

**FINANCIAL INCLUSION AND UTILIZATION OF
BANKING SERVICES OF MUSLIMS
IN KERALA**

*Thesis
submitted to the University of Calicut
for the award of the degree of*

DOCTOR OF PHILOSOPHY IN ECONOMICS

By

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DECLARATION

I, **BASHEER P**, affirm that this thesis titled “**FINANCIAL INCLUSION AND UTILIZATION OF BANKING SERVICES OF MUSLIMS IN KERALA**” submitted to the University of Calicut for the award of the degree of **Doctor of Philosophy** in Economics is a bonafide record of research done by me under the guidance of Dr. D.RETNARAJ, Retired Professor of Economics, Department of Economics, University of Calicut, and Dr. SHYJAN D., Associate Professor, Department of Economics, University of Calicut. I declare that this thesis had not been submitted by me earlier for the award of any degree, diploma, fellowship or any other similar title or recognition of any University/Institution.

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ACKNOWLEDGEMENT

With great respect and love, I wish to express my profound debt of gratitude to my Supervising Teacher, Dr. D Retnaraj, former Head and Professor, Department of Economics, University of Calicut, Aranattukara, Thrissur for giving me a chance to doing research out of the focus of his specialised area, invaluable guidance, moral support at various stages of my research work. Without whose guidance, advice and encouragement it would not have been possible to submit this work in this form. He has been prompt, sincere, and deeply interested in my research. His incessant persuasion, meticulous attention, and paternal affection have been the chief contributing factors to the successful completion of this work.

I am greatly indebted to my co-guide Dr. Shyjan Davis, former Head and Associate Professor, Department of Economics, Dr. John Mathai Centre, Thrissur, who have provided with fruitful and useful suggestions. His comments were extremely helpful in pointing out the faults in this thesis. I take this opportunity to acknowledge my feelings of gratitude towards him for his keen interest, constant encouragement, and dynamic supervision.

I extent my sincere thanks to Dr. Zabeena Hameed .P, Head and Assistant Professor, Department of Economics, University of Calicut for all the valuable suggestions and mental support extended to me in all the aspects connected with this work. I record my sincere thanks to Dr. K.X. Joseph and Dr. Mani K.P and Dr. K. V. Ramachandran, Former Head of the Department for their valuable suggestions and valuable comments related to my research work.

I express my heartfelt gratitude to Prof. Rajesh P, Assistant Professor, Department of Economics, Govt. Engineering College, Thrissur, whose help, support, suggestions and timely directions in data analysis is invaluable in this work. He spend his valuable time for sharpening the tools used in this study and to suggest appropriate methods fit to the objectives of the study. Without his constant help the work may remain unfinished. I also extent my sincere gratitude towards Dr.

Shabeer K.P, Assistant Professor, Department of Economics, Govt. College Kodencheri, who also made necessary directions and timely corrections in my thesis report.

I express my sincere thanks to Vinod sir, Librarian of CHMK Library, University of Calicut, Mrs. Sreeja, Librarian of Dr. John Mathai Centre and other non-teaching staff in the Department of Economics, especially to Bala Subramanian sir, Jayaprakash sir, Stanly chettan, sheeja chechi, Ayishechi and Sanitha, for their sincere assistance given to me.

I am thankful towards my friends and co-researchers, Dr. Deepa V.D, Dr. Rejuna they spent their valuable time for correcting the initial chapters of this work and provided with valuable suggestions, constant help for completion of this work. I am also thankful towards Dr. Dhanya K, Dr. Raseena, Noushad Chengodan, Smitha Antony, Glady Paul, Siby Linson for all sorts of encouragement and moral support rendered to me for the completion of research work.

I express my deep sense of gratitude to my colleagues Ashraf Panancheri, Dr. Hyderali, Sabira, Greeshma, Amina Poovancheri, Sajeev U, Abdul Sameer, Suprabha L and to my friends Dr Ramdas, Moideen Thottasseri, Dr. Sulaiman V whose constant support and encouragement was invaluable in completing this effort.

I am thankful to all my teachers and friends who have helped me in various ways for the preparation and completion of the work. I express my sincere thanks to Bina Computers for service rendered and also the neat execution of the DTP work and support.

I express my deep gratitude and indebtedness towards my parents Hamza and Mariyumma and to my mother-in-law Safiya and to my brothers, sisters whose blessings and support is essential in all my efforts.

I extent my heartfelt gratitude towards my wife Jaseena for her patience, encouragement, unconditional love, caring, mental support and sacrifice to complete my research work. She was the real instigator, mentor and always prompting me to the timely completion of this work. I express my deep sense of

gratitude towards my kids Isha and Rayid for their patience and sacrifice to complete my research work. Finally, I deeply thank all those who have contributed in some way or other to the final form of this research work.

Above all, I am grateful to the Lord Almighty for the benevolence and mercifulness which has made this work see the light of day, without the Lord's invisible hand I would not have been successfully completed my research work.

Thank you all,

Basheer P

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LIST OF ABBREVIATIONS

| | | |
|--------|---|---|
| JDY | : | Jan Dhan Yojana |
| CCT | : | Conditional Cash Transfer |
| NEP | : | New Economic Policies |
| CRISIL | : | Credit Rating Information Services of India Limited |
| MDGs | : | Millenium Development Goals |
| FI | : | Financial Inclusion |
| PR-MDG | : | Private Sector- Millenium Development Goals |
| RBI | : | Reserve Bank of India |
| GDP | : | Gross Domestic Product |
| DEPR | : | Department of Economic & Policy Research |
| MFIs | : | Micro Finance Institutions |
| BPL | : | Below Poverty Line |
| BC | : | Business Correspondent |
| SHGs | : | Self Help Groups |
| RRBs | : | Regional Rural Banks |
| NPA | : | Non Performing Asset |
| IMF | : | International Monetary Fund |
| ICT | : | Information and Communication Technology |
| CA | : | Capability Approach |
| NGO | : | Non Governmental Organization |
| PMJDY | : | Pradhan Manthri Jan Dhan Yojana |
| ATM | : | Automated Teller Machine |
| PLS | : | Profit and Loss Sharing |
| ROSCA | : | Rotating Savings and Credit Association |

| | | |
|--------|---|--|
| ASCA | : | Accumulating Savings and Credit Association |
| AIDIS | : | All India Debt and Investment Survey |
| SIDBI | : | Small Industries Development Bank of India |
| FAS | : | Financial Access Survey |
| S & P | : | Standard & Poor's |
| CSO | : | Central Statistical Organization |
| FSA | : | Financial Service Authority |
| HDI | : | Human Development Index |
| GNP | : | Gross National Product |
| BRICS | : | Brazil, Russia, India, China and South Africa |
| UN | : | United Nations |
| MGNREG | : | Mahatma Gandhi National Rural Employment Guarantee Scheme |
| DBTS | : | Direct Benefit Transfer Scheme |
| SFBs | : | Small Finance Banks |
| KYC | : | Know Your Customer |
| BF | : | Business Facilitator |
| EBT | : | Electronic Benefit Transfer |
| GCC | : | General Credit Card |
| KCCs | : | Kisan Credit Cards |
| DFSI | : | Department of Finance, Services and Innovation |
| APY | : | Atal Pension Yojana |

CHAPTER 1

INTRODUCTION

1.1. Introduction

Although the idea of inclusive growth has not emerged in recent times, it has only recently been recognized globally as an outstanding way to annihilate the incidence of poverty and to ensure equality of opportunity. Inclusive growth means growth with distributive justice and making opportunities equally accessible to all. The inclusion of the downtrodden and weaker section of people into the perimeter of economic development improves through the focussed policies and ventures aiming at the all-round development of society. But it is not an easy task to create a momentum of inclusion of population in the diverse society of India. Therefore, the targeted programmes could be effective in its journey only if it addresses both the supply and the demand side aspects of exclusion. The inclusive growth programmes implemented around the world proved their effect in both creating and making wider opportunities to the weaker sections of the society to improve their standard of living. The development theories endorse a cause and effect relationship between financial development and inclusive economic growth to the depth and the breadth of financial services across the regions. As a paradigm for attaining inclusive growth, Financial Inclusion paved the way for improving the living standard by enhancing the opportunities and choices around the world. Financial inclusion ensures adequate and timely financial services to the weaker sections at an affordable cost and is considered as an addendum to social inclusion in mitigating the hurdles of inclusive growth. The empirical studies witness that the inclusiveness of people into the realm of financial services will enhance their opportunities and choices which improve their standard of living.

In fact, financial development facilitates better access to financial services to the weaker section of the society, it is necessary to strengthen the required human capability to exploit economic opportunities available to them. Therefore, the enhancement of capabilities would induce demand for financial services (Laha &

Kuri, 2014). It is found in the literature that bringing the poor into the formal sphere of finance broadens the resource base of the financial system and proliferate the process of economic development through the development of saving habit among rural people (Bhaskar, 2013). There is a stunning experience of the flagship programme Jan Dhan Yojana (JDY) in mobilizing savings through opening zero balance account by the weaker sections, especially women. Recently, economic policies around the world focus on the availability of financial services as a mediating element of financial inclusion. Financial inclusion has multidimensional effects in India, an economy with a large proportion of the population, which improve the strength of the resource base of financial institutions, improve the capital stock of the nation and mitigates poverty and inequality (Chakrabarty, 2011).

The penetration of institutional networks and facilities will encourage both access and use of financial services. Therefore, the Government of India implemented pro-growth policies, which integrate different development and social security policies with the services of the banking sector, to enhance the choice and opportunities of the poor and to ensure universal access to financial services. This approach could probe the financial inclusion of poor people through the opening of mandatory bank accounts and which has distributional effects; (i) they can raise the level of access to finance, (ii) raise average income of the people and evolving to pro-poor in mitigating the incidents of poverty (Beck, et al., 2004). The availability, access and use of financial services evolve into the inclusiveness of the society into the ambit of financial services. The performance of Conditional Cash Transfer (CCT) programmes like Direct Benefit Transfer Schemes (DBTS) being implemented in India highlights that the combination of CCTs and formal savings account of the recipients brings millions of households into the ambit of the formal financial system by depositing the transfers into the savings account of them (Chiapa & Prina, 2017). Banks, the key drivers of financial inclusion or inclusive growth, and other financial institutions mitigate the supply side constraints of access to financial products. But the access is constrained by several factors which include lack of awareness, unaffordable, high cost, inconvenience, inflexible and low-quality products. However, the policymakers must think about the demand-side

factors such as lower-income and /or asset holdings also have a significant bearing on inclusive growth (Chakrabarty, 2011).

Financial inclusion is a state of financial entitlement by which a person gets access to different types of financial products and facilities which flourish his choices and opportunities to perform various financial transactions and which could improve his standard of living if he has the required financial capability. Financial capability, the ability of a person to use various financial services effectively, depends on different financial options available, the adequacy of products, the ways in which they develop their financial practices and their lifestyle. Definitely, the personal, social, and environmental “conversion” factors shape the degree to which individuals can transform a resource or service into actual functioning (Adaba et al., 2019). Moreover, the religious affiliation also influences the economic decisions, access and use of conventional banking services and financial inclusion of society. Empirical studies reveal that Muslims around the world are less included in the formal financial system than non-Muslims due to the ban on interest related financial transactions (Khan, 2010, Demirguc-Kunt et al., 2013, Naceur et al., 2015, Brekke, 2018). The banking statistics in India shows that the penetration of banking institutions and facilities are lower in Muslim concentrated regions than other non-Muslim concentrated regions. There was widespread discrimination in providing bank credit by both public and private sector banks and many banks have designated Muslim concentration areas as ‘negative or red zones’, and where they did not avail bank credits (Sachar, 2007). According to the religious principles (Shariah) followed by Muslims, interest-based financial transactions are forbidden to them. Therefore, Muslims are less likely to open a bank account, less likely to save in banks and less likely to borrow from banks than other socio-religious groups in India (Ghosh, 2020).

India is the second-largest Muslim populated nation in the World and Muslims, the major minority group, are the second-largest religious group in India. They constitute 17 per cent of the total population of the nation. They are largely concentrated in Uttar Pradesh, West Bengal, Bihar and Maharashtra, and engaged in

an unorganised sector of the economy without any protection. After decades of serial socio-economic policies, the socio-economic status of Muslims being lagged behind other socio-religious groups in India. The share of Muslims in government, semi-government, civil services and banking sector jobs are lower than other backward classes in India. After the implementation of the New Economic Policies (NEP), Muslims were displaced from the traditional occupations, being deprived of their means of livelihood and which contributed to their economic backwardness (Sachar, 2007). It can be seen that the socio-economic backwardness of Muslims influences different aspects of financial inclusion of a region, in which they concentrated, across India. In addition, various sources show that Muslims are not being financially included or using financial services for religious reasons (CRISIL Inclusix 2018, World Bank Findex 2018). But, in Muslim concentrated states, where the socio-economic conditions of Muslims are poor, it is difficult to determine the extent to which religious factors influence them in financial transactions. Therefore, the majority of studies related to financial inclusion highlight the lack of supply-side factors of financial services along with the socio-economic deprivation of the society as primary reasons for financial exclusion. In fact, the fact that Muslims are lagging far behind other socio-religious groups in the access and use of financial services indicates that they can only be elevated to the scope of financial services through more constructive and objective policies.

Kerala is one of the leading states in terms of financial inclusion in India, and it can be seen from the available literature that the social background of the state has contributed to this to some extent. Kerala is one of the states with a 5 to 10 million Muslim population, claims a better socio-economic profile even in the case of Muslims among other states in India. Muslims in Kerala attained remarkable achievement in education, employment and social participation. Therefore, the situation of Muslims in Kerala is far better and entirely different from that of other Muslim concentrated states in India. After the 1970s, the migration of Muslims to the Gulf regions influenced them a lot to improve their socio-economic status in Kerala. Therefore, most of the factors which are responsible for the financial exclusion of Muslims in other states are absent in Kerala. Banking statistics in

Kerala shows that some districts achieved cent per cent financial inclusion in terms of the access and use of financial services. But the penetration of banking services and other financial institutions to the Muslim concentrated area of Kerala also indicates backwardness of financial inclusion. Despite the high socioeconomic status of Muslims in Kerala compared to other states, the fact that their financial inclusion remains poor is an issue that needs to be scrutinized and approached positively. This study is proposed to be conducted among Muslims in Kerala since the districts in which Muslims are largely concentrated have been the most backward districts in financial inclusion in the state, although the state achieved the top position in financial inclusion in India.

1.2. Financial Inclusion and Utilization of Banking Services: Developments in the Literature

There are numerous studies that highlight the importance of financial inclusion as a policy paradigm. The majority of the studies examined the effectiveness of institutional, regulatory, strategic and service-oriented programmes of financial inclusion in bringing the unbanked or financially excluded sections of the society into the ambit of formal financial services. But as a policy or strategy to achieve inclusive growth, financial inclusion must be examined in the light of access and use of financial services by vulnerable and weaker sections of the society. Recently, many studies focussing on the demand side aspects of financial inclusion exposed that merely the access of financial services cannot propel active utilization of financial services by the weaker sections. Those studies unfolded that there are various factors influencing the access and use of financial services. For better understanding, the related literature is arranged on the basis of different aspects of financial inclusion and banking habits.

1.2.1. Dimensions of Financial inclusion

1.2.1.1. Financial Inclusion as a Strategic Move

The existing literature has been underlined the apparent importance of financial development in promoting sustainable economic growth. Financial

development expands the economic opportunity of individuals and creates positive incentive effects without any adverse repercussions associated with attempts to equalize outcomes. Hence, financial development boosts efficiency and equity of opportunity (Demirgüç-Kunt & Levine, 2008). It reduces income inequality by disproportionately boosting the incomes of the poor and developed financial intermediaries results in faster declines in both poverty and income inequality (Beck et al., 2004). Recent growth models have probed the additional dimensions of the relation between finance and sustainable economic development and exposed that finance-intensive growth (at least as measured by banking depth) is empirically associated with lower poverty ratios (Honohan, 2003). The expansion of financial services depends upon the level of economic development, which generates the demand for and stimulates the supply of financial services (Gurley and Shaw, 1955; Calderón, 2003). A developed financial system promotes growth in the real sector of the economy, which widens the arena of economic opportunities available across different sections of the population including the vulnerable sections of society. Thus, financial development facilitates the creation of an environment for providing better access to economic opportunities to the weaker section of the society. Researches find out that to ensure equal access, it is necessary to strengthen the human capacity to exploit economic opportunities. Moreover, the enhancement of human capabilities would encourage demand for financial services. The growing demand for financial services provides an additional incentive for banks to implement the strategy of an inclusive financial system (Laha & Kuri, 2014). Therefore, a strong financial system is required not only in under-developed countries and developing countries but also in developed countries for sustainable growth. Financial inclusion helps to achieve equitable and inclusive growth of the nation. Thus, Innovations in the products, service models, regulatory norms and technology together constitute a novel landscape for the progress of the Financial Inclusion Programme (Garg & Agarwal, 2014).

Among socio-economic factors of human development, income has a positive correlation with the level of financial inclusion and inequality, literacy, degree of urbanization, physical infrastructure and information also affect financial

inclusion of society (Sarma & Pais, 2008). Financial inclusion, within the horizon of inclusive development, is viewed as an important means to tackle poverty and inequality, and to address the millennium development goals (MDGs) (Malik et al., 2019). Thus, a high-level human development leads to a better level of financial inclusion of a region. Therefore, financial inclusion can be accepted as an effective instrument to enlarge people's choices through strengthening some basic elements of human development. Empirical evidence suggests that an inclusive financial system would facilitate the process of human development by addressing the pitfalls in the level of human development (Kuri & Laha, 2011). Financial Inclusion of the unbanked masses is predicted to unleash the massively untapped potential of the downtrodden sections of the society (Chakrabarty, 2013). Financial Inclusion promotes thrift and develops a culture of saving, improves access to credit both entrepreneurial and emergency and conjointly allows economical payment mechanism, so strengthening the resource base of the institution that advantages the economy as resources become on the market for economical payment mechanism and allocation. Empirical proof shows that countries with a giant proportion of population excluded from the formal financial set-up conjointly show higher poverty ratios and higher inequality (Chakrabarty, 2011). Financial inclusion is certainly the best way to realize the inclusivity for an economy, therefore, it is necessary to create sufficient infrastructure and customized models required for the need. Otherwise, financial reforms can fail to get a system that might accelerate inclusive growth. Financial inclusion will be meaningless if there is a lack of proper understanding and information about the structure and arrangement of existing financial tools and processes (Mukherjee et al., 2019).

