of opportunity to a country like India, where a significant percentage of the population is still unbanked due to the religious prohibitions of the conventional banking systems. Therefore, Islamic banking, if implemented will not only result in the financial inclusion of the marginalized sections of the society but also bring about socio-economic empowerment of the nation by way of poverty reduction. While such a scenario presents an opportunity, it also has its challenges. Lack of trained and skilled manpower to manage and administer the new set up and the lack of awareness of the benefits of the system among the masses might delay the early onset of this sunrise industry. Once the challenges are overcome, India will surely stand to gain, as it can attract a lot of foreign remittances and thereby fulfill its dream of becoming an Asian financial hub.

5.5 Scope for further research

The future directions for this research could be carried out by drawing similar clusters across the rest of the country. This may help to understand to get a better and broader perspective of the need for Islamic banking vis-a-vis its prospects in India. The results of the present study are reflective of what would be found in another sample area which does not have any established Islamic banking entity.

Also, now that there are efforts being made towards the establishment of such institutions by the various Muslim bodies of this country, it would be interesting to find out about the attitudes of Muslims, in particular and others in general, if such Islamic finance options are made available to them.