

Awareness and Willingness towards Islamic Banking in Jammu and Kashmir: A Descriptive Analysis.

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Abstract

Purpose –The actual goal of this study is to evaluate the awareness and willingness of Muslims in the Kashmir Valley towards the use of Islamic banking. As an alternative to interest-based banking, Islamic banking is becoming more and more popular worldwide. Given that Kashmir is a Muslim territory governed by India, investigating the possibilities of an alternative banking system in the region seems somewhat bold.

Design/ methodology/ approach– Quantitative method of data collection was adopted in the form of self-structured questionnaire, by using convenience sampling technique. Thus, a sample of 300 respondents was gathered for that purpose from each of the ten districts that make up the Kashmir Valley. And to get the results, a descriptive analysis was then used.

Findings –The results show that a resounding majority of participants express a preference for Islamic banking. Furthermore, it is evident from the data that the respondents are fully aware of Islamic banking services and are prepared to use them, if they become available in the future.

Practical implications –The findings of this research will be of great importance for the institutions to implement the system of Islamic banking in the valley. On the other hand, before beginning operations in any nation for the first time, organizations and institutions may find the study's conclusions useful in designing and executing educational marketing campaigns to educate prospective clients about Islamic banking operations and to confirm the capacity to offer effective service.

Originality/value –This research is unique in nature, as it is the first ever survey based study conducted in Kashmir valley to assess the pent-up potential of Islamic banking. So in this context, we accomplished this research to explore the awareness and willingness towards Islamic banking among the masses of Kashmir valley.

Keywords Islamic banking, awareness of Islamic banking, willingness of Islamic banking, descriptive analysis.

Paper type Research paper

Introduction

Islamic banking is a system of banking which is based on the principle of shariah and is governed by the principles of Islamic economics. Islamic banking is basically a viable alternative to conventional based banking system. It has been evolved in its practical form around 1960s, as before it was only confined to theoretical considerations. In 1963, first model of interest free banking was established in Egypt by Ahmad Al Najjar, mainly to function within the shariah

guidelines banking services to the masses. This is considered as the first ever initiative taken, with a view to provide an alternative to the interest based banking system. Consequently, in 1974 OIC established the first ever Islamic bank (IDB), fundamentally to assist on profit loss sharing basis. However, in the same era, various Islamic banks were established across various Muslim countries, with the first private commercial bank in Dubai (1975) i.e. Dubai Islamic bank, Faisal Islamic bank of Sudan (1977) and the Bahrain Islamic bank (1979). Hence, from the model show in 1963 it can be easily assessed that within the sixty years of period, it has progressed intensively round the globe(khan, 2017).

Islamic banking as mentioned is governed by Islamic law, operates on the doctrine of prohibition of interest and profit loss sharing principle. So it means that, Islamic banking is exclusively free from all non-Islamic components, which contradicts with shariah rulings relating to financial settlements i.e. Riba, Gharar, Qimar and Maysir.

However, the main theme of this study is to ascertain the level of awareness and willingness of masses towards Islamic banking in Kashmir valley, within the premises of Indian administration. Awareness actually indicates that to what extent people are conscious about the concepts, products and operations of Islamic banking. It basically helps in assessing the knowledge of the concerned population about the emphasizing entity. In addition, willingness is another aspect of this study, which is to be assessed to know the inclination of people towards Islamic banking. Both these variables are considered as of vital importance in assessing the behaviour of people towards Islamic banking Kashmir.

Moreover, this is a survey based study considering the majority of Muslims in the valley, ascertained the level of awareness and willingness of masses who are considered as potential customers of Islamic banking (sheikh, 2020). Therefore, to pursue objectives of this study, we have structured it as: first section will provide a brief introduction of the study with objectives, and the second section will highlight literature review, third section will represent methodology and eventually the findings will be presented in the fourth section.

Research Questions

1. What is the level of awareness towards Islamic banking among the Muslims of Kashmir valley?
2. What is the level of willingness towards Islamic banking among the Muslims of Kashmir valley?