Theoretically, the institutional setup and 'environment' together constitute access to finance. However, in several cases, it is discovered that there was no impact of countries' policies on the incidence of financial inclusion. This highlights the importance of other institutional factors like sound contractual frameworks, regulatory restrictions, physical infrastructures and lower lending interest rates in promoting access to finance (Seman, 2016). Such comfortable access to financial services enlarges economic opportunity and facilitates savings, investments and

avail credit. Significantly, access to financial services also helps the poor meeting income shocks and emergencies such as illness, death or loss of employment and protects them from the exploitation of moneylenders (Subbarao, 2009). Therefore, financial inclusion could be a compulsion, not an option, and the adoption of innovative products and processes should tackle the challenge of managing trade-offs between the target of financial inclusion and financial stability (Kapadia, 2019). Financial inclusion is at the guts of the policy agenda, and it has been widened to incorporate savings, credit, insurance, and pensions. Technology increasingly affords the chance to boost the delivery of financial services to households. Moreover, the new design of inclusion reflects the failure of the traditional system in adopting trendy strategies to serve the poor (Barua et al., 2016).

Both in the long run and short run, financial inclusion absolutely influences economic growth providing various services and credit in the market as key factors. Therefore, the mere opening of bank branches will be meaningless if their branches do not serve the people (Lenka & Sharma, 2017; Sethi & Sethy, 2019). The factors like Income, Literacy and population physical infrastructure for connectivity and information have a significant association with the level of financial inclusion (Chithra & Selvam, 2013). Since the relation between financial inclusion and economic growth is unidirectional, it necessitates the improvement in the efficiency of financial institutions to stimulate financial inclusion as well as economic growth (Lenka & Sharma, 2017). Undoubtedly, It can be concluded that financial inclusion is playing a catalytic role for the economic and social development of society however still there is a long road ahead to realize the required outcomes (Sharma & Kukreja, 2013).

1.2.1.2. Disparity in Financial Inclusion

In fact, we covered a phase of greater financialization of economic life through an in-depth expansion of financial markets, the propaganda of making financial services available to the poor is no longer considered as a sincere proposition of financial inclusion, or inclusive financing, and is mainly an agenda of strong commercial principles. Therefore, engagement with the poor is considered as

a ‘win-win’ game, a ‘profitable’ opportunity to make a ‘fortune at the bottom of the pyramid’, tactics that have been strongly founded in theoretical frameworks of neoclassical and institutional economics. Freeing the markets, including financial markets, of all ‘constraints’ to the participation of different sections of economic actors is the crux of this philosophy of development (Nair et al., 2015). Evidently, there are several demand-side constraints that have not been eliminated yet. It signifies the necessity to increase participation of vulnerable sections of society through augmenting financial literacy and financial counselling. As part of this formal financial institutions need to mobilize greater resources from a wider customer base and extend credit towards business activities of vulnerable sections of the society to encourage productive investment. Also, proper information and communication technology can help to develop a platform to develop rural areas and can lead to a more sustainable and inclusive economic structure in near future (Mukherjee et al., 2019). Existing literature unfold that there have been many formidable challenges in the financial inclusion area such as bridging the gap between the sections of society that are financially excluded to bring them into the ambit of the formal financial system to improve the financial-economic growth. If a weaker section is financially independent, a nation can grow economically and socially (Sharma & Kukreja, 2013).

Empirical results show that there are wide variations across states, rural and urban regions in the access of financial services. Since there is a significant association between the demand for and supply of financial services, the studies called for evolving an integrated approach influencing the demand and supply dimensions to promote the strategy of comprehensive financial inclusion (Laha & Kuri, 2014). Trivelli et al., (2018) identified that the gender gap in access to a bank account remains unaltered worldwide since 2011. To overcome the barriers faced by women to access and use financial services they suggest three sets of recommendations which consists of programs to support their financial inclusion, measures to eliminate the gender disparity in providing financial services and recommendations to equip women to develop their own business through their financial inclusion. These recommendations are framed by considering the fact that social norms constrain women’s capacity to access and meaningfully use financial

services. These social norms must be taken into account to make financial inclusion effective to attain women's economic empowerment, better livelihoods and enhance social welfare. Estimates show that most of the states in the southern region have performed better in terms of financial inclusion. But the overall status of financial inclusion across the states in India has been coupled with a low mean and high disparity. The literature revealed that financial inclusion across the states in India has a significant association with their human development (Bagli, 2012). The technological improvement in the financial sector still stands behind the growth momentum they expected. The empirical evidence shows that it has only a limited impact in widening the opportunity of bank customers to participate in the transactions of financial services. It is found that the technology that enables cashless transactions only influence the financial inclusion of the workforce partly (Bayero, 2015).

Malik et al., (2019) identified four key pillars that are required to strengthen FI and the FI-PR-MDG nexus — private sector development (both financial and non-financial), financial literacy, microfinance and public sector support. Laha & Kuri, (2014) recommended that merely supply of financial services would not ensure a comprehensive financial system in an economy unless it is supplemented by the generation of demand for financial services by the hitherto excluded sections of the population from financial access. Barua et al., (2016) suggested that regulation has a fundamental role to play in ensuring that market-oriented solutions to poverty alleviation coexist with other social initiatives. India's financial inclusion agenda has seen a welcome shift away from an emphasis on credit to a more comprehensive approach. In the presence of a significant association between the demand for and supply of financial services, the existing literature dictate for evolving an integrated approach influencing the demand and supply dimensions so as to promote the strategy of comprehensive financial inclusion in India.

1.2.1.3. Evidences of Financial Exclusion

The literature exposes that the inability to access and use financial products and reluctance of the customer and voluntary decisions leads to the situation of financial exclusion. The disadvantaged section of the population in each country

usually fails to have access to the services of formal financial institutions and they termed it as financial exclusion. Though various policy measures and innovative tools have been introduced by the authorities in India aimed to ensure the access of financial products and services to weaker and downtrodden sections of the society, lack of financial literacy, convenience and appropriate technology has been emerged as barriers in achieving the goal of inclusive growth (Thyagarajan & Nair, 2016). According to RBI, the financial exclusion in India leads to the loss of GDP to the extent of one per cent [RBI, Working Paper Series (DEPR): 8/2011]. The main reasons for this loss are the externality of asymmetric information between the financial institutions and the proportion of disadvantaged sections of the population (Bagli, 2012). The lack of access to financial services aggravates the social exclusion and most households in this condition are unable to meet their essential needs. Empirically, there were two main areas of unmet needs: one is related to day-to-day money management and the other is related to long-term financial security. Medium-term security, insurance against loss of income or loss or damage to possessions, was only a need of secondary importance (Kempson, 1999). This reveals people's preference towards the needs and wants to emerge in their lifetime in relation to the limited financial resources.

The availability or accessibility of financial services without price or non-price barriers as part of an inclusive financial system may benefit the disadvantaged section of the society. But there are numerous barriers to financial inclusion across the world which includes both supply and demand-side factors. Major supply-side barriers are geographic distances and high transaction costs for banks to operate in remote locations and demand-side barriers are lack of financial understanding or erratic cash flows and low incomes. In the case of household constraints to financial inclusion lack of money, geographic access, and fixed costs associated with opening and maintaining an account are important barriers. Over 17% of excluded households in developing Asia cited lack of documentation as the reason for not having a formal account (Ayyagari & Beck, 2015).

But the available data do not convey the real picture of financial exclusion, because verification has shown that some bank account that has been opened did not maintain the balance, inactive for a long time or even dormant. While the banking sector claiming these as active bank account and they calculate banking penetration on the basis of the falls information. Only a few conduct any banking transactions and even fewer receive any credit. Millions of people across the country are suffering marginalization and poverty due to the lack of opportunity to explore their earning capacity and business skills (Subbarao, 2009). Swain's (2018) evaluation of the performance of the implementation of Jan Dhan Yojana reveals some pitfalls in both the demand and supply side of financial services. From the supply side, distance from a branch, branch timings, cumbersome documentation and procedures like lack of traditional collaterals and stringent requirements for opening and maintaining accounts, unsuitable products, language difficulties, staff attitudes, high costs and information asymmetry are some of the factors which adversely affect the successful implementation of this gigantic scheme; From the demand side, low income and assets, lack of permanent income flows or employment, low education and Financial Literacy levels and other similar factors resulting in lack of awareness and create cultural, religious and social barriers are the main factors which obstruct the society to enjoy the economic benefits and progress (Swain, 2018; Subbarao, 2009).

In India, the extent of financial exclusion is quite severe and is disproportionately higher among relatively poor households compared to their richer counterparts. Moreover, a significant percentage of rich households are also found to be financially excluded (Pal & Pal, 2012). Bringing the excluded sections of society within the perimeter of the financial system, providing financial literacy and strengthening credit delivery mechanisms are formidable challenges in the way forward. Since the majority of the rural population is still out of the scope of inclusive growth, comprehensive financial inclusion becomes a challenge for the Indian economy (Sharma & Kukreja, 2013). Low-income families often find it difficult to open a savings account or take out a loan for their future needs due to the lack of banking services or the need for more money and time to get banking

services. Therefore, the mere opening of no-frill bank accounts is not an end of financial inclusion while formal financial institutions must gain the trust and goodwill of the poor through developing strong connections with the customers through more community-based financial ventures and cooperatives. The fact that financial Inclusion initiatives have not yielded the expected results is an indication about there is a long road to go ahead but it is sure that financial inclusion has a significant role to play and is working on the positive side (Tamilarasu, 2014).

Definitely, access to financial services facilitates a variety of ways to come out of poverty by providing saving facilities, availing credit and giving access to insurance. But in India, in spite of several initiatives of financial inclusion taken, the evidence shows that the opening of bank account did not convert into access to credit and in an actual sense, it may not be lead to financial inclusion. Moreover, the microfinance movement had only a regional success in India. Even though the recent ventures like “Jandhan Yojana” create improved access to banks, they do not necessarily ensure increased access to credit facilities (Kulkarni, 2017). Reddy (2019) listed several drawbacks of the existing financial system and suggests intensive measures to promote financial inclusion in the country. He says that the intensive measures taken by RBI and the Government of India in support of financial inclusion, the results are not at all satisfactory. He enlisted major reasons for slow progress in financial inclusion are a large number of dormant bank accounts, shallow penetration of insurance and social security benefits, no improvement in the quality of the products and services of MFIs, indebtedness and poor recovery from the beneficiaries, lack of consumer protection, no transparency in pricing and dispute resolution by MFIs, lack of interest of bankers to achieve complete financial inclusion, high cost of servicing the rural poor in the short-run, high information barriers and low financial awareness especially among rural women, inadequate regulatory and supervisory capacity etcetera. Most of the cases of financial exclusion centered around the aspect of lack of access, which may be voluntarily or not, by certain sections of society to handle the adequate low cost, safe and reasonable financial products and services which may catalyst to their economic well-being by providing financial resilience to the section of the

population who are excluded from the formal financial system. Exclusion may happen due to several reasons like lack of accessibility, suitability, affordability, financial literacy, ignorance of the consumer and high transaction cost. There should be a thorough analysis of both supply and demand-side aspects of financial inclusion to formulate an effective policy to remove these hurdles (Singh & Roy, 2015).

Shabna Mol (2014) investigated the level of awareness about financial inclusion services, access and use of bank accounts to examine the extent of financial inclusion among below poverty line households. She found that the BPL households are aware to some extent about financial inclusion drives but they use bank account only for receiving the government benefits and schemes. Finally, she concludes that most of the BPL household is included in the financial inclusion system in terms of access to the bank account it does not lead to continued usage of a bank account.

1.2.2. Determinants of Financial Inclusion

1.2.2.1. Banking Outreach

Indian financial system is dominated by banking institutions and they play a vital role in the enhancement of financial inclusion to the unbanked areas of the country. The bank-led model of financial inclusion has fuelled this hegemony. Availability of banking amenities and a strong branch network are major requirements for economic development because they facilitate capital formation through the mobilisation of savings. Although banking services are important to economic development, their access is only one aspect of financial inclusion. Opening a bank account is considered as the key that allows account holders to save money, take loans, pay premium amounts and transfer funds within their country or across borders (Helms et al., 2006). While financial inclusion can be initiated by opening a bank account, the benefits accrue only through the active use of a bank account, such as sending and receiving money, saving money, managing risk, borrowing, etcetera (Demirguc-Kunt et al., 2018). It is found that there is a strong link between financial inclusion and bank stability, if higher the degree of financial inclusion, the better is the banking stability (Ahamed & Mallick, 2019). Literature

shows that the delivery of affordable banking services to disadvantaged and low-income groups is the main agenda of financial inclusion programs. The goals of financial inclusion can be achieved through the initiatives of the banking sector to encourage people to develop a good banking habit through the penetration of banking services across various segments of society. Therefore, branch density denotes the spread of banks and the level of comfort, convenience available for the public to carry out banking transactions (Kumar, 2013). The depth and breadth of branch networks indicate the access and penetration of financial services (Subba Rao, 2007; Burgess and Pande, 2003; Leeladhar, 2005; Demirgüç-Kunt, 2008).

Chakrabarty (2011), states that banks and other financial institutions are the key players of financial inclusion/inclusive growth because they can mitigate the supply-side barriers that deter the poor and disadvantaged social groups from gaining the benefits of access to the financial system. Access to financial products and services is constrained by several factors which include lack of awareness about the financial products, unaffordable products, high transaction costs and inconvenient products, rigid conditions associated with products and of low quality. Therefore, it is important to consider that apart from the supply side factors, demand-side factors such as lower-income and /or asset holdings also have a significant impact on inclusive growth. CRISIL (2018) identified the increase in the number of deposit accounts and credit accounts are the major factors affecting the level of financial inclusion in India. In India, the number of bank branches and credit deposit ratio has a significant impact on the growth of the GDP of the country. Financial access can really improve the financial status and standards of living of the poor and the disadvantaged population of the country (Raman, 2012; Iqbal & Sami, 2017).

Since banks play a most vital and important role in providing financial services for a common man than other financial institutions. The penetration of banking services has a substantial impact on the success and growth of the financial inclusion of a country (Jose & Mani, 2018). Lack of accessibility, affordability and

adequacy of financial services has been considered as a usual problem in India and demands an effective inclusive financial system for the economic growth of the country. Reserve bank of India (RBI) and government initiated the banking penetration to the unbanked villages, installation of new ATMs and implementation of various schemes in the country for promoting financial inclusion to attain economic growth (Raman, 2012). Empirically financial inclusion is strongly associated with the progress and development of the economy (Iqbal & Sami, 2017). Naceur et al., (2015) identified that improvement in the financial infrastructure, competition in the banking system, improvement in the quality of credit information, and enhanced efficiency of the legal system will help promote financial inclusion. It can be seen that the actors like banks dominate most of the processes involved with financial inclusion.

Beck et al. (2005) identified that full-fledged financial development and economic activity together with better infrastructure and governance enhance the outreach of financial services. Though more concentrated banking systems ensure greater outreach, the government ownership of financial institutions deters access. Moreover, the status of outreach revealed that geographic access to banking services is significantly associated with the density of the population. Pal and Pal (2012) identified that greater availability of banking services can foster financial inclusion, particularly among low-income households. Moreover, compared to the availability of infrastructural facilities and extent of urbanization in a State, the availability of banking services in a State is more strongly associated with the propensity of a household to be financially included. In this study, they also highlight that the difficulties in accessing formal sources of credit compelled the poor individuals and small and micro enterprises to depend on their personal savings and internal sources or to take resources from informal sources to invest in health, education, housing and entrepreneurial activities to make use of growth opportunities. Hence, the mainstream financial institutions like banks have an important role to play in overcoming this constraint, not as a social obligation, but as a pure business proposition (Chakrabarty, 2011).

The literature revealed that moneylenders are still a dominant source of rural finance despite the wide presence of banks in rural areas. Thus, there is a need to solve both supply and demand-side problems of formal financial services with the help of appropriate policies. Therefore, all stakeholders of financial inclusion should effectively impart for making it more meaningful. Microfinance institutions (MFIs) and self help-groups also improve the level of financial inclusion in rural areas. But, many rural people still are not aware of banking products, and they are reluctant to take the advantage of banking facilities. Therefore, financial literacy among the rural people should be a primary concern, because of various formalities involved in the process of banking transactions they are scared of going to the bank and hence fall back upon the moneylenders. The BC model was found successful in solving these problems of rural people up to some extent (Chattopadhyay, 2011). Rajeev (2015) argued for the formalisation of credit schemes, so that the weaker regions and socially disadvantaged sections, especially in the lower-income categories, receive better access to formal credit. One of how the problems of access to formal credit may be addressed is via self-help groups (SHGs).

The majority of studies reveal that the banking sector plays a considerable role in bringing financially excluded people into the formal financial sector as policies of the government and Reserve Bank towards financial inclusion are implemented through the banking sector (Pooja Rakhecha & Dr Manish Tanwar, 2018; Leeladhar, 2005; The World Bank, 2008; Subba Rao, 2007). In the 'Inclusive India Finance Report, 2014', Nair et al. (2015) identified that much of the literature and discussion is limited to increasing the extent of availability of financial services than its quality in serving the unbanked. The report stated that there is a consensus about the many benefits of expanding the financial markets to facilitate greater reach of credit, savings and payments services to newer and under-banked segments and to widen access to insurance and pensions, there are also concerns about the plausible ill-effects like over-indebtedness of customers and the stability of financial markets. Also, they recognised that the appropriateness of financial services, especially for poorer segments of the population, has become a critical concern. According to him, the formal banking system was a close partner in the financial inclusion initiatives as

channels of distribution of subsidized credit. In the cross-country analysis of the link between financial inclusion and economic growth, Sethi & Acharya, (2018) identified that an increase in banking services leads to economic growth both in the short and long run, and a rise in economic growth leads to improvement in the financial inclusion.

