

Exploring Public Interest in Profit-Sharing with Banks: A Study for Adaption of Non-Interest Banking in the Indian

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Abstract

Non-Interest Finance is a rising category of financial goods created to fulfil the needs of people all throughout the world, not a product that is inherently non-secular. The most important advantage of Islamic banking over traditional banking is its ability to boost cash-related transactions, which is necessary if India is to become a financial powerhouse in the near future. For Islamic banking, it is still a sizable and unfamiliar market. This study attempts to gain a deeper understanding of Indians' fervour for Islamic banking and their future possibilities. For this reason, a representative sample of the population is chosen and evaluated with the aid of a planned survey conducted. Applying the appropriate statistical techniques allows for the analysis of the data collected. Significant findings are reached and the appropriate inferences are drawn.

This analysis will help us determine the likelihood and acceptability of a banking system without interest in India. Given that the benefits and possibilities much outweigh any drawbacks or difficulties, India should open its doors to Islamic banking. Islamic banking is another alternate type of banking that might increase commercial centre efficiency via innovation and competition. It helps to bridge India's expanding wealth gap.

Keywords: Islamic Banking, Non-Interest, Islamic Finance, Enthusiasm and Willingness.

INTRODUCTION

Islamic economics serve as the foundation for Islamic banking, which is totally based on Islamic law (Shariah). Any such financial mechanism is based on two main principles: the division of profit and loss and, more importantly, the prohibition of interest-gathering, which is against Islamic law. Islamic banking isn't just for Muslims, despite popular belief. No longer does this machine imply anything that is not secular. It seeks to establish the principles of a moral and trustworthy financial system, which subsequently influences socio-economic circumstances. Anyone may benefit from Islamic banking, regardless of their money, race, caste, or religious affiliation. A half-century ago, Islamic finance was essentially unheard of. In more than 75 nations presently, it is possible to conduct Islamic banking.

The success of Islamic banking rests on the equitable distribution of gains and losses. The Shariah forbids speculative activity in some activities, such as adult entertainment, alcohol, and gambling.

Because of this, Islamic banking is often known as "ethical banking." Anything that a bank does not fully claim cannot be rented out or loaned by them. Trading to pay creditors is also prohibited; therefore banks avoid regular bonds in favour of their own version of these assets known as Sukuk (Islamic Bond). To promote incorporation connected to money, interest-free financing is encouraged.

Objectives

- To investigate people's enthusiasm for sharing profit in Non-Interest Banking.

LITERATURE REVIEW

The Islamic financial considerations of sharing risks and rewards, as well as joint contribution in the riches approach through decency financing from customers and business visionaries, according to (Matthews, Tlemsani, & Siddique, 2004), can start to spark creativity and productivity in an economy. Additionally, PLS contracts give value in advance and, at long last, an incentive for all of the contractual occasions covered. In 1968, Siddique helped translate into Urdu a groundbreaking effort to give a practical, down-to-earth view of Islamic banking. The Mudaraba and shirka were the mainstays of his Islamic financial system (an association of musharakah, as it is also known). His methodology was mostly focused on connections between level mudaraba agents and corporate visionaries. He separated the responsibilities of an Islamic organisation that deals with money into three categories: free organisation and services; finance based on the possibility of mudaraba; and services dependent on outlays or other fixed fees. He said that premium-free banks might be a good option for leisure activities that are mostly focused on traditional banking. Islamic Financial Societies (IFSs), Islamic Co-operative Credit Societies (ICCS), Islamic Funding and Financial Companies (IIFCs), and Financial Associations of Persons are some of the economic entities that offer Islamic goods in India according to (Bagsiraj, 2003) classification effort (FAPs).

According to (Tripathy, 2009.), despite the fact that Muslims made up more than 15% of the Indian population, they only held 12% of the accounts in India's 27 public sector banks. In non-public area banks, in terms of priority area lending, Muslims held about 11% of the bills. It was opined that the call for Shariah-compliant banking being taken into consideration with the aid of the Government of India has received the guidance of political events as well, and an interest-free banking system can fasten community improvement by way of attracting Muslims into the banking system. (Fasih, 2012) attempted to assess the viability of IB in India. IB's business model in terms of partnership, sale, leasing, and joint ownership changed and was mentioned. In addition, marketing constitutional ideals and the inclusive boom have been acknowledged as IB objectives in India. IB's SWOT analysis was provided. An implementation plan for Islamic banking in India was provided. With more than 180 million Muslims, India was believed to have a greater chance of success with Islamic banking than Malaysia, which only has 15 million Muslims.