Literature review

Based on the tenets of Shariah law, Islamic banking has become a prominent alternative to conventional financial systems. This financial paradigm encourages risk-sharing, moral investing, and social justice while outlawing interest (riba). Islamic banking is becoming more and more popular as the world financial scene changes, especially among Muslim populations and in areas with sizable Muslim communities. The comprehension of the knowledge and inclination towards Islamic banking is essential for its advancement and assimilation into conventional financial systems. The present introduction delves into the present comprehension levels, the determinants of willingness, and the prospects for expansion within the Islamic banking industry. It looks at the ways in which cultural, religious, and economic considerations affect people's decisions to use Islamic banking services and emphasizes the difficulties and the challenges this emerging industry faces in achieving broader use and approval. Awareness and

willingness are one of the most important determinants to develop positive attitude towards Islamic banking. In Algeria, Bouarar and Mouloudj (2020), evaluated the degree of bank clients' awareness of Islamic finance. The importance of understanding Islamic banking is growing today. Customers are also affected, not just investors. Lack of understanding and awareness of Islamic finance could be obstacles to its adoption. According to this study's findings, bank consumers in Algeria are more knowledgeable about the fundamentals of Islamic finance. It is also stated that although living in an Islamic nation, bank consumers are less knowledgeable about Islamic finance goods and services and are less familiar with the basic terms used in Islamic finance.

Similarly, in Australia, Rammal & Zurbruegg (2007), Islamic banking awareness among Muslim Australians was examined, it was discovered that most respondents were interested in buying Islamic banking products but were not properly informed about how they operated. It was also discovered that few respondents were aware of the fundamental guidelines and principles of Islamic finance. The results of the awareness and openness of Indian Muslims to Islamic banking, however, are quite different. Although few people are aware of Islamic banking, a sizable majority would be open to using it if it were made available in India. According to the survey, the absence of any Islamic banks in India is the main cause of Muslims' low degree of understanding of Islamic banking concepts and practices.

Indian Muslims are eagerly waiting to use the services of Islamic banking. This higher level of inclination toward Islamic banking indicates great prospects for Indian financial organizations to think that there is immense scope for Islamic banking. However, the study reveals some interesting results about awareness and willingness of Islamic banking. It explicitly claims that lack of awareness about Islamic banking concepts and operations did not affect the willingness of Indian Muslims to adopt Islamic banking, if offered in future. This is evident from the results, 97% of the respondents are eagerly willing to use the services of Islamic banking, if it offer the satisfying facilities as per the requirements of the customers. The study further discloses that 94% respondents are keen to prefer Islamic banking over conventional banking, if they understand the operational framework of this alternative system and 81% believe that more people will use Islamic banking in future if it is offered in the country. However, inception of Islamic banking in India has currently become prey of many regulatory challenges, which has retarded its introduction till date. The study also reveals, this alternative system has huge scope to flourish in India, keeping in view its prospects. Nonetheless, people must inform the public about the principles of Islamic banking as well as its advantages (Islam and Rehman, 2017).

Consequently, the potential of Islamic banking in India attempts to ascertain the awareness and attitude of people towards this alternative system of banking. It also reveals that there are various possible reasons which may favour Riba free banking in India, because India is one of the fast evolving economies of the world, but still considered as emerging nation from previous couple of decades. So keeping in view, this favorable atmosphere for Islamic banking to prosper in the country. But there are still various apprehension in the Indian existence, because they think it may violate the secular nature of the country.

The examination shows that, 74.28% needs to acknowledge Islamic banking as an elective financial framework in the country. Most definitely, 71.43% respondents said that India is appropriate spot for presentation of premium free financial framework. Since a decent level of individuals know about the idea of premium free financial 17 framework i.e.68.71%, that is the

reason they are supporting this framework and requesting normally for activity of Islamic banks in our nation. Keeping in view, this potential still Islamic banking in India is subject to various regulatory impediments which has hindered its implementation till date. The study also reveals that the regulatory framework of Indian banking system can be amended appropriately by allowing Islamic banking windows in the country. But still this distant dream is awaited by the people of India especially the Muslims who are financially excluded from the formal system of banking due to their religious convictions (Salahuddin and Sajid, 2014).