Chakrabarty (2011) in his speech on the topic ‘financial inclusion and banks: issues and perspectives’ pointed out that the initiatives for financial inclusion have come from financial regulators, governments and the banking industry. He argued that the banking sector has taken a lead role in promoting financial inclusion. Reserve Bank of India (RBI) has been taken multiple steps like the nationalization of banks, priority sector lending, lead bank scheme, the establishment of regional rural banks (RRBs), service area approach, and self-help group-bank linkage programme over the years to improve access of the poorer segments of society. According to him, the major barriers to serving the poor, apart from socioeconomic factors, are the lack of reach, higher cost of transactions and time taken in providing those services. Also, products designed by the banks are not tailored to suit the needs of low-income families. Therefore, financial inclusion should be a viable business proposition for the banks to attain the objective of banking services outreach to all the 600,000 villages. For this, he points out; RBI has been undertaking financial inclusion initiatives in a mission mode through a combination of strategies ranging from the provision of new products, liberal regulations and other facilities to achieve stable financial inclusion.

Acharya, (2013) found that, in all most all states, the level of financial inclusion has increased over the period, which might imply that the banks and other financial institutions are doing very well in implementing the inclusion initiatives of the states and central Government. However, he pointed out that the share of some services like home loans, pensions and insurance in the banking business is very negligible. According to him the main reasons for low credit off-take are lack of good quality loan proposals, and low repayment capacity of the customer. Moreover,

he identified that the high-level NPA was the biggest concern for the officers in operations.

Chakravarty, (2013) in his keynote address at financial inclusion conclave on the topic ‘Financial inclusion in India – journey so far and way Forward’ present his observation about the key role played by the social-banking policy in fostering financial inclusion across Indian states during the pre-liberalized period. Thereafter, since 1991, the process of liberalization and privatization in the financial sector has adversely affected the speed of financial inclusion. He identified those two major policy targets of social banking -penetration of banks and credit - to foster financial inclusion across states during the pre-liberalized period in India. The withdrawal of social banking policy coupled with greater operational flexibility of banking institutions had adverse effects on financial inclusion in India. Furthermore, he stated that the level of financial inclusion was found to be significantly influenced by the economic development of a region and its economic structure. Finally, he suggests that acceleration of geographic penetration of banking services and credit availability should get the policy priority to enhance financial inclusion across states in India.

Reddy (2019) in his ‘12 Pillars’ Framework For Successful Financial Inclusion In India’ highlighted that the first and basic pillar for effective financial inclusion in India is the expansion of banking networks to reach out to the financially excluded segments of the population. Also, he opined that providing banking facilities across the length and breadth of the country, especially in rural areas, has always been a great challenge for the governments. Therefore, the banks in India need to redesign their business strategies to incorporate specific policies and services to promote the financial inclusion of low-income groups treating it as a business opportunity as well as corporate social responsibility (Leeladhar, 2005).

In a study about the Access to and use of banking services across countries, Beck et al (2006) introduced a new set of banking sector outreach indicators – measures of the access to and use of primary banking services. They are the first such indicators for a broad cross-section of developed and developing countries and

an important complement to the indicators of the depth and efficiency of financial systems commonly used in the finance literature. These indicators emphasize the penetration of banking services as the key element of financial inclusion. It can be seen that financial inclusion indices calculated by different authors indicate that opening a bank account plays a very crucial role in financial inclusion. Having a bank account is the foremost criteria for financial inclusion because for accessing the banking facilities, the customer must have an account in the bank. Furthermore, this pro-market move of the Indian financial market witnessed high profits in the urban areas than in rural areas; hence, both public and private sector banks gradually concentrated on urban areas, leads to an increase in the number of unbanked rural areas(Lenka & Barik, 2018). The empirical results highlight that the expansion of supply-side aspects of banking has a tremendous impact on the penetration indicators of financial inclusion. But, it did not match with both the demand for banking services and the growth of the population. Moreover, the level of industrialization and nature of employment has an influence on penetration indicators which in turn leads to the elimination of poverty and improve income level with the financial inclusion process (Kumar, 2013).

The study about financial inclusion realized that, generally, the marginalized groups of the population are financially excluded in our society. Also found that the non-monetized livelihoods were the reason behind their deprivation of financial inclusion. Besides, the lack of awareness of the available banking services and mismatch between the demand and supply of financial services of the people under this section also leads to a vulnerable situation of financial inclusion. As a result, banks failed to bring them into the ambit of financial inclusion. Therefore, the study highlights the necessity of required financial literacy and awareness among the downtrodden sections of people to attain absolute financial inclusion. Juxtaposed with this, the study necessitates that financial institutions will have to be socially responsible as well as approachable to achieve complete financial inclusion (Bagli, 2012). It is found that banking enables poor households to perform important financial functions, viz., saving money safely outside the house, accessing credit, making loans or premium payments and transferring money within the country.

Thus, a bank account can be considered as a key determinant to access various financial services (Littlefield. & Others. 2003). The inter-state analysis of demand and supply aspects of financial inclusion conducted in India identified that it is imperative to enhance the level of financial inclusion through an improved credit delivery system of banks and other financial institutions. But, enhancing the economic wellbeing of the poor and disadvantaged sections of the population is the pre-condition for complete financial inclusion. The government's initiatives should be directed towards the creation of conditions for improving the economic wellbeing of the disadvantaged groups of the society, along with the pro-active role of the bank and other financial institutions would help to achieve the desired goal of a financially inclusive society (Laha & Kuri, 2014).

Aggarwal (2014) in the analysis of challenges and opportunities of financial inclusion found that an all-inclusive financial system is essential because it enhances efficiency and welfare by providing opportunity to access a secure, safe and wide range of efficient financial services. Thus, in the context of banks, financial inclusion is associated with the penetration of banking activities. The comprehensive empirical research conducted by Bayero (2015) regarding the relationship between the Cashless economy policy and financial inclusion in Nigeria revealed that the awareness, consumer/user value proposition, and infrastructure significantly influenced the financial inclusion while the Business Model of Financial Service Providers did not show any significant relationship with Financial Inclusion.

1.2.2.2. Technology Banking

Worldwide experiences show that the use of technology was an important step in leveraging banking services to rural areas as it lowers the cost of maintaining the account. Mobile banking is the most viable option for financial inclusion because it reduces transaction costs. For this purpose bank licensing should be directed towards covering the rural areas and there should be convergence between regulators, banks, telecom companies, software companies and handset makers for electronic transfer of cash. Moreover, financial literacy and credit counselling programmes can create a greater demand for financial services which make financial

inclusion more viable. Also, financial inclusion by introducing an electronic payment system was one of the solutions to reach the masses in India and the existing Indian Post Offices with large rural outreach was best suited for taking the financial inclusion process swiftly (Chandran, 2011). The results of the Financial Access Survey conducted by IMF (2019) reveals that mobile money is one of the most exciting and successful innovations in financial services—a game changer for financial inclusion. It is a novel way to access financial services, especially for individuals without access to traditional banking. The report showing that in the last decade, globally, the number of commercial bank branches per 100,000 adults grew only by around 1 per cent and consider this muted growth as an indication of changing mode of accessing banking services— the shift towards mobile and internet banking. During this period the mobile and internet banking continued to grow at an impressive rate. Mobile and internet banking is also growing in low- and middle-income countries, although it is not as widespread as in high-income countries.

Moreover, strengthening ICT-based financial products and services, Jan Dhan-Aadhaar-Mobile (JAM trinity) and building physical infrastructure through collaboration are significant actions which improve the overall performance of the banking system. It was also found that the role of banks was persuasive in almost all processes enlisted for financial inclusion as banks play a major role in executing, monitoring and regulating various financial products and services. Also, ICT enabled financial service was a critical action that may facilitate the banking services in far unbanked areas to a better financial inclusion (Malik et al., 2019). So far over 33 countries around the world use Conditional Cash Transfer (CCT) programmes as a strategy to fight against the inter-generational transmission of poverty and fostering social inclusion. Through this programme depositing the transfers into a savings account could give millions of households the opportunity to access the formal financial system. The CCT programme could also enhance welfare effects by integrating the poor individuals into the formal financial system. To the successful implementation of this programme both supply and demand issues must be resolved. The demand side issues include recipients' level of poverty, lack of

financial education, misinformation and disinformation, and high transaction costs which are responsible for low usage of CCT-linked savings accounts. Therefore, along with the opening of the bank accounts, banks should provide basic financial education regarding the process of the use of accounts (Chiapa & Prina, 2017).

Anson et al (2013) conducted a study to identify the role of post offices in the process of financial inclusion on the basis of account ownership patterns at post offices in comparison with traditional financial institutions. Post offices can improve account ownership by providing transactional financial services. After controlling the individual characteristics and country-specific features, they found that post offices are relatively more likely than traditional financial institutions to provide accounts to individuals who are financially excluded poor, less educated, and those out of the labour force. Hence, utilization of the existing postal network infrastructure may be one of the possible ways to tackle the financial inclusion challenges.

1.2.2.3. Financial Literacy

According to the theory, fully informed consumers can make rational choices in long term financial planning to maximize their utilities over life cycle. However, even there are sufficient information is available at low/no cost, the consumers are not fully informed and cannot make rational choices. Kapadia (2019) identified financial literacy as an important element of financial inclusion which promotes financial inclusion, financial development and ultimately financial stability. According to him, the ability to take effective decisions regarding the use and management of money with required informed judgments is financial literacy. It enables a person to manage his/her savings functioning effectively in modern society. Ramana & Muduli, (2019) found that education, age, business, and income were the important factors that affect the financial capability of a person. They suggest that people must have a greater understanding of the complex world of finance with access to formal finance. According to them, this helps the policymakers to evaluate the success of policy intervention. Finally, they conclude financial literacy make people capable of managing their finances in a better way.

Storchi and Johnson, (2016) in their paper, titled "Financial Capability for Wellbeing: An alternative perspective from the Capability Approach", stated that the interest around financial literacy and education that prevailed in developed countries has an influence on developing countries. However, they argue that in developing countries, financial literacy promotes financial inclusion, which improves people's ability to make better decisions and to make informed financial life choices among the wide variety of financial services. However, financial education programs are being prioritized by public actions and private institutions in all nations.

Atkinson, A. and F. Messy (2013) found that the levels of financial inclusion are associated with levels of financial literacy. They highlighted the policy level approaches and practical solutions to the financial protection of consumers with a view to improving levels of financial inclusion and their well-being. According to Yong et al., (2018) financial education is a very crucial element to guide the financial behaviour of a person because, in Malasia, lack of financial literacy and poor financial management affects many young people. They also found an interconnection between financial attitude and financial knowledge and hence, youths need to have the correct attitude to employ their financial knowledge fruitfully. Therefore, for achieving financial inclusion people have to acquire basic financial literacy, financial skills, knowledge and understanding of financial products (Aggarwal, 2014).

Chopra & Tantri (2017) in their empirical analysis about the access and use of Jan Dhan accounts identified that the literacy required to savings accumulation is different from that for using bank accounts for various banking transactions, which may be better understood through active use of accounts. The evidence is consistent with the learning by doing view of inclusion. Finally, they found that the active accounts experience significant increases in cash balances primarily due to the receipt of government direct benefit transfers. Lusardi and Mitchell (2014) in their life-cycle saving model that addresses the role of financial literacy, predicted that financial literacy is an endogenous factor that evolved over the life cycle. Consumers acquire financial knowledge to the point where their marginal costs are

equated to their marginal benefits. According to their predictions consumers who receive financial education probably increase their ability to manage their money and perform various financial transactions than the persons who do not have a proper financial education. Previous research proved the association between financial education and financial literacy to encourage desirable financial behaviours among consumers (Dew & Xiao, 2011, Xiao et al., 2006, 2011, 2012, 2014a, 2014b, 2014c).

Bernheim (1996) provided the first systematic evidence on the determinants and consequences of financial education in the workplace. Their analysis concluded that education is typical in offering a remedial measure, generally in the context of participant-directed pension plans. Taking the features of pension plans constant, education shows an inverse correlation with factors that predispose individuals toward saving. Also, they found that employees who rely heavily on employer-based financial education when it is made available to them increase the rates of saving, both in general and for retirement, increase with the availability of employer-based education.

1.2.2.4. Banking Attitude

Attitude is a crucial concept in studying consumer behaviour. Attitudes are predisposed reactions to an object which affects consumer's selective processes, learning & ultimately the buying behaviour. If the Measurement of consumer's attitudes is accurate this may help to get a clear picture of both present and potential markets. Attitudes can be considered as a theoretical concept of a customer's perception of an object. It can also give an indication of their feelings and behavioural tendencies. But, the attitude-behaviour link may be misleading as there are other variables that may affect a particular behaviour of a person. Moreover, attitudes can be influenced by various factors other than product attributes. These include socio-cultural environment, psychologic, demographic and geographic conditions of economic agents. The banking industry is one of the industries where consumer's attitudes towards banking play a key role that depends on several factors. Among them the location of a bank, the behaviour of the employees, Degree

of complexity, safety of banking, technology helps to develop a positive customer's attitudes (Sarker, 2012).

1.2.2.5. Financial Capability

The financial capability of the consumer refers to the ability to use financial knowledge to perform desirable financial behaviours to improve their financial well-being. Ramana & Muduli, (2019) defined financial capability as the combination of the ability to act and the opportunity to act financially. For an individual, financial literacy and financial inclusion are two interrelated aspects, the former provides the ability, while the latter provides the opportunity to act. They found that individuals in higher age groups and with longer business experience are relatively more financially capable because of their experience in managing the working capital of the business and knowledge of their current and future financial needs. Nair et al (2015) considered lack of financial capability, like financial exclusion, as being clearly linked to poverty and there is a need for a certain level of financial capability as financial products become more refined and sophisticated. Thus it becomes clear that the process of financial inclusion must necessarily be accompanied by attention being paid to financial capability. They conclude financial literacy as a means to bring about greater financial capability towards financial inclusion. According to them, financial inclusion cannot be a limited exercise of making available financial products to the excluded population but should go beyond limited service delivery and should encompass the inability to use financial services as well as reducing various vulnerabilities. Hence, financial inclusion today implies financial capability and is more centred on clients' ability to choose and use appropriate financial services available to them (Kapadia, 2019).

Storchi, S & Johnson, S (2016) examined the probability of Sen's capability approach (CA) as an evaluation framework of financial inclusion policy on the basis of the capability of people than the number of resources or services that they have. They highlighted that wellbeing should be evaluated based on the actual ability of people to give more importance to individual aspects and their preferences, rather than the resources they have. Adopting the CA framework they found that

increasing the availability of financial services is effective only if there is an increased range of options that allows people to pursue their wellbeing goals. Holzmann (2010) analyzed financial capability and the efficacy of financial education in low and middle-income countries in his work financed by World Bank-led and Russian trust funds. They found that the high-income countries focussed on financial literacy programs and at the same time there are no such programmes in low and middle-income countries and high-income countries improved in financial capability. The level of financial capability in low and middle-income countries for improvement reveals the need to adjust the financial education programme to comply with their specific characteristics. According to Storchi and Johnson (2016), financial capability can be considered as "a combination of financial literacy and financial behaviour to achieve financial wellbeing". In recent years, many countries shifted their focus from promoting financial literacy to improve financial capability among consumers. They argue that financial capability programs also rely on additional factors other than education.

1.2.2.6. Banking Habit

Storchi and Johnson, (2016) in their paper, titled 'Financial Capability for Wellbeing: An alternative perspective from the Capability Approach, identified the complexity of the financial decision-making process due to personal traits such as confidence, willingness and intentions were major factors that affect individual's financial decisions. Hence, they pointed out that improved financial decisions may not be the outcome of higher levels of financial literacy and financial literacy itself is not an appropriate approach to improve people's financial management. Sakariya (2014) highlighted the importance of penetration of banking facilities to attain 100% financial inclusion. The effect of reach and coverage will dilute, if we don't have basic bank accounts of all the households in the country, to attain 100% financial inclusion. Moreover, having basic bank accounts without minimum level of transactions, will not work towards a comprehensive financial inclusion. If people are provided with affordable products and services, good customer services and co-operation from the banks can develop good banking habits which encourage wider

use of banking services (Sanghvi et al., 2017). Therefore, financial behaviour can be referred to as the nature of practices related to money management in which banking habits constitute a major contribution.

Karant (2018) observed that banking habits among lower-income people can be considered as an indicator of financial inclusion. For him, the inclusion is limited to making them open a bank account and avail of a small loan. It is often felt that the banks and other financial institutions cannot improve financial inclusion themselves, since the structural or behavioural factors limit their reach to the lower-income groups. Also, he found that the presence of civil society organisations, like the NGO's and SHG's has played a dominant role in improving financial behaviour by the provision of financial literacy, facilities and also in contributing to inclusive growth. Chattopadhyay (2011) identified that merely having a bank account does not ensure that the system is inclusive; it is also imperative that the banking services are adequately utilised. He observed that unless all the people of the society are brought under the ambit of institutional finance, the benefit of high growth will not percolate down automatically so the majority of the population will be deprived. For him, only the supply-side factor is not responsible for the financial exclusion, demand-side factors are also equally responsible. Thus he highlighted that there is a need to solve these problems with the help of appropriate policies. Therefore, he concluded that banks should look at financial inclusion both as a business opportunity and as a social responsibility.

Chopra & Tantri (2017) considered active transactions such as cash deposits or ATM withdrawals that require the active involvement of the account holder. But, transactions like interest payments, bank charges, or government subsidy payments were passive in the sense of customer participation. They found active transactions represent 41% of all transactions, and PMJDY account holders performed 1.12 transactions per quarter against the World Bank benchmark of 1 transaction per year. They recognized that usage varies substantially across individuals based on wealth, age, occupation, gender, or physical distance from banks. They also observed that ATMs help reduce the distance and were likely to be used actively by

the PMJDY account holders. According to Sanghvi et al (2017) people can develop good banking habits if they are provided with affordable products and services, they get good customer services and co-operation from the banks which facilitate wider use of banking services.