In (Bhat, 2013) made an effort to observe the nature, application, and viability of Islamic banking in India. According to some, Islamic banking in India has a huge potential since India has to make significant investments to construct its infrastructure. Islamic banking may fulfil this requirement by offering interest-free loans. To make it definite, though, a strong coverage conclusion is required. It became evident that the organisation wanted to be seen as a professional banking organisation rather than a banking organisation with a religious foundation. In their 2013 study, (Basha & Ahmed, 2013) looked at the applicability of Islamic banking to the Indian economy. In order to address a number of India's financial problems, including farmer suicides, the closure of small-scale companies, an increase

in poverty, and non-inclusive growth, the Indian government needed to be inspired to seriously explore adopting Islamic banking. In addition, it was suggested that India could develop Islamic banking in accordance with international models, such as Singapore and the UK. (khan, 2013) made an effort to address the issues of why Islamic banking is expanding globally and how it can be advantageous for India. Understanding the concept of IB, highlighting the current status of IB in India, and understanding its needs and potential in India were the goals of the research. The investigation has made use of secondary data from magazines, annual reports, journals, etc. The history, norms, and current global acceptance of Islamic banking were discussed.

According to some, Islamic banking might help India by fostering Muslim youth inclusion, generating employment opportunities, and supporting economic emancipation. The effects of integrating Islamic banking within the Indian banking framework were examined by (Mazhar & Tripathi, 2013). There was a reference of IB's core values. Discussions were had on the beginning and growth of IB. The Islamic Financial Services Board (IFSB) and Taqwaa Advisory and Sharia Investment Solutions (TASIS) both released reports, among others. In India, the differences between Islamic and conventional banking methods quickly became apparent. Through a SWOT analysis, (Singh & Kaur, 2014) attempted to examine the Indian Islamic banking system. The study's goal was to present a comprehensive understanding of the concept and to propose a 10-step method for making it realistically practicable for India. The non-secular environment was regarded to provide various obstacles for Islamic banks, making it necessary to offer a larger range of goods in order to draw in customers. (Mir, 2014) Conducted a study to examine attitudes and views of the Islamic banking system. The study, which was carried out in the Indian state of Jammu and Kashmir, led researchers to the conclusion that Jammu and Kashmir's retail consumers, business organisations, bank staff, etc. would benefit from knowing how Islamic financing works. Additionally, factors that affect stakeholders' attitudes and perceptions have been discovered. According to (Badruddin, 2015), the biases against Islamic banking stem from a lack of information regarding its economic sustainability and influence on India's inclusive growth. "Efforts in terms of education and schooling on this specialty with the support of incorporating IBF into expert courses" were advised. Because IB cannot be practised in India under the present legal framework, the country was recommended to follow the United Kingdom's lead and adopt new legislation to oversee the IB business operation. (Masvood, 2015) evaluated the attitudes of retail consumers in four Indian cities to both state and private sector banks. The poll was conducted to investigate the levels of interest, patronage, motivation, and perception of IB in India among both Muslims and non-Muslims. Because of the city's number of institutions offering IB courses, a good aptitude for IB was identified in Hyderabad. Because to the vast number of colleges offering IB courses in the city, IB became well-known in Hyderabad. Despite a low level of familiarity among respondents, the attitude toward embracing Islamic banking was optimistic.

It was formerly thought that Islamic banking may help marginalised areas of society gain financial inclusion. (Haque, Imamul, Fayaz, & Ghulam, 2017) Used a SWOT analysis and Michael Porter's Five Forces Model to show why IB is beneficial to India. Furthermore, how IB might be started in India through the necessary means is proposed. A complete examination of India's modern banking repute in terms of private and public sector banks was offered. Furthermore, the reputation of non-banking financial institutions (NBFIs) is highlighted, as are the differences between NBFIs and banking institutions. (Faisal, Akhtar, & Rehman, 2018) Aimed to observe Indians closer to the IB's level of knowledge and methodology. A standardised questionnaire was distributed to a random sample of