However, the awareness and ability among Muslims of Kazakhstan towards the choice of Islamic banks uncovers that the greater part of the respondents are aware of Islamic banking, but are not use-to about the things and services presented by Islamic banks, and the dimension of eagerness of utilizing the items and services of Islamic banks is high (Abduh and Omarov, 2013).

Awareness and attitude of Islamic banking employees is very vital for the smooth operations of Islamic banks. The study on employee's awareness and attitude of Islamic banking products, shows that most of the employees in Bahrain are of the view that Islamic banking products are best when it comes to deal with customers. The study also reveals that 56% of the employees are aware of the Islamic banking products. The employees of Islamic banks are the mainstays, who should be entirely conscious of Islamic banking products and should possess positive attitude. This kind of approach can provide substantial contribution to the expansion of Islamic banks, as the employees are aware what they actually sponsor and sell to their customers. However, the study also reveals that employees of Islamic banks can only succeed in convincing the customers, if they possess enough knowledge about the products of Islamic banking. This possession of knowledge by Islamic banking employees also makes them different from conventional bank employees. Therefore, this possession of knowledge by the Islamic banking employee can be considered as a vital source for Islamic banks, to achieve its goals (Buchari et al, 2015).

Interest free banking in turkey reveals that awareness is the main determinant towards the selection of Interest free products and services. But the study also reveals that religious motivation is also the significant variable in opting interest free banking. The study also shows that, the customers select interest free banking as well as conventional banks but they mostly select conventional banks when the interest free banks did not offer the products and services of their need. Another important determinant of interest free banking is level of customer satisfaction, 26 which shows that vast majority of customers show high level of satisfaction towards interest free banking products and services. Reception received, awareness of employees, service quality and working hours. While customer interaction shows the highest level of satisfaction. But the parking facilities and accessibility and the availability of loans with favorable terms did show better level of satisfaction (Okumus and Genc, 2013).

Conclusion

The literature review on the awareness and willingness to adopt Islamic banking highlights several key findings that are crucial for understanding consumer behavior and market dynamics in this sector. Firstly, awareness of Islamic banking principles and products is generally low to moderate among consumers, particularly in non-Muslim majority countries. This lack of awareness poses a significant barrier to the adoption of Islamic banking services. Studies consistently show that increased educational efforts and targeted marketing campaigns are

essential to bridge this knowledge gap and foster greater understanding of the benefits and principles of Islamic finance.

Secondly, willingness to adopt Islamic banking is influenced by several factors including religious beliefs, perceived benefits, and trust in Islamic financial institutions. For many Muslim consumers, the compliance of banking practices with Shariah law is a compelling reason to switch to or choose Islamic banking. However, non-Muslim consumers also show interest when the products are presented as ethical and socially responsible alternatives to conventional banking.

Thirdly, the perception of the quality and competitiveness of Islamic banking products plays a critical role in consumer willingness. Consumers are more likely to consider Islamic banking if the products are perceived to be competitive in terms of pricing, convenience, and range of services offered. Therefore, Islamic banks must not only adhere to religious principles but also ensure that their products meet high standards of efficiency and customer satisfaction.

Furthermore, cultural and regional differences significantly impact both awareness and willingness. In regions with high Muslim populations, awareness and adoption rates are naturally higher. However, even within these regions, variations exist based on factors such as education level, socioeconomic status, and urban versus rural settings.

Overall, the literature underscores the necessity for Islamic banks to enhance their outreach and educational initiatives to increase awareness. Simultaneously, they must focus on improving product offerings and customer service to boost consumer willingness to adopt Islamic banking. By addressing these areas, Islamic banks can better position themselves to capture a larger share of the financial market and meet the diverse needs of their customer base.

Methodology

The methodological component of every research project acts as a road map for the full investigation. It is an essential part that outlines the precise methods and techniques that will be used to gather, examine, and comprehend data. In addition to providing transparency and reproducibility. This section explains the methods chosen and justifies them, allowing other researchers to assess the study's validity and dependability. The approach is meticulously designed to complement the goals and inquiries of the study. It includes a thorough justification of the study design, including any mixed, qualitative, or quantitative approaches, as well as an outline of the data collection tools, sampling tactics, and analytical plans that will be applied.