1.2.2.7. Religious Beliefs

Barro & McCleary (2003) identified two directions of causation involved in the interactions between religion and political economy. On one side, they observed, a nation's economic and political developments affect its religiosity. On the other side, they found that the nature and degree of religious beliefs influence the economic performance of a person and identified it as an independent or exogenous variable. Naceur et al (2015) observed that Muslim countries witnessed lower level attainment in some indicators of financial inclusion, and the per cent of excluded persons cited religious beliefs as reasons for not using bank accounts is significantly greater than other countries. They point out that worldwide financial exclusion for religious reasons seems relatively small, but the share varies across countries and can be particularly high in certain Muslim countries. The literature shows that the prohibitions in Islam are ordained over mankind either through Divine revelation in the form of Quran-E-Sharif or through Hadith-Sunna of Prophet Muhammed (God praise upon him). It is found that these prohibitions govern all aspects of the life of a Muslim and show them the path to remain steadfast to the will of Allah. Moreover, Islam does not distinguish the material aspects of life from the spiritual aspects of life and Islamic economics is no exception to these principles. Therefore, Muslims must remain loyal to 'Sharia' practices and abide by such laid forbearances (Khorasi, 2014).

A survey of Muslims around the globe found that they are deeply committed to their faith and obey its teachings to shape not only their personal lives but also their societies and politics. Moreover, they have different understandings of what 'Sharia' means in practice (Lugo et al., 2013). The analysis of two-way interaction of religion with political economy as dependent and independent variable found that religious beliefs affect the economy by fostering traits such as work ethic, truth,

thrift, charity, hospitality and so on. Through enhancing these traits, greater religiosity could spur investment and economic growth. Religion reinforces particular traits and values through its influence on beliefs (McCleary & Barro, 2006). Globally, 31 per cent of adults were unbanked. As per the Global Findex (2018) survey, the most commonly cited barriers to opening a bank account was insufficient money (65 per cent), personal reasons (roughly 20 per cent) and distance to financial institutions. While 6 per cent of adults without a financial institution account cited religious affiliation as a reason and their share was substantially higher in Muslim concentrated economies (Demirgüç-Kunt, 2018).

Brekke (2018) conducted a study to find out whether and how religious norms cause financial exclusion of Muslims in the West. The study shows that the social and economic inclusion of Muslims in the West presupposes full financial inclusion, but neither researchers nor policy-makers know anything about the extent to which Islamic rules deter Muslims to utilize conventional financial services. He reported that Muslims felt that using conventional banking is wrong and that the lack of an Islamic alternative is a real problem in their own lives. Although researchers did not specifically look at this issue, it is found that the religious rules are probably against conventional banking and resulting in financial exclusion. He mapped some elements of religious thoughts that might cause financial exclusion and found the frequency of visits to the mosque was the only socio-demographic variable that had a clear relationship to demand. They considered the mosque visit as an indication of adherence to religion. Khan (2010) observed that some of the complex factors influencing individual financial decisions and identified that religion can affect economic outcomes and that institutional success may be based on a variety of context-based monetary and nonmonetary factors. It was found that in some Muslim concentrated nations the conventional microfinance has always been rejected by Muslims due to its non-compliance with their religious rules, and particularly due to the presence of interest or “riba” (Muhammed, 2012).

Demirguc-Kunt et al (2013) conducted a study that analyses the use of and demand for formal financial services among self-identified Muslim adults from 64

economies, they found that Muslims were significantly less likely than non-Muslims to own a formal account or save at a formal financial institution after controlling other 'individual'- and 'country-level characteristics. But there was no evidence that Muslims are less likely than non-Muslims in formal or informal borrowing. The analysis mainly focused on five questions related to different aspects of exclusion and found 75 per cent of the world's adult Muslim population are: First, significantly less likely than non-Muslims to own a formal account or save at a formal financial institution. Second, more likely than non-Muslims to report religion as a barrier to account ownership; especially in Sub-Saharan Africa. Worldwide, just 7 per cent of both unbanked Muslims and non-Muslims opined religion as a barrier to own a financial institution account and also cited cost, distance, and documentation as other barriers to account ownership.

Third, they observed that there were significant variations between Muslims and non-Muslims to borrow formally but no variation to have a formal account across economies. They do not found any evidence that gaps between Muslims and non-Muslims in financial inclusion are larger among women, the poor, or rural residents. Fourth, In countries like Algeria, Egypt, Morocco, Tunisia, and Yemen, only two per cent of adults reported using a 'Sharia-compliant' banking service, although nearly half of adults have heard of Islamic banks in their country that offers services to people like them. They also found that income and access to information have a strong and positive association with awareness and use of 'Sharia-compliant banking products and 37 per cent of respondents preferred a cheaper conventional loan than they have no preference.

The significant and economically meaningful gap in account penetration between Muslims and non-Muslims paired with the generally insignificant gap in reporting religion to be a barrier to account ownership suggests that constraints may be supply-driven. Their results also highlight that there was a contradictory gap between Muslims and non-Muslims in the ownership of formal accounts but not in the use of formal credit due to the variation in the urgencies of savings and borrowing. They hypothesized this difference in the usage gaps between borrowing

and account ownership/formal saving was attributable to the unique demand-side pressures than religious considerations. Therefore, Muslim adults approach conventional credit products in the case of an emergency. In contrast, there was generally less urgency for savings products thus easier to adhere to religious rules prohibiting their use.

Kuran (2018) in an evaluation of analytical kinds of literature examined causal connections between Islam and economic performance, found that Islamic finance has only a negligible effect on Muslim financial behaviour. He also distinguishes between practising and nominal Muslims in relation to financial transactions. The study examining the nature of Islamic finance by Chong & Liu (2009) identified that the profit-and-loss sharing (PLS) banking paradigm is a key reason for the rapid growth in Islamic banking worldwide during the past decades. Also, their findings indicate that PLS encourage the demand for financial products and services, among Muslims, that conform to Islamic rules.

Fidrmuc & Tunali (2015) analyzed the effect of religion on happiness in a study and confirm that religious individuals were generally happier than non-religious ones. They examined the difference between the effects of belonging to organized religion and the effect of holding religious beliefs; they found that the former have lower happiness while the latter have greater happiness. They concluded that despite the tangible aspects of religion (such as abiding by restrictions on consumption and behaviour) decrease happiness, the happiness derived from spiritual aspects will compensate it and finally becomes happier than others. Because religious people's happiness is associated with the intensity of their beliefs, not with the tangible benefits associated with religious membership. Their study highlights that the intensity of religious belief influences a person's economic choice. Benjamin et al (2016) found as part of their study using laboratory experiments that religion affects the economic choices of an individual. Therefore, these studies reflect the influences of religious identity on the economic behaviour of a person.

Karlan et al (2017) conducted a comparative study of demand for credit associated with a new sharia-compliant product and a non-compliant product to

evaluate the impact of religious norms on the elasticity of demand for credit in Jordan. They found that the demand for sharia-compliant loans increases from 18% to 22%. Also found that the less religious individuals in their sample were twice as elastic as those who were more religious with respect to the price of the sharia-compliant product. They give strong evidence that borrowers had greater concern for the sharia-compliant loan, they did not seem to worry about its authenticity. Their study unfolds those individuals who were more religious are ready to pay more to keep their transactions adhere to religious obligations.

Khan (2010) analyzed the impact of Religious Beliefs on Depositor Behaviour and proved that religious beliefs significantly influence an individual's financial choices. Also, he revealed the influence of some complex factors on individual decisions to hold bank deposits at a particular bank. His study highlights that religious affiliation can have a significant impact on bank success. Kulkarni (2017) conducted a case study on an alternative credit society (Rahat Urban Credit Cooperative Society), in 2008, to understand the effectiveness of a community-based business model in addressing the financial needs of the urban poor by analyzing the financial performance. They found that though it was inspired by a particular religion the services were extended to all community groups. He highlights 'Rahat' as a unique example of how religious teachings can be utilized positively for society's benefit by providing interest-free and collateral-free loans for urban poor for self-employment and for consumption purposes along with usual financial products.

Tahiri Jouti (2018), assess the impact of introducing Islamic finance on financial inclusion, observed that customers dealing with IFIs can be categorized into different profiles, those people, who do not use conventional financial products, were self-excluded for religious reasons, and those people who use all conventional instruments but they wish to convert their preference towards Sharia-compliant ones once available. He concluded that the introduction of Islamic finance could cause a financial migration from conventional to Islamic banks along with the financial inclusion of a particular section of society and the level of migration depends on

many factors yet to be explored. Beck & Brown (2011) in a household survey conducted in 29 transition economies to explore how the household characteristics, bank ownership structure and the development of the financial infrastructure affect the use of banking services. They found that income, wealth and education increase the holding of a bank account or bank card in most countries and also found evidence for the influence of urban-rural difference, religion and social integration. Across 29 transition economies, they unfold that household location, income level, economic activity, education and religion have a strong correlation with the use of bank accounts and bank cards.

Mohieldin (2012) observed that the rapid growth of Islamic finance, in recent years, was closely associated with the heightened interest of people in financial instruments that emphasize risk-sharing and attraction on its stability in the wake of the recent financial crisis. They identified that these instruments eliminated many of the evil impacts of the crisis. Therefore, the global economy witnessed varieties of longstanding programs to support the development of the industry and have used Islamic instruments initiated by several multilateral development institutions, including the World Bank, to tap capital markets. Hence, he argued that, in the coming years, Islamic finance could achieve a substantial share in providing financial services in several countries, enhancing financial inclusion and financial intermediation, and driving those countries to financial stability and economic development.

Campante & Yanagizawa (2015) studied the economic effects of religious practices in the context of the observance of Ramadan fasting, one of the central tenets of Islam. They reported that, though longer Ramadan fasting increases subjective well-being among Muslims, it negatively affect the output growth in Muslim countries. They explored that religious practices affect their relative levels of participation in economic activities. They concluded that religious practices can affect individual behaviour and have negative implications for economic performance.

Baele et al (2014) found that the default rate of Islamic loans was comparatively less than half the default rate of conventional loans and observed that during Ramadan Islamic loans were less likely to default and which highlight that religious belief persuade Muslims to repay their debt to attain spiritual satisfaction. Çokgezen & Kuran (2015) stated that Islamic economics, which promotes reforms based on Islamic teachings, suggests Islamic principles of behaviour for markets to generate just results. It considers markets as tools of economic efficiency and recommends players must follow Islamic principles of behaviour. They concluded that when financial transactions respect Islamic prohibitions economic outcomes will emerge as ethically superior and ultimately more satisfying.

Sachar Committee report (2007) identified that there was a 12 % deficit (compared to the population share of Muslims) in the share of Muslims as account holders, a higher deficit of 25 per cent in the quantum of priority sector advances in the 44 minority concentration districts at the all-India level. He observed that the condition of 'other minorities' in the same districts was relatively better and the amount outstanding per account for Muslims is also below that of other Minorities. The committee examined the banking statistics of four major states with the concentration of Muslim population namely West Bengal, Kerala, Uttar Pradesh and Bihar and reported a depressing scenario in the share of Muslims in total account holders. In the case of Kerala, the share of Muslims in total account holders is 22 % which was lower than their share in the population of 25 %. The report also highlights that the situation was similar in Uttar Pradesh and Bihar. The report again highlighted that banks are not being able to direct credit to Muslims and some banks had identified a number of Muslim concentration areas as 'negative geographical zones' in case of the penetration of bank credit and other facilities.

Committee also reported that, though public sector banks have been successful in extending credit to other Minorities, have to improve a lot in the percentage share of accounts and amount outstanding, and amount outstanding per account of Muslims. This indicates that more improvements are needed to bring Muslims into the arena of financial services. Sachar (2007) highlighted the far-

reaching implications of financial exclusion of Muslims for their socio-economic and educational improvement. The Reserve Bank of India (2015) reported that commercial banks in India may be enabled to open specialized interest-free windows with simple products for potential Muslim customers.

1.2.2.8. Informal Institutions and Informal Finance

Ahendra (2008) identified that the factors like informal institutions, conventions, codes of conduct, were significant constraints in shaping human behaviour and have socio-political consequences. He suggested that an institutional framework should consider the role of informal institutions in shaping the socio-economic and political behaviour of a person to grab meaningful outcomes. He argued that the elements of formal institutions could not account for all dimensions of exclusion because of the persistence of the long-lasting influence of informal institutions. The literature shows that both formal and informal institutions are complementary in enhancing the opportunities for human development. Among the former is a legally established frame and later is established without any legal frame that is evolving with the changes in the culture of society. Therefore, the contradictions between formal and informal norms would hamper human development due to an imbalance in the institutional system that facilitates it or hinder its functioning. Consequently, the existing body of knowledge generally recognized that the harmonization of the formal rules with those informal institutions is often more consistent for improving human development. Otherwise, the institutional conflict which may confront by the society will negatively affect their activities of some spheres and sectors, as well as the entire economic system (Stryzhak, 2019).

Soysa and Jütting (2007) identified that the specific institutional set-up, role and relative strength of formal institutions determine the impact of informal institutions on socio-economic development. Informal finance mechanisms are as diverse as they are ubiquitous, including institutions like rotating savings and credit associations (ROSCAs), accumulating savings and credit associations (ASCAs), informal money lending, loan brokers, and burial societies, neighbourhood

collection of savings etcetera. They found that such mechanisms may or may not be 'traditional', and range from simple to complex but addresses diverse needs of savers and borrowers. Generally, informal savers and borrowers depend on informal finance to a large extent in order to mobilise the funds for their businesses because they were excluded from the formal financial institutions (Aliber, 2015). Banik (2003) found that inter-linkage was one of the most important mechanisms by which the informal sector reduces its transaction costs and risk premium in association with formal institutions for enhancing development opportunities.

Aliero (2016) explores the informal financial practices among Muslims were Shari'ah compatible and recommends targeting these kinds of organizations in mobilizing clients and customers for the promotion of Islamic banking in Nigeria. However, he also found that the onion marketers were ignorant of Islamic financing principles even they admit the prohibition of interest (riba). Such kind of ignorance may create an ambiguity in the access and use of formal financial services. Pradhan (2013) identified the coexistence of both formal and informal sources of finance and fragmented rural credit markets in India. He analyzed the issues of informal rural credit and maintained consistency with All India Debt and Investment Survey (AIDIS) data, and found that decreasing trend in the share of rural informal credit in total outstanding debt during the period from 1950 to 2002 connection with various financial inclusion initiatives of the Reserve Bank. But he highlighted that about two-fifths of the rural households still depend on informal credit, which indicates that the financial inclusion initiatives have miles to go ahead for attaining the maximum coverage of rural areas.

A Study of informal sector lending Practices in India conducted by SIDBI (2018) found that the penetration of both formal and informal institutions in providing credit to micro-enterprises has increased during the period 2014-2018. It indicates that informal lending has continued to persist, despite there were many policies that are focused on micro-enterprises. The study was highlighted that more than half of the sample enterprises were not capable to meet their working capital and other monetary requirements across the year, and resort to informal lending to

make up the shortfalls in funds. It indicates the gap between the supply of and demand for formal financial services. They found that the varying specific needs of society often determine their credit preferences accordingly.

Kakkakunnan (n.d) identified ‘Panappayattu as an indigenous source of funds which enhances social relationship through group lending and mass borrowing, without any collateral or interest requirements. He found that this system of lending and borrowing is popular in the northern parts of Kerala and helpful to mobilize required funds for a needy person. The social binding and sanctions guaranteed the repayment of such mobilized funds. This source of funds addressed diverse needs and different purposes through providing sufficient funds for finding appropriate livelihood strategies and economic development (Ramzan, 2008). Moreover, he concluded it as a promoter of better social relationships, communal harmony and political integrity in the region along with the microfinance facility.

Babu (2019), in his study about the traditional interest-free social banking of Malabar, identified that ‘Panampayattu’ has been an indigenous system of economic cooperation among people of Malabar (the northern part of Kerala) still in practice. The study revealed one of the virtuous aspects of the ‘Panampayattu’ system was the saving mechanism that was highly suitable to daily wage-earning people and he recommend this system for mobilizing social capital among people and suggests this system as a form of indigenous microfinance to eliminate the evil impacts of the formal financial system.

The review of the literature shows that financial inclusion is a multidimensional phenomenon that depends on various socio-economic, religious and personal factors. Available studies indicate that the extent to which financial inclusion is essential for achieving inclusive growth and also expose differences in financial inclusion among different sections of the society. Similarly, these studies address the various categories that still remain financially excluded and their causes. The majority of the studies highlight the availability of banking services as a crucial factor of financial inclusion. Moreover, many studies show that access to banking services is more important than their use. Also, the level of penetration of banking

services is considered an important measure of financial inclusion. Of course, the penetration of banking services plays a vital role in financial inclusion, but many studies show that the use of banking services also plays a significant role. The use of banking services exposes the suitability and acceptance of the services among the public. However, studies show that the acceptance of banking services depends on many factors. Among them the cost of banking services, various documents and conditions required to determine their use. Studies show that financial literacy, attitude and skills as well as religious beliefs and informal access to finance influence the use of banking services.

1.3. Research Gap

Many international studies, that were reviewed here, show that religion influences, as a major factor, an individual's economic decisions in many ways, and that such influence is most prevalent in Muslim-concentrated countries. Some studies among them show that Muslims are greatly influenced by their religious beliefs particularly in financial transactions and thus which affects their financial inclusion. The fact is that, in India, many Muslim-concentrated regions lag far behind other regions in terms of access to banking networks and other financial institutions. But unfortunately, there is not enough enthusiasm in the academic sector to examine why Muslim-concentrated areas in India are lagging behind other areas in financial inclusion and to conduct detailed studies in this regard. Only a few studies were focused on the particular nature of financial transactions of Muslims but they did not give many empirical shreds of evidence about the influence of religious beliefs on the financial transactions of Muslims. Also, there are no such studies related to Muslims in Kerala. Understanding how religion influences the financial inclusion of Muslims and the extent of utilization of banking services by them will help the policymakers to formulate innovative and effective means to bring them into the infinite possibilities of financial services. In this background, this study aimed to fill the gap in the existing body of knowledge by exploring the extent of financial inclusion, the nature of utilization of banking services and the reasons behind the particular nature of banking transactions of Muslims in Kerala.

1.4. Statement of the Problem

Financial inclusion among the underprivileged in India has been in a bad state for a long time due to various reasons. Numerous studies have pointed out that poor socio-economic conditions and lack of financial infrastructure and services are the main reasons why an area or a community is not financially included. As far as Muslims are concerned, their religious principles, that they follow, forbid them from all financial transactions related to usury (Interest). This issue, which is very serious among Muslims, is something that is forcing them to keep a distance from traditional means of financing. Although Muslims use the transaction services of conventional banking, at a time when the bank is an integral part of a person's life, the guilty consciousness over dealing with interest-based transactions drives Muslims away from productive and lucrative savings and loans. But the lack of academic enthusiasm in exploring the real facts that affect the level of financial inclusion and utilization of conventional banking services among Muslims keep the issue highly blur.