people. Major challenges and opportunities for Islamic banking in India have been recognized. An attempt has been made to do a SWOT analysis of IB in India. Chapra and Khan emphasised the necessity of establishing an organisation that would aid in the establishment of administrative procedures as well as a mechanism for overseeing Islamic fiscal foundations. They also stated that there is a need to bring together Islamic financial institution controllers and bosses in order to create strong internal score and management frameworks and risk the board culture in order to improve the outside rating of these banks and help them not just in utilising their cost capital more proficiently but additionally in upgrading their development. It also serves the offices that require assistance in overcoming some of the difficulties they are facing. (Vasu, 2005) when discussing the future of Islamic banking and money in India, mentioned the interest-free instrument as a fundamental component of the Islamic account. Despite the fact that banking without interest is a misnomer, as one can't conceive of lending without interest, the concept is spreading throughout the world, in Muslim and non-Muslim nations, and, according to the originator, may find a place in the Indian financial sector sooner rather than later. While investigating the legitimacy of Islamic banking and finance in India, the author discussed the growth of Islamic banking and finance and its successes in other Muslim and non-Muslim nations. Haque, Lone, and Thakur undertook an inquiry using SWOT analysis and Michal Porter's model to explain how Islamic finance is appropriate and, more importantly, beneficial for India. They led the SWOT analysis, using Michal Porter's five-point model, and advocated the critical measures for its use using their reasoning that Islamic accounting is preferable for India. They suggested the Islamic Bank of the United Kingdom, the Islamic Bank of Thailand, the Islamic Bank of Singapore, and the Islamic Bank of the United States as prominent models for Indian brokers to present Islamic banking in the country while clarifying the fundamentals of using Islamic accounts in India. It was suggested that the royal family and universal banks, as well as the Reserve Bank of India, be involved in the decision-making and implementation of Islamic Banking products. They also advocated referring to "Islamic Banking" as "Interest Free Banking," with the intention of viewing it through a broad monetary kaleidoscope rather than a narrow, tight crystal. "Developing and expanding the market for Islamic financing is a significant motivator behind why the Islamic money market is worth considering for the framework region," Redimerio and Andrew stated. Framework ventures are a natural fit for an Islamic fund, which is governed by Shariah and expected based on resource support and shared business risks.

METHODOLOGY

a. Research Design

The purpose of this research paper is to identify people's enthusiasm for profit sharing with banks, which adheres to the principle of non-interest banking. Hence, an exploratory research design is used for this paper.

b. Data Source and Collection

Both primary and secondary sources of data were used in the data gathering for this investigation. Primary sources of data are gathered by questionnaire send viva a mail to random people. Secondary data is gathered via the readily available internet sources, such as journals, conference proceedings, and book chapters, while primary data is gathered through the online distribution of questionnaires.

c. Sampling Technique and Size

The study has used a straightforward random sampling methodology. A total of 389 people from all around India made up the study's sample.

d. Test and Analysis Tools

The Chi-Squares test has been used for analytical purposes. The researcher is attempting to ascertain the enthusiasm and willingness for the implementation of this financial system.

DATA ANALYSIS

The researcher developed this hypothesis to determine the enthusiasm and willingness to adopt this banking system. Though people are significantly aware of non-interest banking, they are either willing to adopt this non-interest and profit-sharing model or not. To measure this hypothesis, the Chi-Squares test has been applied.

H_0 : There is no significant enthusiasm among people regarding profit sharing with noninterest banking

H_1 : There is significant enthusiasm among people regarding profit sharing with noninterest banking

Demographic Information

Table 1: Presentation of demographic distribution

| Demographic Distribution | | | | | |
|----------------------------|-----------------------|-----------|---------|---------------|--------------------|
| Parameters | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Age Group (in years) | Under 25 | 119 | 30.6 | 30.6 | 30.6 |
| | 26–35 | 158 | 40.6 | 40.6 | 71.2 |
| | 36–45 | 56 | 14.4 | 14.4 | 85.6 |
| | Above 45 | 56 | 14.4 | 14.4 | 100.0 |
| | Total | 389 | 100.0 | 100.0 | |
| Gender | Male | 226 | 58.1 | 58.1 | 58.1 |
| | Female | 163 | 41.9 | 41.9 | 100.0 |
| | Total | 389 | 100.0 | 100.0 | |
| Religion | Hindu | 264 | 67.9 | 67.9 | 67.9 |
| | Muslim | 91 | 23.4 | 23.4 | 91.3 |
| | Buddhist | 9 | 2.3 | 2.3 | 93.6 |
| | Christian | 9 | 2.3 | 2.3 | 95.9 |
| | Atheist/Secular | 7 | 1.8 | 1.8 | 97.7 |
| | Others please specify | 9 | 2.3 | 2.3 | 100.0 |
| | Total | 389 | 100.0 | 100.0 | |
| Educational Qualifications | Intermediate | 23 | 5.9 | 5.9 | 5.9 |
| | Graduate | 44 | 11.3 | 11.3 | 17.2 |
| | Masters | 164 | 42.2 | 42.2 | 59.4 |
| | Ph.D. | 151 | 38.8 | 38.8 | 98.2 |
| | Other | 7 | 1.8 | 1.8 | 100.0 |
| | Total | 389 | 100.0 | 100.0 | |
| Occupation | Service – Private | 85 | 21.9 | 21.9 | 21.9 |