Research Design

Basically, this study is centred on descriptive analysis, consisting of demographic features and the main variables of analysis i.e. awareness and willingness of Islamic banking in Indian administrated Kashmir valley. Whereas, as per the nature of this study and based on previous studies, quantitative method was found more suitable to accomplish the study.

However, the main aim of this study was to ascertain the level of awareness and willingness towards Islamic banking among the Muslims of Kashmir valley. Hence, to accomplish this aim, quantitative method of data collection was adopted in the form of self-

structured questionnaire. However, the targeted population of this study is only the Muslims of Indian administrated Kashmir valley, which are about 95% of the total population. The data collected by using self-structured questionnaire were distributed among the Muslims of all ten districts of Kashmir valley. Basically, the questionnaire was designed on five point likert scale (5 strongly agree to 1 strongly disagree), as supported by various studies (Ullah, 2014; Islam & Rahman, 2017; Abduh&Omarov, 2013) contain two sections, the first section will contain personal information and the second section will contain information about awareness and willingness towards Islamic banking among the Muslims of Kashmir valley.

Sample Frame

The data was collected by using convenience sampling technique and the sample size was of 300 respondents, to extract the behaviour of respondents towards Islamic banking. Hence, 300 questionnaires were distributed among the Muslim respondents of Kashmir valley. However, only 250 questionnaires were collected from respondents from all districts of the valley.

Internal Reliability Assessment

Consistency is referred to as reliability. It is concerned with how reliable the surveys are and whether they will yield consistent results at various times and in various environments. The Cronbach's Alpha scores are used to evaluate this dependability test (Harun et al, 2015).

Table 1.
Reliability Statistics

Construct	N of Items	Cronbach's Alpha
Awareness of islamic banking	10	.847
Willingness of islamic banking	10	.611

Findings

Descriptive Analysis

The demographic section actually entails personal information like; age, occupation, income, education and location on which the information was collected and the other section of the study was to assess the respondents awareness and willingness towards Islamic banking in Kashmir valley. Although, demographic profile was the part of the data collection in the study, but the main focal point of the study was to assess the information on awareness and willingness of Islamic banking among the people of Kashmir valley. Therefore, to keep things simple and as

per the nature of the study, we have opted descriptive analysis of both awareness and willingness to trace the perception of the masses in Kashmir towards Islamic banking.

Awareness of Islamic banking

Table I, portrays the responses of the people to the survey statements regarding the awareness of Islamic banking in Kashmir valley. Whereas, this study has explored the main determinants of Islamic banking i.e. awareness and willingness, mainly to exhibit the perception of people towards Islamic banking in Kashmir valley. Although, this alternative system of banking has not reached the shores of Kashmir valley yet, but the people has shown eagerness and impatience towards the adoption of this alternative system of banking. As it is apparent from the results, that 79% people were aware that Islamic banking is a system of banking, which is based on Shariah rulings. Which reveals that majority of the respondents were aware of Islamic banking. While, 98% people agreed that Islamic banking follows the rules of Islamic law. This kind of awareness among the masses is mainly because of the perception of the word Islamic, which mainly influences them to respond devotedly.

However, on the other side 45% people were uncertain about the Profit and loss sharing mechanism of Islamic banking. Which is obvious that this system of banking has not yet marked its appearance in the state. Although, the respondents were not wholly aware about the profit and loss mechanism of Islamic banking. But they have optimistically shown their faith on the prohibition of interest, which is evident from the results. As above 90% respondents were aware about the prohibition of all kinds of interest. Moreover, interestingly 93% respondents were of the view that Islamic banking is different from conventional banking. Therefore, it indicates that the respondents are fully aware about Islamic banking, but don't have the knowledge of profit and loss mechanism.

Table 2.