Therefore, it would be worthwhile to examine the extent of financial inclusion and utilization of various banking services of Muslims in Kerala to explore the facts related to their level of financial inclusion and the particular nature of utilization of banking services. In this background, the present study intended to conduct a micro-level analysis of access and use financial services by Muslims in Kerala using a household-level survey. Therefore, the prominent information required for the analysis was the details of ownership of different banking facilities, ownership of insurance products, level of banking awareness, banking attitude, banking ability, the pattern of utilization of various banking services, adherence to religious rules, presence of informal finance, etc. The study aimed to examines how far the socio-economic and religious aspects of Muslims influence their level of financial inclusion and the nature of utilization of banking services in Kerala. Therefore, the study seeks to answer the following research questions.

1.5. Research Questions

The important research questions that the study wants to prospects are

1. What is the level of access and use of formal financial services of Muslims in Kerala?
2. What is the nature of utilization of banking services of Muslims in Kerala?
3. Does adherence to religious rules affect the level of financial inclusion of Muslims in Kerala?
4. Does adherence to religious rules exert any influence on the utilization of banking services of Muslims in Kerala?

1.6. Objectives of the Study

1. To examine the extent of financial inclusion among Muslims in Kerala.
2. To analyze the nature of utilization of banking services of Muslims in Kerala.
3. To examine the influence of adherence to religious rules on the financial inclusion of Muslims in Kerala.
4. To examine the influence of adherence to religious rules on utilization of banking service of Muslims in Kerala.

1.7. Hypotheses

Based on the objectives the present study proposes to prove the following broad hypotheses:

1. There is a significant relationship between the level of financial inclusion of Muslims and their adherence to religious rules.
2. The adherence to religious rules influences the utilization of banking services of Muslims.

1.8. Working Definitions/Terminology

Following are the working definitions used in the study which were derived from various studies and reports that came across during the course of research work.

(i) Muslim

As part of this study, Muslims are considered to be people who believe in Allah, the One and only, and follow the Holy Qur'an from him and his final messenger, Prophet Muhammad (May Allah Praise be upon him), and the teachings and life of the prophet. Therefore, the data has been collected in association with the 'Mahallu' related to the places of worship of different sects of Muslims in the study area. The registers containing the information of the 'Mahallu' members were mainly used to select the sample households.

(ii) Muslim Households

A 'household' is a group of people who normally live in the same house and cook and eat their meals from the same kitchen. Persons in households may be related or unrelated or a mix of both (Census, 2011). Therefore, a Muslim household consists of one or several Muslim persons who live in the same dwelling and share meals. It may also consist of a single-family or more and other related persons. It is not an institutional household. The study has administered Muslim households as the basic unit of inquiry.

(iii) Sects of Muslims

Sects refer to the various groups of Muslims who have minor and important ideological and practical differences in obedience and following Allah and his Messenger. This is completely different from the 'caste' because any Muslim can be a part of any sect of their choice. The sect has been considered as a determinant of the financial inclusion and banking habit of Muslims in this study because the severity of beliefs or practices among the sects is different and the fact that it is manifested in financial transactions.

1.8.2. Elements of Financial Inclusion and Utilization of Banking Services

Following are the major variables or elements of financial inclusion and utilization of banking services that have been used to assess the financial inclusion and the nature of utilization of banking services among Muslims.

1.8.2.1. Transaction Banking

The utilization of banking services other than savings, credit and insurance was treated as transaction banking in this study. The utilization of transaction banking can be considered an important element of banking habits. Following are the various transaction banking

- Making or receiving a domestic or international transfer of remittances through a bank account
- Utilization of banking services with the help of cheque-book, debit card, credit card and internet or mobile banking.
- Receipt of government transfers through a bank account.

1.8.2.2. Savings

Saving is the outcome of a deliberate decision that encourages capital formation needed to development activities. Since it is optional to save money at banking institutions operating on the basis of interest, Muslims may be reluctant to use conventional banking services to save their residual income. However, bank savings has been considered as a crucial demand-side indicator of the financial inclusion of Muslims in this study (Sarma, 2008, CRISIL an S&P Global Company, 2018, FAS, 2019, Chattopadhyay, 2011, Kunt et al., 2018). Saving consists of basic savings, recurring deposits, and time deposits with any banking institution.

1.8.2.3. Credit

Credit is another crucial demand-side indicator that has been used in the study to measure financial inclusion among Muslims. This is because previous studies considered credit as a primary element of financial inclusion (Sarma, 2008,

CRISIL an S&P Global Company, 2018, FAS, 2019, Chattopadhyay, 2011, Kunt et al., 2018). Since there were no alternative sources of credit other than conventional banks, borrowing of Muslims from banks is considered as the result of the financial crisis and its urgency. Thus, the credit availed from banks and SHGs has been accounted for in this study to measure financial inclusion among Muslim households.

1.8.2.4. Insurance

Access to insurance is also an important element of financial inclusion which provides coverage to the accidents/emergencies arising in the life of a person (CRISIL an S&P Global Company, 2018). Insurance can be classified as two; one is mandatory and the other is non-mandatory. To understand the actual use of insurance, it is enough to look at the number of insurance policies taken out which is not mandatory. Therefore, as part of this study, non-compulsory insurance policies have been considered for measuring access to insurance of Muslims.

1.8.2.5. Informal Finance

Informal finance is defined as a contract or agreement conducted without any binding to the existing legal system to transact cash in the present for promises of cash in the future (Schreiner, 2001, Kunt et al., 2018). Informal finance was a source of finance or financial transaction carried out as part of religious rituals, tradition, charity and custom by a group of people, non-governmental organizations, or individuals that have not any systematic rules and regulations. These systems are spontaneously evolved and exist to meet the requirements of society (Kakkunnan, 2012). In this study, informal finance included the following;

- Finance from money lenders
- Credit availed from friends and family
- ‘Kuri’ found in neighbourhoods and workplace
- Fund mobilisation in the occasion of marriage or housewarming

- Religious practices such as ‘Zakat’ and ‘Sadhakka’ that exist among Muslims
- Funding from the ‘Mahallu’ committee of Muslims
- Financial assistance from other local organizations.

1.9. Research Methods

Both quantitative and qualitative research methods were used to collect primary information from the sample respondents regarding financial inclusion and their banking service utilization. For quantitative data, a direct interview with a pre-structured schedule was conducted in the sample area. Moreover, to shed more light on the real complex problems related to the financial inclusion and utilization of various banking services among Muslims conducted separate Focus Group Discussion using pre-structured questions among different sects of Muslims in the study area.

1.10. Database and Methods Used

The study was predominantly based on primary data and has been used secondary data. Secondary data was gathered from published sources like international organizations, publications and reports of World Bank and IMF, government publications and reports at the national and state level, publications of RBI, CSO, report of CRISIL Inclusix series and journals and books.

The primary data were collected from selected Muslim respondents from eligible respondents representing a household. Data were collected from the selected households using a pre-structured schedule. The data analysis was done using statistical tools like percentages, averages, charts and figures, the statistical inferences were made out of the data using Chi-square, One-way ANOVA, Kruskal-Wallis test, Tukey’s test, Karl Pearson’s Correlation and modelling was done using Multiple Linear Regression analysis.

1.11. Period of Primary Survey

The primary survey was conducted during October 2019 and March 2020.

1.12. Population

In many studies, adults were considered to be the main consumers of banking services (Global Findex 2018, FAS 2019). People who generate or spend money on themselves become active participants in banking transactions. Therefore, potential banking customers can be considered as adults with the capacity and circumstances to use banking services effectively. A potential bank customer is an adult who has the capability to access and use various bank products and services. Therefore the targeted population of this study was those adults who are generating income for the household or a member who manage household income as per the instructions of the income-generating member in Muslim households.

1.13. Sample Unit

The sample unit of the study was Muslim households in selected districts. But the sample respondent may be an eligible member of a household who generate income to the household or manage household expenditure for earning members of the household. The sample respondent was selected from eligible respondents using lottery method.

1.14. Sampling Design

The study area covered 14 Muslim concentrated local bodies from six Taluks of three districts in Kerala selected by multi-stage mixed sampling. The sample size is calculated using Cochran's formula for the mean;

$$n = \frac{Z^2 \sigma^2}{e^2}$$

Where, n = Number of sample, Z = Z-value (1.96 for 95 % confidence level)

σ = the standard deviation of the average number accounts held by the respondents in the pilot survey, which was 0.566

e = the desired level of precision, which was 5 percent.

Therefore, the sample size was;

$$n = \frac{1.96^2 \cdot 566^2}{(.05)^2}, \quad n = 494$$

The total sample was collected from the sample districts on the basis of the proportion of the targeted population in the districts. Out of the sample households 339 households were selected from Malappuram district, 95 households were selected from Palakkad district and 60 households were selected from Kollam district. The sample households were identified using the following procedure.

In the first stage districts were divided into three strata based on the geographic division. In the second stage one district was selected from each geographic division purposefully on the basis of highest Muslim concentration.

Accordingly the sample districts comprised Kollam from the southern zone, Palakkad from the central zone and Malappuram from the northern zone. Six taluks were selected, two each, from the sample districts in the third stage. Sample taluks comprised Karunagappalli and Kollam from Kollam district, Alathur and Mannarkad from Palakkad district and Eranad and Nilambur from Malappuram district.

Then in the fourth stage, the local bodies were classified into two strata on the basis of rural and urban difference and seven urban local bodies and seven rural local bodies were selected on the basis of proportion of Muslim population, among them eight from Malappuram district, three each from Palakkad and Kollam districts.

Fourteen localities were selected randomly from the local bodies in the fifth stage. Further, households were selected randomly from the 'Mahallu' registers of Muslim communities of the respective localities in the sixth stage. Finally, the sample respondent, representing household, was selected from the eligible respondents using lottery method. The distribution of sample households is presented in Table 1.1.

Table 1.1 Sample Localities and Distribution of Sample Households

| Zone | Sample Dist. | Sample Taluk | Sample Locality | Sample Wards & No | No. of Sample HH |
|--------------|----------------|----------------|-----------------|-------------------|------------------|
| North | MLPM | Eranad | Malappuram | Machingal 5 | 42 |
| | | | Edavanna | Othayi 22 | 57 |
| | | | Manjeri | Nelliparamba 6 | 25 |
| | | | Kavanur | Kavanur north 4 | 50 |
| | | | Areacode | Mundambra 16 | 50 |
| | | Nilambur | Vazhikkadavu | Vazhikkadavu 10 | 65 |
| | | | Chungathara | Erumamunda 1 | 40 |
| Nilambur | Chandakkunnu 9 | | 10 | | |
| Central | PKD | Alathur | Tharur | Tarur 13 | 32 |
| | | Mannarkad | Mannarkad | Kunthippuzha 1 | 10 |
| | | | Alanallur | Pallikkunnu 6 | 53 |
| South | KLM | Karunagappalli | Karunagappalli | Muslim LPS 11 | 20 |
| | | Kollam | Kollam | Pallimukku 28 | 30 |
| | | | Mayyanad | Kottiyam South 4 | 10 |
| Total | 3 | 6 | 14 | 14 | 494 |

1.15. Limitations of the Study

Out of seven Muslim concentrated districts in Kerala, the study was confined to only three districts representing south, central and north zones of Kerala. Since the study was focussed on Muslim households, the analysis was limited to intra community differences in the access and use of financial services. Therefore, comparisons with other socio religious groups were out of the focus of this study. Time and resources was sufficient to cover only the samples and hence attempt was not made to cover all Muslim concentrated districts in the State. Moreover, this study has attempted to construct a weighted index of financial inclusion based the method of ownership of various financial products and services. The indicators of access and use of financial services includes only demand side inputs given by the

respondents which subject to personal bias. The information regarding the utilization of various banking services may be ‘under reporting’ or ‘over reporting’ due to personal bias and security reasons.

1.16. Chapter Scheme

This study is divided into eight chapters. The first chapter includes the introductory part of the study. Chapter two shows the theoretical background of the conceptual frame of financial inclusion and banking habit. The third chapter contains the overview financial inclusion initiatives in India and status financial inclusion in India and Kerala. The fourth chapter analyses the extent of financial inclusion among Muslims in Kerala. Chapter five looks into the utilization of various banking services by Muslims in Kerala. The sixth chapter investigates the influence of adherence to religious rules on the level of financial inclusion of Muslims. Chapter seven examines the influence of adherence to religious rules on banking service utilization by Muslims in Kerala. Chapter eight summarises the study with major findings.

CHAPTER 2

FINANCIAL INCLUSION AND UTILIZATION OF BANKING SERVICES: CONCEPTUAL AND THEORETICAL FRAME

2.1. Introduction

In this chapter, we present the relevant conceptual and theoretical background related to financial inclusion and banking habits. Financial inclusion and banking habits are two interrelated concepts. Financial inclusion has become the centre of attraction in the context of inclusive growth and financial wellbeing. It is recognized as a strategic move towards sustainable economic development and became a policy priority in many countries. The success of financial inclusion depends on the financial habits of the people, especially banking habits. In this section, we review the various concepts and definitions given by the existing studies related to financial inclusion and banking habits and try to arrive at working definitions for the present study.

2.2. Conceptual Framework of Financial Inclusion, Exclusion and Utilization of Banking Services of Muslims

2.2.1. Defining Financial Inclusion

All though many people defined financial inclusion in different ways, those definitions are helpful in combining its full aspects. Such definitions imply the fact that financial inclusion and financial literacy are two ways that lead to the same goal, where financial Inclusion acts from the supply side and financial literacy acts from the demand side of financial services (Chakrabarthy, 2013). According to Chakrabarthy (2011), the availability of banking and payment services to the people without any discrimination is a prior concern of public policy because they determine the level of public welfare. Therefore, in the first phase of the financial inclusion process, RBI had given importance to providing access to basic banking services, which enhance the capability of the financial players in bridging the gap of

financial services and improve their ability to make the necessary investment in the initial phase. They consider banks as the principal vehicle which offers suitable products that would facilitate meaningful financial inclusion. Following are the important definitions of financial inclusion;

Chakrabarthy (2013) defined Financial Inclusion as the “process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low-income groups in particular, at an affordable cost in a fair and transparent manner by regulated, mainstream institutional players”. This definition highlights the importance of the supply of appropriate financial products and services through mainstream institutions. Therefore, the role of commercial banks in promoting financial inclusion is very crucial. Though the supply-side elements of financial inclusion indicate that the outreach of financial services,, awareness about saving, credit and insurance products are crucial to enhance financial inclusion at the household level. Measures of household-level inclusion reveal the status of demand for financial services and facilitate a comparative study across states, separately for rural and urban India (Kumar & Mishra, 2011).

According to Rangarajan Committee (2008), financial inclusion may be defined as “the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost”. Rangarajan committee focuses on the availability of timely credit to the vulnerable sections as a leading component of financial inclusion. Raghuram Rajan Committee (2009) suggests a new approach to financial inclusion which requires an innovative mindset on the part of policymakers, practitioners, and other stakeholders in India to explore effective ways that provide financial services to the poor. It necessitates a set of financial sector reforms that explicitly prioritize inclusion. The committee highlighted that financial inclusion is not merely the provision of credit, but involves providing a wide range of financial services at an affordable cost. They also highlight the undesirable consequences of credit which leads to indebtedness and wastage of

scarce resources. Moreover, without adequate measures, the provision of credit among the poor will not yield desirable results due to the lack of adequate livelihood opportunities and credit absorption. Therefore, access to safe savings, insurance and pensions are considered as the key instruments need to reducing vulnerability.

Raghuram Rajan Committee (2009), broadly defined, “financial inclusion refers to universal access to a wide range of financial services at a reasonable cost”. This definition gave wide coverage of various financial services like banking, insurance and capital market services that facilitate financial inclusion. It includes the major components of financial inclusion like banking and non-banking products and services. The core of financial inclusion is to address the productive, personal and other needs of society providing access and use of customized financial services. Bringing low-income people into the realm of financial services through financial inclusion will enhance the resource base of a nation. The extent of financial inclusion is visible in the form of high demographic penetration of branches, savings accounts, credit facilities, credit and debit cards (Acharya, 2013).

If the extent of the access to finance and the availability of a range of services are limited, the benefit of financial development is likely to concentrate on few individuals and enterprises, leaving much of the population in absolute poverty. Therefore, financial inclusion implies an absence of price and non-price barriers in the access and use of financial services, but it is difficult to quantify because of the multiplicity of its dimensions. To enhance financial inclusion the service providers need to account for the timely availability, need-based products, affordability and the indirect costs incurred by the user to access banking services (Demirgüç-Kunt et al., 2008). Sarma (2008) defines financial inclusion “as a process that ensures the ease of access, availability and usage of the formal financial system for all members of an economy”.

From the review of literature, it can be identified that most of the definitions and measures on financial inclusion focus on the supply side aspects of the financial services to describe the extent of the financial inclusion. The majority of the studies

highlight the role of service providers in delivering financial services and the importance of adequate financial products and services.

On the basis of the above review, the following working definition of financial inclusion has been accepted as the working definition throughout the study

“Financial inclusion may be defined as the access and use of basic financial products and services by weaker sections of the society provided by formal financial institutions which include savings, loans and insurance and other financial services in a convenient manner at an affordable cost”

In this context, the study attempts to measure financial inclusion as a composite weighted index that takes into account the ownership of bank account and debit cards as supply-side (access) parameters and savings in bank, credit and ownership of non-compulsory insurance policy as demand-side (use) parameters of financial inclusion with disproportionate weights (Sarma, 2008, Honohan, 2008, Chattopadhyay, 2011, Amidžić et al., 2014, Park & Mercado, 2015, CRISIL an S&P Global Company, 2018, Kunt et al., 2018, FAS, 2019)

(i) Ownership of Bank Accounts

The bank account is considered as a key to the access and use of financial products and services (Sarma, 2008, Sarma & Pais, 2008, Honohan, 2008, Kunt et al., 2018). Having a bank account can be treated as the first step into the realm of a wide range of financial services and the use of the bank account leads to financial inclusion. Opening a bank account mainly depends on the availability of banking services. Therefore, the ownership of a bank account indicates the availability and access of banking services. A person without a bank account is considered financially excluded.