| | | | | | | |
|--|--------------------|---|-----|-------|-------|-------|
| | Service Government | – | 104 | 26.7 | 26.7 | 48.6 |
| | Own Business | | 15 | 3.9 | 3.9 | 52.4 |
| | Professional | | 20 | 5.1 | 5.1 | 57.6 |
| | Student | | 149 | 38.3 | 38.3 | 95.9 |
| | Retired | | 4 | 1.0 | 1.0 | 96.9 |
| | Other | | 12 | 3.1 | 3.1 | 100.0 |
| | Total | | 389 | 100.0 | 100.0 | |

(Source: Primary data)

Interpretation: The above-given table presents demographic information of the respondents.

Age Group: As per the presented, there are four groups’ categories of the age of the respondents. There were 30 percent of respondents under the age of 25 years. 40 percent of people were 36 to 35 years old. The maximum number of respondents belongs to this age group. In the age group of 36 to 45 years and above 45 14.4 percent of people were in each group.

Gender: If we analyze as a gender basis, it will be found that most of the respondents were male (58.1), whereas only 41.9 percent of respondents were female. This figure shows significant differences between male and female contributions in the financial sector.

Religion: Similarly, an analysis of the data presents that, 67.9 percent of respondents were Hindu and 23.4 percent of respondents were Muslims. 2.6 percent were Buddhist and 2.3 percent of respondents belonged Christian. Whereas 2.3 percent of respondents were from other religions such as Jainism, Sikhism, etc, and 1.8 percent of respondents were Atheist/Secular.

Education: The educational profile of the respondents presents that only 5.9 percent of people were intermediate. 11.3 percent of respondents were graduates. 42.2 percent of respondents were having master’s degrees. Whereas 38.8 percent of respondents were Ph.D. and 1.8 percent of respondents were qualifying for other degrees and diploma courses. This obtained data draws a good educational picture of the respondents.

Occupation: The data on the occupation reveals that 21.9 percent of people were employed in private service whereas 26.7 percent of respondents were employed in the government service sector. 3.9 percent of respondents were engaged in their own businesses. 5.1 percent of respondents’ people were working as a freelancer or as professionals. 3.1 percent of respondents were retired from employed engagement, whereas 38.3 percent of respondents were students pursuing different educational courses.

Table 2: General Response about Non-interest Banking

| General Response About Non interest Banking | | | | | | | | |
|---|-----|---------|-----|---------|---------|---------|-------|---------|
| Parameters | Yes | Percent | No | Percent | Another | Percent | Total | Percent |
| People having Bank account | 380 | 97.7 | 9 | 2.3 | 0 | 0 | 389 | 100.0 |
| People heard about Non-Interest Banking | 197 | 50.6 | 197 | 49.4 | 0 | 0 | 389 | 100.0 |

| | | | | | | | | |
|---|-----|------|-----|------|----|------|-----|-------|
| Non-interest banks do not employ Riba (interest) and instead use the profit and loss sharing system (partnership) banking | 229 | 58.9 | 114 | 29.3 | 46 | 11.8 | 389 | 100.0 |
| Non-Interest Banks do not invest in sectors that entail goods and services (pork, alcohol and gambling). Do you believe it is beneficial to society's well-being? | 268 | 68.9 | 42 | 10.8 | 79 | 20.3 | 389 | 100.0 |

Source: Primary Data

Interpretation: The above-given table number 41 presents the general responses to the non-interest banking system. On the statement "People are having bank accounts," 97.7 percent of respondents replied yes, 2.3 percent replied no, and no one responded in another category. On the next statement, "People heard about noninterest banking," 50.6 percent of respondents denied it. 11.8 percent of people fell into another category.

Similarly, the statement "Non-interest banks do not use Riba (interest) and instead use the profit and loss sharing system (partnership) banking" is incorrect. 58.9 percent of people said yes, 29.3 percent said no, and 11.8 percent were in another category. And in the statement, "Non-interest banks do not invest in sectors that entail goods and services (pork, alcohol, and gambling)." Do you believe it is beneficial to society's well-being? 68.9 percent said yes, 10.8 percent said no, and 20.3 percent said something else.