Awareness of Islamic banking

Statement	Strongly	Agree	Uncertai	Disagree	Strongly disagree
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Islamic banking is a system of banking, which is based on Shariah rulings.	59	20	12	1	8
Islamic banking follows the rules of Islamic law.	68.3	29.7	.3	.8	.9
Islamic banking is based on profit and loss sharing.	30.9	9.1	45	10.4	4.6
Products of Islamic banking are interest-free.	67.0	27.0	5.1	.8	.1
Interest is haram in Islam.	72.1	22.1	4.9	.8	.1
Interest on all kinds of loans is haram in Islam.	69.6	24.5	4.9	.1	.9
Interest on commercial loans is haram.	66.7	25.8	6.3	.5	.8
Interest on personal loans is haram.	69.4	24.1	4.7	.9	.9
Islamic banking did not provide loans on interest.	59.0	33.7	5	.7	1.6
Islamic banking is different from conventional banking.	63.0	29.8	5.9	.4	.9

Willingness towards Islamic banking

Whereas, on the other side from table II, it depicts the responses of the respondents on willingness of Islamic banking in Kashmir. If we look at the responses on the survey statements, we got an overwhelming majority of almost 98% respondents, who were willing to use the services of Islamic banking. Which means that people are willingly ready to use Islamic banking, if such services are being offered to the people. Moreover, remarkably the results reveal that almost 97% respondents were of the view that they will switch their accounts from conventional banking to Islamic banking without brand image. These findings also resemble with that of Islam and Rahman (2017), which explicitly reveals the influence of religiosity among the people.

However, respondents have shown their positive intent, while availing the services of Islamic banking without interest. Which is apparent from the results that almost above 75% respondents were willing to opt the services of Islamic banking without credit facilities and on the basis of interest. Therefore, we can conclude that the respondents are willing to use the services of Islamic banking in Kashmir valley, if these alternative services being established and offered in the valley.

Table 3.

Statement	Strongly agree	Agree	Uncertai	Disagree	Strongly disagree
Willing to use the services of islamic banking.	72.6	25.9	.6	.1	.8
Willing to use the services of islamic banking, if i understand how it operates.	66.8	32	.7	.4	.5
Willing to choose islamic banking, because it fallows shariah rules.	63.9	33.6	1.5	.8	.1
Willing to switch from conventional banking to islamic banking.	64.4	31.8	2.0	1.0	.8
Willing to open an account, if islamic bank is established in your area.	64.9	31.6	2.8	1	.6
Willing to choose islamic banking without brand image.	61.4	26.6	3.9	1.5	.9
Willing to choose islamic banking without credit facilities.	50.3	24.9	8.8	7.4	3.9
Willing to choose islamic banking without interest.	55.9	34.7	5.7	2.8	2.7
Willing to choose islamic banking on the basis of profit and loss sharing.	51.6	32.8		3.3	2.9
Willing to choose islamic banking, without interest paid on deposits.	59.1	31.9		2.1	.5

Willingness of Islamic banking.

Conclusion

The main purpose of this study was to assess the level of awareness and willingness among the Muslims of Kashmir valley. Therefore, in this regard we have conducted a survey among all the districts of Kashmir valley, mainly to procure responses of the masses. Though, the people of Kashmir valley has not yet experienced the flavours of Islamic banking, but the results of this study were interestingly optimistic. The study has revealed that an overwhelming majority of the respondents have shown their inclination towards Islamic banking. Moreover, the findings further signify that people may respond devotedly if such services were provided in the future. Hence, the study revealed that majority of Muslims of Kashmir valley are aware of Islamic banking and are interestingly willing to adopt these services if offered in future.

Policy Implications

Islamic banking, grounded in the principles of Shariah law, offers a unique and ethically driven alternative to conventional banking. Despite its benefits and increasing global presence, the awareness and willingness to adopt Islamic banking services vary significantly across different regions and demographics. Understanding the factors that influence consumer awareness and willingness is crucial for policymakers and financial institutions aiming to promote Islamic banking.

The policy implications of these findings are manifold and significant. They provide a roadmap for enhancing public knowledge, improving regulatory frameworks, and fostering a competitive and inclusive financial environment. Effective policies can bridge the knowledge gap, build consumer trust, and create a more robust and inclusive banking sector that aligns with ethical and religious values.

This sets the stage for exploring the specific policy measures that can address the current challenges in promoting Islamic banking. By delving into these implications, we can identify actionable strategies to enhance awareness and willingness, thereby fostering a more inclusive financial ecosystem that benefits a diverse range of consumers.

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