(ii) Ownership of Debit Card

Ownership of debit cards encourages branchless banking transactions and reduces the indirect cost related to the banking transactions (Sarma, 2008, Sarma &

Pais, 2008, Honohan, 2008). It gives the opportunity to experience cashless transactions on different occasions. It also encourages online transactions and the use of utility services. Therefore, the lack of debit cards limits the extent of the financial inclusion of a person.

(iii) Savings in the bank

Saving is one of the primary functions of banks. Unlike other banking services, savings are an optional activity of the individual. People save in the bank to overcome future contingencies and to use for other income-generating purposes. Therefore, saving in banks is considered as the demand for banking services and an example of active use of banking services and lack of bank saving is treated as the indication of financial exclusion (Sarma, 2008, Sarma & Pais, 2008, Honohan, 2008, Kunt et al., 2018).

(iv) Credit

Credit is also another primary function of the banks and it is the most important determinant of financial inclusion (Sarma, 2008, Sarma & Pais, 2008, Honohan, 2008, Kunt et al., 2018). Taking credit from banks may be unavoidable in emergency situations related to various circumstances of the life of a person. Access to credit and indebtedness of family indicates their creditworthiness, adequacy of the product, cost of borrowing and the standard of living achieved.

(v) Insurance

Access to or ownership of insurance policy provides coverage to the unanticipated events arising in future which affect livelihoods, lives and assets of a person. The uncertainty related to future events signifies the importance of the ownership of insurance policy. Insurance may be mandatory or not. If it is mandatory, it was treated as passive inclusion. Therefore, the study only considers non-compulsory insurance to assess financial inclusion. It is considered a sub-element of financial inclusion (CRISIL an S&P Global Company, 2018). Lack of a non-compulsory insurance policy is considered as an indication of active financial exclusion.

2.2.2. Defining Financial Exclusion

There are different dimensions of financial exclusion and which varies across different contexts. Therefore, to frame a comprehensive definition in this regard may be a herculean task and may not be fit for other contexts. There are a number of reasons for exclusion they are remoteness, hilly and sparsely populated areas with poor infrastructure; lack of physical access that hinders inclusion efforts. Lack of awareness, low incomes/assets, social exclusion, and illiteracy are the main demand-side barriers. The supply-side factors consist of common reasons that are, the distance, timings, documentation and procedures, unsuitable products, language, the attitude of the bank staff (Acharya, 2013). Raghuram Rajan Committee (2009) reported that in India the poor people like the agricultural, unskilled or semi-skilled wage labourers, micro-entrepreneurs and low-salaried workers, were largely excluded from the formal financial system. More than 40 per cent of India's working population have no savings and a large proportion of the poor maintain their financial savings outside the formal banking system. A small minority were denied access to specific financial services due to restrictions or lack of eligibility. Also, a small minority were ignorant of specific products under any circumstances. Moreover, there was a section where people face deterrence to financial inclusion that encourages self-exclusion. Also, there were severely excluded people and who have suffered from the lack of financial literacy and lack of awareness about financial products (Kempson, 1999). Therefore, it was evidently clear that financial inclusion without addressing structural causes results in the failure of livelihoods and inefficient outcomes (Nair et al., 2015).

Globally, about 1.7 billion adults remain unbanked and half of the unbanked adults come from the poorest 40 per cent of households within their economy, the other half from the richest 60 per cent. But the pattern varies across economies (Demirgüç-Kunt, 2018). The Global Findex survey (2018) exhibits that two-thirds of the unbanked adults cited insufficient income as a reason for not having a financial institution account, a quarter of those cited costs and distance as reason, and a similar share depends on the account of a family member. Complex

documentation and distrust in the financial system were both cited by a significant portion of excluded and 6 per cent of them reported religious concerns as the main reason for their financial exclusion. According to Carbo et al., (2005), financial exclusion, is “the inability of and /or reluctance of particular societal groups to access mainstream financial services”. They identified that people who live in the low-income group experiencing exclusion from savings, credits, payment services and insurance services. The major aspects, or dimensions, of financial exclusion that have been identified by FSA (2000) are as follows.

1. **Access Exclusion:** It indicates restricted access through the basic requirements as part of the process of risk assessment.
2. **Condition Exclusion:** The terms and conditions adhered to certain financial services that make them unsuitable for some people.
3. **Price Exclusion:** In this situation, unaffordable cost excludes people from access to financial products.
4. **Marketing Exclusion:** In this situation, the targeted marketing and sales strategy excludes people from access to financial products.
5. **Self Exclusion:** In this situation, previous banking experiences and perceptions make the people decide not to apply for a financial product because they believe that they would be refused.

From the review of the above literature, it can be summarised different causes of financial exclusion as lack of access, eligibility conditions, cumbersome documentation, unaffordable prices, discriminative marketing or self-exclusion, religious concerns. Therefore, following working definition of financial exclusion has been accepted to describe the self-exclusion which exists among the Muslim community;

“Self-exclusion may be defined as the aversion or reluctance of a person to open an account at financial institutions and to use formal

financial services like saving, credit and insurance due to the personal and religious reasons”.

This definition highlights the influence of personality traits and religious beliefs as reasons for avoiding the utilisation of formal financial services.

2.2.3. Defining Utilization of Banking Services

The bank is a key player in the delivery of formal financial services and acts as a vehicle for mediating national policies aimed at the enhancement of financial development and financial inclusion. Since the majority of recent welfare schemes and development policies are integrated with bank services, the banking attitude and banking habits of common people are very crucial for the successful implementation of such policies. Banking attitude and banking habits are, evolving continuously throughout life, depends on the availability of adequate financial products and opportunities. Financial education, financial awareness and financial ability positively influence the banking habits of a society. The banking attitude of a person depends on their socio-cultural, personal and religious attributes. There are numerous studies that highlight the positive impact of banking attitude and banking awareness on the banking behaviour of a person. Serido et al. (2013) revealed that attitude acts as a mediating factor between financial knowledge and the financial behaviour of a person. The intrinsic behaviour and financial attitudes of a person determine their financial literacy and thereby influence the financial practices and behaviours. Atkinson and Messy (2013) identified knowledge; attitude and behaviour are the chief elements of financial literacy. In the context of finance, attitude is the result of the psychological tendency of a person in the decision-making process on the basis of his concerns related to the good and the bad expectations of financial outcomes in connection with their financial knowledge already acquired (Serido et al., 2013). Hayhoe et al., (2005) highlight that better financial knowledge and attitude can influence the financial behaviour of a person. Therefore, attitude is considered as a crucial factor in acquiring knowledge and in converting the knowledge to the appropriate financial ability and behaviour of an individual to realize the fruitful outcome.

Serido et al., (2013) also provides shreds of evidence for the effect of self-belief and attitude about finance on financial knowledge, financial behaviour of an individual and revealed their effects on the financial and overall well-being of an individual. Yong et al., (2018) through their experimental studies found that both financial knowledge and financial attitude has an impact on the financial behaviour of a person. They suggest an inculcation of right financial behaviour which make adults to budgeting, controlled spending, eliminating debts, monitoring of expenses, and planning to save for old age and unexpected events. Moreover, previous financial experiences influence a person's financial decisions and management of finances. Therefore, Lack of awareness, poverty and illiteracy are the leading factors that contribute to low demand for financial services and lower utilization of banking services nearer to financial exclusion (CRISIL, 2018). The usage of a financial product or service is derived from the combination of knowledge, persuasion, decision and confirmation to adoption (Paul, 2012). The access and use of bank account are also influenced by the level of literacy level and nature of the occupation of an individual (Tp, 2014). Increased accessibility to banking services positively affect bank deposits and banking habits (Khadse, 2019). If people are endowed with affordable products and services and if they get good customer services and co-operation from the banks, they can develop good banking habits (Sanghvi et al., 2017).

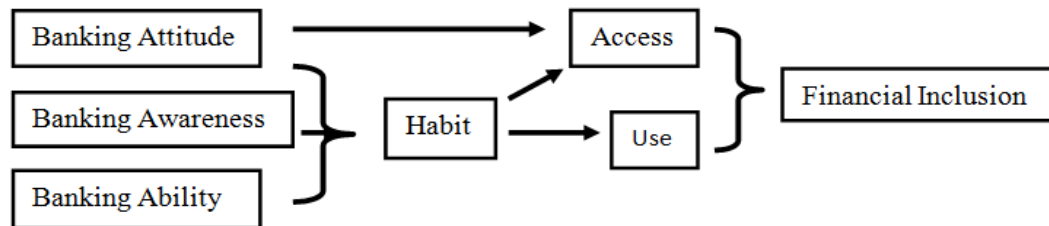
Ranjani & Bapat, (2015) identified the utilization of transaction services, saving and credit facilities of a bank are the major elements of the banking behaviour. The frequency of bank visits, maintenance of the account, number of transactions, type of account, registered facilities, use of credit, money transfers, making deposits, savings, etc can be considered as banking habits (Sanghvi et al., 2017, Arivazhagan, 2019). Banking habit is the tendency of a person to act in a certain way or manner which promotes banking transactions (Solomon, 2018). We can take banking habits as a reflection of the internalised knowledge of the people to appropriate their residual cash safely in a financial institution (EPW, 1962).

From the review of the above literature, it can be identified that the socio-economic, personal and cultural factors affect the attitude, awareness and ability of a person to utilise various banking services. Therefore, following working definition of the utilization of banking services has been accepted to describe the pattern of utilization of banking services;

“Utilization of banking services is the intensity of use of various banking services available to a person in day to day life to satisfy different financial needs to ensure financial safety and benefits”.

The above conceptual review reveals that the financial inclusion of a society affects their access and use of financial services. The access to banking services or financial services depends on the banking attitude and banking habits of the society. Banking habit is the result of the banking attitude, banking awareness and banking ability or skills of the respective society. This conceptual frame is explained in the following figure.

Figure 2.1 Concept Map



Source: Authors own calculation

The banking attitude, banking awareness and banking ability is determined by various socio-economic and personal attributes. The social attributes consist of educational level, type of habitation, social cohesion, social participation, religious beliefs and customs. The economic attributes are nature of employment, level of income, savings and expenditure pattern etcetera. The personal factors include gender, age, physical and mental ability. Therefore, the banking attitude, banking

awareness and banking ability determine the level of access and use of financial services of a society and thereby their financial inclusion.

1. **Banking Attitude:** The banking attitude is a person's tendency to act, feel and thinking emerged from his/her experiences and beliefs that show their disposition or opinion about banking services in relation to daily life.
2. **Banking Awareness:** Banking awareness is a person's level of knowledge about the conditions, process and benefits attached with a banking product or service accrued from various sources and experiences.
3. **Banking Ability:** It is the ability or skill of a person accrued from previous experiences or from their knowledge to perform/use various banking transactions independently for their benefits in daily life.

2.2.4. Muslims and Concepts of 'Sharia' Rule Related to Financial Transactions

A Muslim is someone who believes in Islam as the religion from the God, Almighty, and accept the prophet hood of Muhammed (Peace be upon him) and his way of living throughout their life by expecting judgment on the 'Last Day'. Muslims around the world can be classified as 'practicing' and 'non-practicing' Muslims. India is home to second largest Muslim population in the world. In Indian Muslims 'Sunni' is the major sect and 'Shi'a' is the rest. Literature shows that Muslims had played a significant role in the socio-cultural, administrative and economic sphere of the nation. There are four major states with a large number as well as proportion of Muslim population namely West Bengal, Kerala, Uttar Pradesh and Bihar. The financial practices that Muslims are allowed to do as per 'Sharia' are contrary to conventional financial practices.

In this section, the researcher examines the features or concepts of 'Sharia' rules followed by Muslims and the nature of financial transactions that are permissible and prohibited to them as per 'Sharia' rules of Islam.

2.2.4.1. 'Sharia' Rules

'Sharia' is derived from the teachings of Quran and Hadiths of Prophet Muhammed (Peace be upon him), which is an integral part of Islam and it is otherwise known as 'Islamic Law'. 'Sharia' encompasses entire aspects of life and which details moral, ethical, social and political codes of conduct for Muslims. It provides the legal framework for the foundation and functioning of Muslims as a society. The sources of 'Sharia' rules are the revelation of the Quran and the words and actions of the Prophet Muhammed (Peace be upon him) recorded in the Hadiths. On the basis of the dictated methods in 'Sharia' rule a devout Muslim can transact and conduct financial dealings in his life ethically. 'Sharia' compliant financial instruments are those instruments which are compatible with the prohibitions of Islamic teachings against 'riba' (interest) and 'gharar' (speculation) in business transactions (Netzer, 2004). Following are the major principles of 'Sharia' rules (Ahmad and Hassan, 2014).

- Any predetermined payment over and above the actual amount of principal is prohibited.
- The lender must share in the profits or losses arising out of the enterprise for which the money was lent
- Making money from money is not an acceptable practice in Islam
- *Gharar* (deception) and *Maisir* (gambling) are also prohibited
- Investments should only support practices or products that are not forbidden or even discouraged by Islam.

2.2.4.2. Method of Implementation of 'Sharia' rule

There are four methodological tools, based on Quran, for the application of 'Sharia' rule developed by the experts in religious teachings. They are *ijtihad* (interpretation), *ikhtiyar* (choice), *darura* (necessity) and *hiyal* (artifice) respectively (Netzer, 2004).

- *Ijtihad*, or the ‘independent scholarly derivation of law’ from the primary texts
- *Ikhtiyar* indicates the process of choice
- The third methodology, *darur*, is invoked under the circumstances of ‘stark necessity,’ which allows an obedient Muslim to violate Shari’a rules directly in a situation of at most necessity.
- *Hiyal* that act as ‘rules’ to justify the necessity and the intention of financial transactions that are not accepted by most schools of jurisprudence in Islam. Such transaction allows a borrower who owns assets or property to ‘sell’ that property with a buy back agreement paying rent and retaining the right to repurchase the property at any time.

2.2.4.3. ‘Sharia’-compliant Financial Instruments

Islamic financial instruments are those instruments which must not violate ‘riba’ or ‘gharar’, and must be ‘Sharia’ compliant. Following are the popular ‘Sharia’-compliant financial instruments which are permissible to Muslims (Netzer, 2004).

- Mudaraba (Trust Financing)
- Moshakara (Partnership Financing)
- Murabaha (Cost plus Financing)
- Ijara (Leasing)
- Salam (Advance Purchasing)

2.2.4.3.1. *Mudaraba* is a partnership financing, whereby the borrower manages the investment and the lender will be his partner, pays back the loan with a predetermined rate of the profits. The partner’s share of profits will be determined on the basis of performance of the project. Therefore, it also includes the sharing of risk related to the project. It is found that all Islamic schools of jurisprudence agree

to fix the predetermined rate of profit should be in proportion to the borrowed capital invested in the project (Netzer, 2004).

2.2.4.3.2. *Moshakara*, is also a “partnership financing,’ is applied only to old-fashioned small-scale investments, and it differs from the *mudaraba* in the ground that all partners are investors and similar to a genuine partner. Though the determination of profit share is similar to ‘*Mudaraba*’, the loss is shared only proportionate to the money invested by the partner. Here bank provides a portion of capital and receives profits from the performance of project and from the share of borrower himself (Netzer, 2004).

2.2.4.3.3. *Murabaha*, is a form of cost-plus financing widely used today, in which the bank purchase an asset for a borrower at market price and sells it to the borrower by charging a mark-up on the cost (Quran recognized it as the right of a seller, except monopoly). Although this is similar to the conventional interest-based transactions, the mark-up is justifiable in terms of bank’s services in locating, purchasing and bearing temporary risk of holding the assets (Netzer, 2004).

2.2.4.3.4. *Ijara*, is similar to a conventional lease, in which the banks, like in the *murabaha*, buys the asset for the borrower but then leases it out to him, different from ‘*murabaha*, at a rental fee. However, the bank will be the owner of the asset during the life of the *ijara* and must be maintain it (Netzer, 2004).

2.2.5. Prohibitory Financial Transactions in Islam

Prohibition of certain financial transactions in Islam is based on the revelation from Holly Quran and from the teachings of Prophet Muhammed (Peace be upon him) through Hadith-Sunna. These prohibitions intervene all aspects of the life of a Muslim and show them the path to remain steadfast to the will of Allah, the Almighty, because Islam does not consider material and spiritual aspects of life as separate. Following are the prohibitory financial transactions in Islam;

2.2.5.1. Riba: Netzer (2004) remarked ‘riba’ is derived from the root r-b-w meaning excess or an increase. ‘Riba’ (interest) is considered as an increase in money or capital without any manual efforts. He reported that there are 73 different types of

‘riba’, the least of which is similar to prostitution and the worst of which is similar to devastating the odour of a Muslim. According to hadith of Prophet (Peace be upon him) the extent of guilt related to ‘riba’ transaction is laid on entire parties like transacting parties, the witness and also who documents it (Khorasi, 2014).

2.2.5.2. Debt Financing and Trading in Debt: It is related to the concept of ‘riba’, and Prophet (Peace be upon him) himself disliked the idea of Dayn (debt). It is instructed only in the case of stark necessity” (Khorasi, 2014).

2.2.5.3. Gharar : ‘Gharar’ refers to the uncertainty or an element of risk in the terms of contract agreed between the contracting parties (Khorasi, 2014).

2.2.5.4. Maysir: Maysir (Gambling) are forbidden by Allah and his Prophet because it is an act of Satan which misguide people, create enmity and hatred amongst people (Khorasi, 2014).

2.2.5.5. Price Fixing: Islam supports a free market where prices are determined by market forces of demand and supply. When there is a difference between executed price and market price which makes a transaction unethical. If there is any interference in price formation, such transactions are condemned by Allah and his beloved Prophet (Peace be upon him) (Khorasi, 2014).