Table2: Chi-Square

| Test Used | Do you have a bank account: | Have you ever heard about Non-Interest banking? | Non-Interest Banks do not employ Riba (interest) and instead use the profit and loss sharing system (partnership). | Non-Interest Banks do not invest in sectors that entail goods and services (pork, alcohol and gambling). |
|--------------|-----------------------------|---|--|--|
| Chi-Square | 732.667 ^a | .064 ^b | 131.974 ^c | 422.856 ^d |
| df | 2 | 1 | 2 | 3 |
| Asymp. Sig. | 0.000 | 0.800 | 0.000 | 0.000 |
| Significance | Significant | Significant | Significant | Significant |

Source: Primary Data

Interpretation: The above-mentioned table number 42 presents a Chi-squared test to assess people's enthusiasm for profit sharing in the bank and noninterest banking. The chi-square values for all four statements are shown in the table: 732.667a, 064b, 131.974c, and 422.856d. In the above-given table, it is seen that all values are greater than 0.05, so we reject the hypothesis and conclude that there is

enthusiasm among the people about profit sharing in the bank about noninterest banking for the chosen sample size of 389 at the 5% level of significance.

Discussion of hypothesis

The above-given hypothesis, "There is not a significant enthusiasm among the people about profit sharing in the bank about noninterest banking," has been rejected. As a result, the study demonstrates that there is no shortage of enthusiasm for the non-interest profit sharing banking system. People prefer such systems because they foster a sense of ownership and partnership rather than interest sharing.

FINDING OF THE RESEARCH

The findings of the research indicate that there is a significant level of enthusiasm among the respondents regarding profit sharing in the context of noninterest banking. The study aimed to assess people's willingness to adopt the noninterest banking system, particularly focusing on profit-sharing models.

The chi-square values for statements such as having a bank account, awareness of noninterest banking, and belief in the profit and loss sharing system were all greater than 0.05, indicating a significant association. The study concludes that, at a 5% level of significance, there is enthusiasm among the sampled population regarding profit sharing in noninterest banking. The discussion of the hypothesis supports the rejection of the null hypothesis, emphasizing that there is no shortage of enthusiasm for the non-interest profit-sharing banking system. The preference for such systems is attributed to the perceived benefits of fostering a sense of ownership and partnership rather than relying on traditional interest-sharing models.

In summary, the research findings suggest a positive reception and willingness to adopt noninterest banking, particularly in the context of profit-sharing models. The study contributes valuable insights into the attitudes of individuals towards innovative banking systems, emphasizing the importance of noninterest and profit-sharing approaches in the evolving financial landscape.

CONCLUSION

There is a desire for Islamic banking, as well as a significant market for Islamic banking; this suggests that the future prospects of Islamic banking are positive. Islamic banking not only meets the demands of the Muslim population, but it also meets the needs of the broader society. Given the current state of affairs, Islamic banking is not conceivable in India under current banking rules. It is, however, achievable with the assistance of the government and the Reserve Bank of India. Islamic finance should be regarded through an economic rather than a religious lens. The role of government engagement and intervention in providing the essential conditions for law and a legal framework is one area that can directly affect the growth and development of Islamic banking in a nation like India.

The stage has been created for the introduction of Islamic banking in India. However, the establishment of Islamic banking without a sound structure may result in disruptions and disputes. The most essential benefit of Islamic banking over regular banking is its capacity to expand cash-related transactions, which is critical if India is to become a financial powerhouse in the not-too-distant future. Nonetheless, India has remained far from Islamic banking. The thought process underlying the comparable may be more significant on the political front than on the monetary front. According to the research for Islamic banking in India, India should open its doors to Islamic banking since the benefits and potential exceed the negatives and hazards. As a result, Islamic banking would be another alternative form of banking

that might boost commercial centre efficiency via improvements and competition. It bridges India's growing wealth divide. A shortage of professionals, modifications to the Banking Act Regulation and disagreements in Islamic thought on Shariah are among the issues. There are opportunities, such as the flood of cash from various Gulf Cooperation Council nations, to contribute to the real estate boom while simultaneously addressing the issue of financial inclusion. The dangers include that microfinance is a strong competitor, that it may be used as a political weapon, and that it might be viewed as terrorism. This study has several limitations because it was only undertaken in an Indian environment. It may be carried out in other nations and experimentally examined. Last but not least, Islamic financial organisations should do research on human training and development to ensure that they appropriately promote Islamic banking.

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