2.3. Theoretical Framework

Many strategies and theories aimed at comprehensive economic development highlight the importance of financial services by explaining how financial development contributes to economic development and the nexus between them. Some of the recent strategies on economic development view financial inclusion as a development vehicle to ensure people’s participation in a country’s inclusive economic growth and to bring development benefits to them. Financial inclusion offers a variety of opportunities that help to transform the living conditions of an individual or a community into a better one. Therefore, the influence of financial inclusion on the socio-economic upliftment of society is huge. A closer look at financial inclusion reveals that a variety of demand-side factors influence the financial inclusion of society. Moreover, several findings reveal that the accurate

and effective use of financial services is as important as the availability of them to accomplish the goals of financial inclusion. In this context, as part of the study, here are some theories that point to some demand-side factors that affect the financial inclusion of a community and their financial habits. There are some theories that discuss the influence of social and economic factors on the economic and human development of a society. The following are some of the important theories.

2.3.1. Capability Approach and Human Development

World Report on Human Development (1990) introducing the Human Development Index (HDI), to assess human development, shifted the focus of economic growth to a human-centred development model. According to United Nations Development Programme (1990), human development is “the enlargement of the range of people’s choices”. Sen (2000) argued that growth of the Gross National Product (GNP), the rise in income, or the increased levels of industrialization and technological advancements are not the limits of human development, but they together constitute human development. The freedoms (capabilities) that people enjoy will determine the level of achievement of human development. Thus freedom from poverty, tyranny, poor economic opportunities etc enhances human development. The freedom that we enjoy is essentially derived from the social, political, and economic opportunities, institutional arrangements and social norms.

2.3.1.1. The Capability Approach as a Theoretical Framework

The capability approach was introduced by Sen and further developed by Martha Nussbaum is a widely influential theoretical frame in contemporary development studies. Sen (1993) defines the capability of a person as “the alternative combinations of functioning the person achieves and from which he/she can choose one collection” (p. 31). The core of the capability approach is vested in its focus on the being and doing of the individuals. The capabilities and functioning are the two important themes that are, necessary for human development.

Capabilities

Capability is a person's capacity to perform valuable actions or to reach certain valuable situations of life; it "represents the alternative combinations of things a person is able to do or be" (Sen, 1993). Thus, capabilities represent various "combinations of functioning" (Sen, 1999). Sen (2004) does not list out capabilities required to realize human development but he listed some capabilities for all societies for all time to come, irrespective of the status of democracy, a social reality that any particular society faces. According to Sen (1993), the capabilities of a person depend on a variety of factors, namely, personal characteristics, social and cultural arrangements. Ultimately, capabilities indicate a person's ability to ensure or to acquire valuable outcomes, by considering his personal characteristics and external factors of his surroundings.

Functioning

According to Sen (2000), functioning is people's achievement in managing and succeeding their circumstances to attain the desired goals or to complete certain actions. This reflects the actual use of resources or opportunities that are available to a person and their choices. The valued functioning consisting the elementary ones, adequate nutrition and absence of disease, state of self-respect and very complex activities or personal conditions, such as the ability to take part in the social life and having (Sen, 2000).

2.3.1.2. Capability Approach and Financial Capability of a Society

According to Sen (2000), the expansion of the real freedoms of people is the crux part of development. Therefore he focused on the widening of open-end aspects of development rather than the traditional aspects of development. Though he accepted income as an important element of the freedoms, he gave more emphasis on other determinants of freedom, like social and economic situations, political and civil rights to enhance the freedom of the society. Similarly, he considered modernization in the entire field can substantially contribute to expanding human freedom, though freedom depends on other factors as well. He argued that the

removal of major sources of un-freedom is necessary for attaining development. He identified the contemporary world denies elementary freedoms to vast numbers of people through an unprecedented increase in overall opulence, which causes the emergence of anarchism related to people's panic to satisfy hunger, sufficient nutrition, adequately clothed or sheltered, clean water or sanitary facilities.

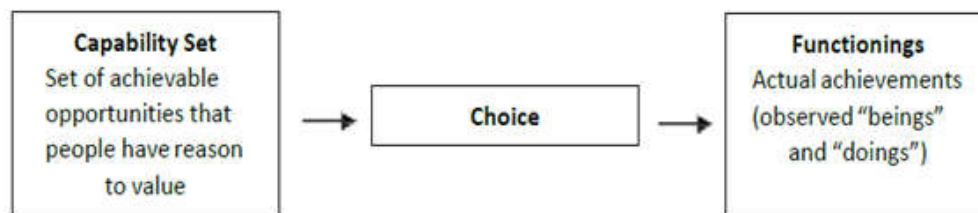
Sen (2000) argued for a friendly economic climate than of a rough political system to curb varieties of un-freedom that people suffer across the world like famines, under-nutrition, violation of political and civil rights, lack good health care, Illiteracy, unemployment, socio-economic insecurity. He considers the freedom of individuals as a fundamental building block of development and gave more attention to expand the 'capabilities' of persons. Suitable public policy and its effective utilisation by the public can enhance capabilities. He considers freedom of the members of the society and individual initiative and social effectiveness are the two reasons that signify the necessity of individual freedom in the concept of development.

The capability approach endorses freedoms and functioning of the society as two basic normative claims as a theoretical framework for attaining economic as well as social development. The approach has been reflected in a variety of fields like theories of social justice and development ethics. The approach also evolved into new and highly interdisciplinary literature in the social sciences which highlight new statistics and social indicators and evolved to a new development paradigm used in the so-called 'human development approach' (Robeyns, 2016). Therefore, the core focus of the capability approach is on the ability of individuals in performing various activities and on the expansion of it. Thus, the objective of development is the further expansion of the set of capabilities of each individual (Stewart et al., 2018). This starts from a person's endowment set to an entitlement set via an entitlement mapping. The entitlement set consists of all possible bundles which an individual can enjoy by given endowments and the possibilities of attaining a particular bundle that exists in her entitlement mapping. At the next step,

the commodity bundles lead to functioning, later, the set of all possible functioning constitutes a person's capability set (Osmani, 2016).

This approach emphasizes more on functional capabilities instead of access and use of resources. By using capability set, an individual makes choices and thus leads to what is called 'functioning'. Besides the state and the market, social institutions like family, community and neighbourhood associations, trade unions, social movements, political parties and NGOs are all influencing the capabilities of a person. Moreover, social norms also play a critical role in shaping behaviour which affects the capability of a person. Both moral commandments of religion and numerous traditional norms of custom constitute social norms that affect the behaviour of a person. Family norms and social norms together exert influences on individual choices, former through individual's character, ideology, preferences and behaviour and later through their interactions with the society over time (Stewart et al., 2018). Therefore, public action and investment can increase freedom of the society (Alkire, 2011). The following figure reveals the role of freedom of choice in the expansion of capability set suitable for functioning.

Figure 2.2 Capability set and Functioning



Source: Adapted from Storchi, S & Johnson, S. 2016

The capability approach signifies people's freedom to choose their own way of life on the basis of their self-evaluation from available capability sets and admits their choice which makes appropriate functioning that suitable to achieve their needs of life. To evaluate the quality of life, Sen (1987) pleaded for the policies of state intervention that improve the capability set. He also considers the differences in the personal attributes in the evaluation of the efficiency of functioning because that leads to the selection of different capability set at which they have satisfied.

Therefore, Sen stands for freedom of choice than a pre-fixed list of elements that influence the basic human capability sets (Sen 2004). Moreover, this approach also accounts for some structural constraints which deter people from choosing their valued capability set with complete freedom. Such constraints consist of socio-political conditions, religious beliefs, cultural aspects, gender norms and other important external factors which affect individual decisions.

In this background, it can be considered financial inclusion as paradigms that enlarge the choices of the individuals and encourage them to lead a better life by improving their capacity to select a valued option for attaining social and economic security. Thus financial inclusion directly influences human development but the causality cannot trace simply (Xiao et al., 2014). Therefore, it targets the improvement of the standard of living of poor people and increases access to financial services. Therefore, the policies implemented for this purpose adhered to the quality and availability of financial services along with effective control of the state. In addition to this, given more emphasises on providing financial literacy to enhance the ability of consumers to perform various financial activities. However, there were no clear attempts to evaluate financial inclusion from the user's side to examine whether and in what ways financial inclusion is effective in improving people's achievement of valued capability sets (Storchi, & Johnson, 2016). It is clear that the evolution of such an evaluation system should include all the factors that affect their choices and the adequacy of the financial services to know whether the financial inclusion was suitable for the achievement of people's valued capability set. Hence, the focus of evaluation of financial inclusion shifted its attention from the supply side to the demand side, to measure whether it improves the socio-economic opportunities of society. This shift makes the financial inclusion programmes more customer-centric and recognises the individual priorities in the development of an approach to financial services.

Considering this perspective on financial inclusion, people's freedom to choose, the existence of structural barriers, cultural and gender norms, which may prevent people from financial inclusion, must be addressed through the introduction of adequate financial products. This highlights the importance of the adequacy of certain services in meeting people's needs (Storchi & Johnson, 2016). They suggest

increasing the availability of financial services at an increased range of options that allow people to pursue their wellbeing goals. They also argue that the capability approach unfolds a number of aspects that can be considered for the evaluation of inclusion policy in terms of its ability to expand people's freedom to achieve financial wellbeing.

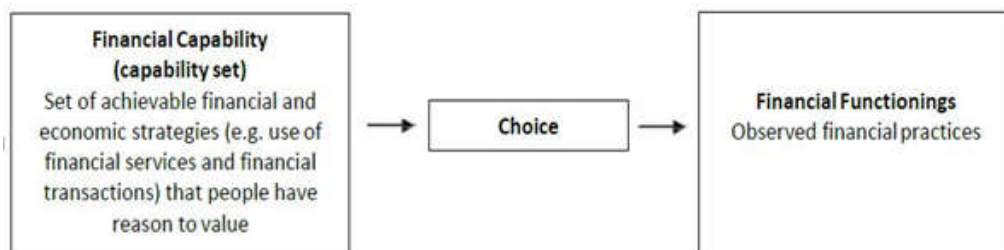
The financial capability of consumers determines the success of financial inclusion. In the last decades, the global economy witnessed a massive opening of bank accounts by first-time clients, among them large proportions were traditionally unbanked segments of the population and this drive improved the use of formal financial services by them. To create an atmosphere that brings the desired benefits for entire stakeholders through the expansion of financial services, the financial capability of the new account holders must be increased. Some research findings indicate that many people experiencing a gap between knowing and doing when they approach financial services. There should be policies to improve financial capability instead of financial literacy programmes to encourage healthy financial behaviour among the consumers. The cultural and social norms together determine the financial attitudes and behaviours of consumers. Sen (1997) stated capability as the fundamental freedom to acquire alternative functioning and defined the concept of financial capability as the freedom to choose from available financial products and services in support of their valued life goals. People have various sets of achievable and valued opportunities to manage their money. They can choose a set appropriate to their valued life goals and thus develop a certain set of financial functioning (Storch, & Johnson, 2016). It revealed that financial capability is not that of the Sen/Nussbaum stated earlier. Therefore, the financial capability may be considered as a necessary factor that converts a resource, money, into various financial goods (Allmark & Machaczek, 2015).

The FI2020 Financial Capability Working Group identified that the complex social, economic and industry relationships are crucial factors in the development of financial capability. The working group highlighted that while financial service providers and clients sharpening their financial capability, other socio-cultural

factors also influence the financial capability of a person. If clients have the stronger capability, they can use financial services to manage their scarce resources across their lifetimes and attain their highest life goal. Therefore, the service providers concentrate their focus to ensure high financial capabilities to their clients enable them to use services actively and responsibly, which in turn bridges the gaps between access and use of financial services. Governments consider financial capability as a crucial building block to encourage economic citizenship, to protect the interest of clients and promote stability in the banking system (Accion, 2013). Therefore, they proposed four summary points for all stakeholders:

1. Financial capability is a continuous process of acquiring mastery over financial transactions throughout life.
2. Behaviour is the central figure in advancing capability and we must integrate our knowledge into the provision of financial services.
3. Every actor in financial inclusion has a unique and important role in enhancing capability.
4. We are still learning and experiment with how to advance financial capability and enquire to develop the newest business models to support it.

Figure 2.3 Financial Capabilities and Functioning



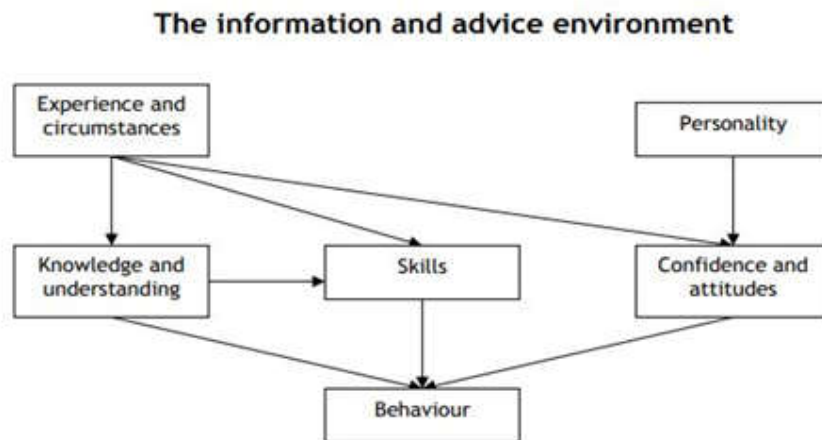
Source: Adapted from Storchi, S & Johnson, S 2016

Financial capability is a basic requirement that facilitates the penetration and improves the utilization of financial services. Therefore, lack of adequate financial capability, deter the account holders from utilizing financial services for their own benefit (Accion, 2013). Some research findings indicate that some elements of financial capability along with the financial behaviour of a person will improve their

financial wellbeing. According to World Bank (2013), the financial capability of a person is determined by his internal capacity to perform best out of his knowledge, attitudes, skills and behaviours in managing their resources to understand, select and utilize suitable financial services available to them.

Financial capability is relatively a new concept and we have to explore its elements that nourish the utilization of financial services. The available resources and the ability together constitute the overall Capability of each individual. Hence, financial capability act as a conversion factor required to convert a resource, money, into various financial goods (Allmark & Machaczek, 2015). It can be seen that financial capability encourages the utilisation of appropriate financial knowledge to perform desirable financial behaviour suitable to ensure the financial well-being of a person (Kuriakose, 2013). In recent years, financial capability becomes the central theme of financial inclusion programmes in several countries instead of promoting financial literacy. Financial capability is a combined result of a person's action and behaviour derived from the influence of outside institutions and regulations (Xiao, 2016). Therefore, the knowledge, skills, attitudes and behaviours of an individual shape the financial capability needed to make sound financial decisions that improve their well-being. (Accion, 2013).

Figure 2.4 Components of Financial Capability



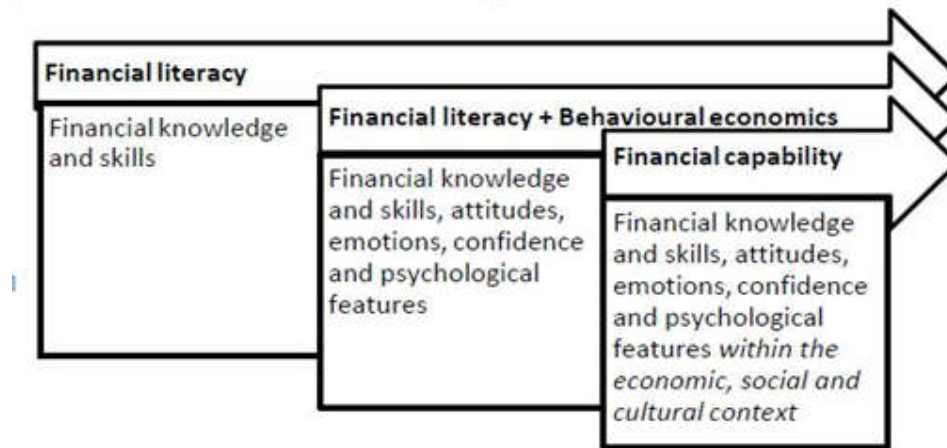
Source: Adapted from Kempson et al., 2005

The model of financial capability developed by the FSA and the Basic Skills Agency (Basic Skills Agency, 2004), identifies three core elements that determine financial capability. These were:

1. Knowledge and understanding;
2. Skills; and
3. Confidence and attitudes.

These elements depend on a person's experience and circumstances, and personality. The behaviour of a person reflects his financial capability (Kempson et al., 2005). Behaviours related to earning, spending, borrowing, saving, and protecting enriches the financial behaviours of an individual. If it enhances the economic wellbeing of a consumer, then only it becomes desirable otherwise it will be undesirable. Performing desirable financial behaviour is an indicator of financial capability. Adequate financial literacy will encourage desirable financial behaviour. Moreover, these behavioural aspects consist of people's management of resources, financial decisions, the skill, and the information from outside (Xiao, 2016). They also acquire the ability to manage their credit and debt. They are also able to assess needs for insurance and protection to enhance entire dimensions of finances (Kempson et al., 2005).

The theories on financial capability highlight the influence of different socio-cultural factors on financial capability of a person. The socio-cultural factors consists of culture, family experiences, peers, religion and popular customs also exert apparent influence in shaping common practices, attitude about financial services and financial behaviour of a person. Such influences lead to earnest financial culture, practices and habits. Theories accepted that the financial culture, practices and habits shaped by different socio-cultural factors are very difficult, or never possible, to dilute or alter with innovative financial products and services without consider these demand side factors. The following figure exhibits the inter-connections among financial literacy, different socio-cultural elements and financial capability.

Figure 2.5 Evolution of the Financial Capability

Source: Adapted from [Storchi, S & Johnson, S \(2016\)](#)

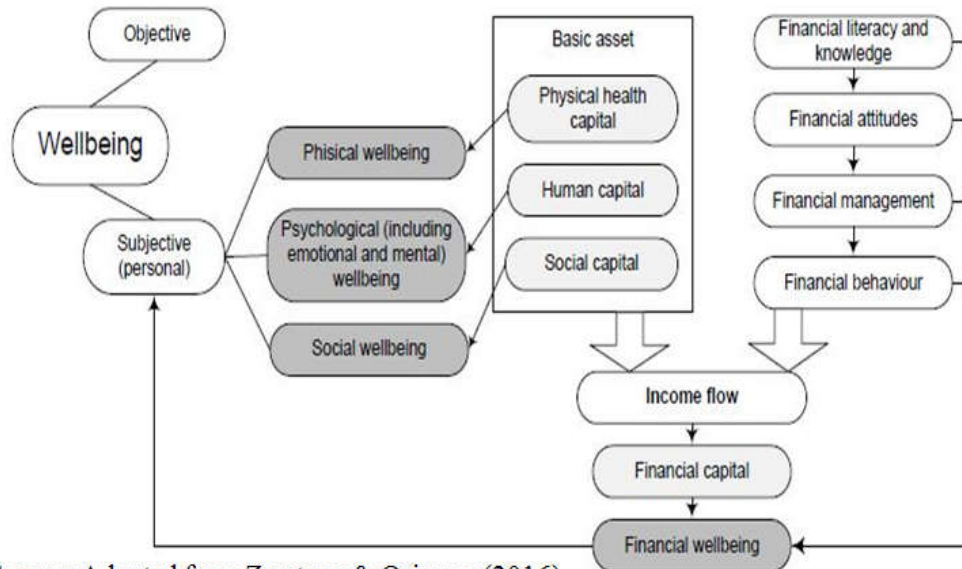
Storchi & Johnson (2016) observed that the development of financial capability as a lifelong process and the interventions of socio-cultural factors were continuous and derived from the needs and goals of consumers. They argued that financial capability depends on multidimensional aspects which consist of the factors that encourage or discourage financial capability of an individual. They concluded that the financial capability is a dynamic process which evolving over the lifespan of a person due to its dependence on environmental and personal circumstances. Accion (2013) differentiated the financial knowledge from financial behaviour due to the prevailing gap between the aspects of financial behaviour and literacy and also demands initiatives for the necessary policy designs to build required financial capability. The state of financial capability depends on social, cultural and financial contexts of financial decisions and it would be the reflection of various factors like knowledge, skills, attitudes, individual abilities and financial behaviours of a person (Atkinson and Kempson, 2008).

2.3.1.3. Financial capability for Wellbeing

Financial wellbeing is a situation of financial position enabled by the adequacy of financial resources required to lead a comfortable life. Both objective and subjective personal indicators factors were used to measure financial wellbeing.

The objective indicators include income, expenditure, debt, asset and debt/income ratio (Xiao, 2016).

Figure 2.6 Factors Affecting Financial Wellbeing



Source: Adapted from Zemtsov & Osipova (2016).

Though financial wellbeing has subjective and objective dimensions, operationally it is considered as a subjective measure only. Therefore, it is better to use the term “personal wellbeing” or “individual well-being” instead of financial wellbeing because it relies on physical, psychological, social and financial conditions of a person. Moreover, all components of wellbeing are interconnected and mutually evolving with the financial position of a person (Zemtsov & Osipova, 2016). Similarly, Brüggem et al., (2017) developed a framework using key elements of financial well-being which includes interventions and financial behaviours, consequences, contextual factors, and personal factors. The detail of elements including in the framework are as follows;

1) Interventions

They identified interventions are an act of motivating consumers to develop sustainable behaviours. Among them, financial counselling or advice, education are

interfere at the level of financial literacy and framing, nudging, or other structural elements interfere at the level of financial decision.

2) Financial behaviour

They consider behaviour at the central part of the model because it exerts direct influence on financial well-being and which includes financially destructive, sound or stabilizing behaviours according to the life situations. The forces that encourage sound financial behaviours like saving, creation of emergency fund, paying bills on time, or retirement planning etc.

3) Consequences of financial well-being

The widespread consequences and its significance of financial wellbeing demands careful attention and sufficient management. There would be differences in the consequences at the individual, collective, organizational and societal levels for different stakeholders.

4) Contextual factors

The factors which constitute the upper part of the hierarchy of framework are listed as the contextual factors. They listed various economic factors, market factors, political factors, socio-cultural factors, technological factors as contextual factors that influence financial wellbeing of a person.

5) Personal factors

The factors which constitute the lower part of the hierarchy of framework are listed as the personal factors. The socio-demographic factors that determine the financial well-being of individuals and families include the factors like skills, traits, financial practices, and their life events. These factors determine the effectiveness of interventions or financial behaviours to attain financial well-being. Existing literature expects that the personal factors directly mould the financial behaviour according to the model. But researchers left open the question of how exactly they influence the financial behaviour of a person.

According to capability approach the basic freedom is a substantial factor which evolved into the success of individual life. It describes the effect of various external (socio-cultural) factors on substantive freedom and thereby the capabilities of people. Considering financial inclusion, as a development policy, in the light of capability approach, it is clear that not only availability and access but also socio-cultural and religious factors are crucial factors that affect the level of financial inclusion and financial behaviour of an individual. The theories mentioned here reveal that one's living conditions influence his or her financial decisions. Therefore, it can be understood that the financial behaviour of a community determines their financial capability. However, the financial behaviour of an individual can be influenced by different socio-cultural and religious factors, which can lead to significant differences in the financial behaviour of different communities. Dualistic theories also show that such differences in financial behaviour as the result of dualism and which adversely affect the success or efficiency of a development policy, especially the policies of financial inclusion. In particular, Boeke's social dualism and Mynt's financial dualism expose the contradictions that exist between different communities and mark how these contradictions affect economic development.

2.3.2. Dualistic Theories and Financial Habits of Muslims

The term 'dualism' describes as a coexistence of less developed society or sectors with highly developed society or sectors in a single economy. Usually developing countries witnessed it and imply some aspects of its influences on future pattern and pace of economic development. Though there are a number of possible definitions and interpretations of 'dualism', the term is mainly used to refer to economic and social divisions in an economy, such as differences in the level of technology between sectors or regions, differences in the degree of economic development and differences in social customs and attitudes between an indigenous and imported social system (Thirwall, 2014). The social dualism explains the existence of traditional society with no modern exchange sector in a money economy and the reluctance of the oriental society to alter its traditional way of life as an inevitable consequence of development and not the cause of

underdevelopment. Dr. Boeke gives the following formal definition of a dual society;

“Social dualism is the clashing of an imported social system with an indigenous social system of another style. Most frequently the imported social system is high capitalism. But it may be socialism or communism just as well, or a blending of them”

According to Dr. Boeke, the pre-capitalist eastern economies or countries in the south-east Asia are dualistic economies characterised by;

- i. Limited needs
- ii. Backward sloping supply curve of effort and risk taking
- iii. Complete absence of profit seeking
- iv. No professional trading and aversion to capital etcetera.

Therefore, he argued that the oriental economies are totally different from modern economies in the organizational power and which depends increasingly on the faith and sacrifice mentality of the people. These differences between eastern and western economies deter make the applicability of development policies suitable to the western economies totally in the underdeveloped areas of the world (Higgins, 1956). Boeke strictly suggests avoiding the implementation of such policies, which fitted in developed economies, in underdeveloped economies due to their structural imbalances. By making this suggestion, he expressed his pessimistic feeling about the applicability of western development strategies in the eastern dualistic economies and the efficiency of recent programmes implemented in eastern economies to attain a western line of socio-economic development. Also he extended his view about these efforts are likely to increase the pace of deterioration and decay of dualistic economies. Therefore, he believes in irreversibility of the process of social disintegration existing in dual societies, consequently he suggests to accept dualism as an inevitable phenomenon in framing suitable development policies. Such policy framework has two implications like:

“First, that as a rule one policy for the whole country is not possible, and second that what is beneficial for one section of society may be harmful for the other”.

Through the specifications about a dualistic society Dr. Boeke try to convey that large number of important countries characterised by ‘dualism’ as a permanent phenomenon and he suggests to incorporate it in framing policies aimed at their comprehensive development. He argued for the dichotomisation of development policies to tailor the needs and wants of social groups according to their fundamental differences. Itagaki, (1960) observed that, Dr. Boeke’s conclusion about dualistic society was analytically reasonable, but , the generalisation of the case of Indonesian society to describe the pre-capitalist indigenous system of Asian society based on a “village” (desa) may have some contextual limitations. Because the village in Boek’s analysis was primarily a socio-religious unit in which its members were bounded by the rules of their moral living communion. Moreover, Itagaki points out that this village community take their decisions in connection with the religious rules or traditional customs. Boek’s analysis about dualistic society justify the prevalence of religious influences in the financial behaviour of Muslims and the coexistence of ‘Sharia’ based financial habits of Muslims and conventional financial habits of Non-Muslims in the realm of financial services. Therefore, the presence of a dualistic pattern of demand for financial services from Muslims and others has to be considered in Muslim concentrated areas. So, as mentioned by Boeke, it is not possible to improve the financial behaviour and the level of financial inclusion of Muslims through a one-dimensional policy that emphasised on supply side aspects of the financial inclusion.

Similarly, the debates on financial dualism expresses that the emergence of informal financial system as a redressal mechanism to solve the shortcomings and excessive regulation of formal financial sector. This view of literature postulates that financial dualism reflects the intensity of the deficiencies and rigidity of regulation of the formal financial system (Shem, 2001). Therefore, it can be identified that the dualistic financial behaviour seen in Muslim-concentrated areas as an indication of the shortcomings of the traditional formal financial system in addressing their needs and wants. Moreover, the theories on the effect of inventories and the influence of

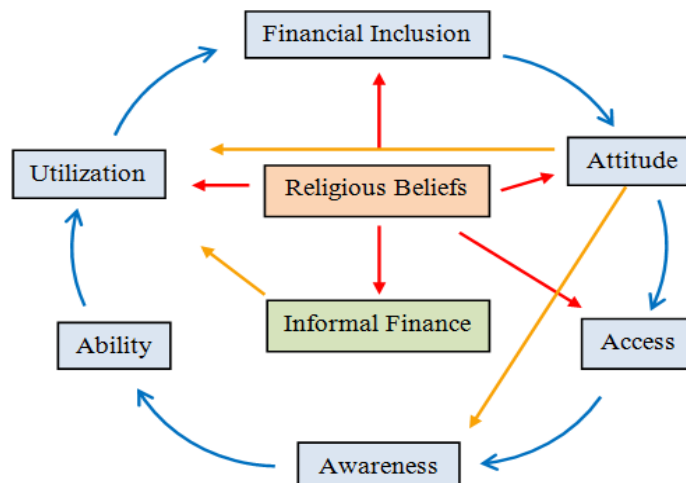
habits arising from past consumption on current demand justify the presence of the state of habit as a dynamic factor in the consumption decisions (Sexauer, 1977).

The above conceptual and theoretical review contributes a clear picture about the relevant factors and their role in financial inclusion and banking behaviour of a society to attain financial wellbeing and economic development. There are several factors which affect financial inclusion and banking behaviour or financial capability of a person. Among them the socio-economic, cultural, religious and personal factors exert crucial influence on the financial capability and financial inclusion of a society. Therefore, the conceptual and theoretical reviews conducted in the previous sections enabling the development of a suitable analytical framework for this study. In the coming section, the analytical framework, explaining the interrelationship of different socio-economic and personal factors with financial inclusion and utilization of banking services of Muslims.

2.4. Analytical Framework of the Study

Since many theoretical and empirical reviews highlighted the effect of religious beliefs and personal attributes on financial decisions and financial capability of an individual, the factors that influence the level of financial inclusion and utilization of banking services of Muslims can be explained with the help of an analytical frame developed in this section.

Figure 2.7 Analytical Framework



Source: Authors own calculations

Above figure of analytical framework exhibits interrelation among the level of financial inclusion, financial attitude, access to financial services, awareness about financial services, ability to perform various financial services and nature of utilization of financial services of Muslims. The circular movement explains the importance of different aspects or elements that affect the access and use of financial services and their role in attaining better level of financial inclusion of Muslims. Among Muslims the level of financial inclusion is directly and indirectly determined by their adherence to religious beliefs. Religious beliefs exert direct influence on different aspects of the accessibility to and utilization of financial products and services. Among them the attitude of Muslims towards financial transactions and the level of their access to financial services depend on the financial inclusion initiatives taken by respective authorities and their adherence to religious beliefs.

The attitude towards financial transactions and the level of access together constitute the awareness about different financial products and services of Muslims. Awareness about financial products and services improves the ability to perform various financial transactions. Finally, the attitude, access, awareness and ability altogether constitute the degree of utilization of various banking services. The availability of informal sources of finance directly affects the utilization of various formal financial services and indirectly affects the level of financial inclusion of Muslims. The circle exhibits both the adherence to religious rules and the availability of informal sources of finance have apparent influence the utilization of banking services and the level of financial inclusion of Muslims. Therefore, it can be summarised that the religious beliefs influence almost all aspects of financial inclusion and utilization of banking services of Muslims in Kerala.

CHAPTER 3

FINANCIAL INCLUSION IN INDIA: AN OVERVIEW

3.1. Introduction

The development experience of different nations over the past decades shows that the strategy of financial inclusion has been very helpful in ensuring inclusive economic growth by influencing a society in many forms and manifestations. In addition, many studies have shown that it can play a key role in achieving the Millennium Development Goals. It has been identified that financial developments create positive incentive effects and eliminate adverse repercussions associated with the policy objectives to expand individual economic opportunity. Also observed that the improvement of efficiency and equity of opportunity through financial development (Demirgüç-Kunt & Levine, 2008). Nowadays, financial inclusion proves its priority in international policy regimes because of the important role played in enhancing access and use of appropriate formal financial products to individuals (Atkinson and Messy, 2013).

Financial inclusion ensures the adequate and timely availability of financial services to the weaker sections of society at an affordable cost and which is considered as an addendum to social inclusion in mitigating the barriers of inclusive growth. Empirical studies witnessed that the inclusiveness of people into the realm of financial services will enhance their opportunities and choices which improve their standard of living. Financial development facilitates better access to financial services to weaker sections of the society and strengthening human capability required to utilize the available economic opportunities. Enhancement of capabilities would result in the expansion of demand for financial services (Laha & Kuri, 2014). Bringing the poor into the sphere of formal finance inculcates the saving habit among them and thereby broadens the resource base of the financial system and increase the momentum of development process of an economy (Bhaskar, 2013).

Moreover, the increase in the level of financial inclusion of a society proved that their access to financial products make a positive difference in the standard of living of the poor (Kendall et al., 2010). It is found that increase in economic activity, better communication and transport infrastructure and better governance along with standard measures of financial development widen the outreach of financial services. Also found that government owned of financial institutions failed to improve the access, at the same time more concentrated banking systems improved the outreach of financial services (Beck et al., 2005).

3.2. Financial inclusion - Cross Country Evidences

It is widely accepted policy matter that an inclusive financial system improves economic development in many ways, not only in India, but has become a policy priority in many countries. Several countries across the globe have been given due consideration to financial inclusion as the means for more comprehensive growth, wherein each citizen of the country convert their residual income into financial resources that they can put to improve their future financial capability, thereby increase the momentum nation's progress. Though governments, financial regulators and the banking industry altogether initiate the financial inclusion process, the banking industry has been proved its key role in promoting financial inclusion of a nation (Acharya, 2013). The Financial Access Survey (2019) of IMF highlighted the shift of banking services from traditional branch oriented offline transactions to customer friendly online platform to facilitate various banking transactions. It can be identified from the changes occurred in the banking industry around the globe in the last decade, that the number of commercial bank branches per 100,000 adults grew only by around 1 percent. They assumed that this change in demographic penetration of bank branches may be due to the decline in the number of commercial bank branches in the advanced economies of North America and Europe even nearly 19 percent growth of bank branches witnessed by the low- and middle-income countries. Definitely it indicate that the growth of bank branches in the low- and middle-income countries were associated with their unmet demand for

banking services and which improve the access to banks by unbanked people. But the decline in the number of bank branches in high-income countries may not mean declining access but rather suggest a changing mode of accessing banking services through mobile and internet banking as part of the optimization of banking business.

3.2.1. Availability of Banking Services across the World

Globally, banks play a leading role in the implementation of financial inclusion programmes. In most countries, due to the integration of financial inclusion programmes with banking services, the availability of banking services determine the level of financial development and thus the financial inclusion of a region. Financial Access Survey (IMF, 2019) revealed that most of the countries in the world experiencing a ‘Plateauing’ growth in bank branches due to the improvement in technology based banking and due to the optimizing strategy implemented in their banking sectors. The report highlights that the acceptance of mobile and internet banking as an alternative mode of banking continued to grow at an impressive rate led to a drop in the number of bank branches in high-income countries. The report remarked that there was a growing trend in the mobile and internet banking in low- and middle-income countries, but less widely than that of high-income countries. Therefore, mere the number of bank branches and ATMs does not convey the real picture of availability of or access to financial services in a nation. Even though, it is used as a benchmark to evaluate the penetration of financial services across different regions. Therefore, a cross country analysis of the penetration of financial services provides exact picture of financial inclusion status of different nations around the world. The following table (Table 3.1) shows the number commercial bank branches and ATMs in major countries.

Table 3.1. Availability of Banking Services in Major Countries-2019

| Economy | Number of | | Economy | Number of | |
|--------------|---------------|---------------|----------------|-----------|--------|
| | Branches | ATMs | | Branches | ATMs |
| Argentina | 4494 | 20633 | Saudi Arabia | 2076 | 18882 |
| Brazil | 31061 | 169496 | South Africa | 3954 | 27166 |
| Canada | 6116 | 67740 | Turkey | 10135 | 53024 |
| China | 101610 | 1097700 | United Kingdom | 12984* | 60662 |
| India | 146031 | 210070 | United States | 76959 | # |
| Indonesia | 31127 | 106649 | Pakistan | 14606 | 15252 |
| Italy | 20080 | 47210 | Malaysia | 2415 | 10899 |
| Japan | 37328 | 137011 | Korea | 6762 | 119899 |
| Mexico | 12882 | 57950 | Germany | 7601 | 85885 |
| Russia | 29894 | 195554 | France | 18631 | 54000 |

*-2013 and # - Not Available

Source: IMF Financial Access Survey 2019.

The above table shows that the number of commercial bank branches and ATMs available in major countries around the World in 2019. This table reveals that the number of bank branches and ATMs in different countries depends to some extent on the size of population and development status of the respective nations. India has more number of both bank branches and ATMs in the World, which is higher than that of China. Since the availability of banking services considered as a semi-public good or a social good in the light of Millennium Development Goals of United Nations, the distribution of banking services should be sufficient to address the growing needs of the population. Even though the number of bank branches and ATMs in some nations reflects their relative strength compared to rest of the world, the report of Financial Access Survey (FAS, 2019) reveals that the parameters of financial inclusion of that nations dilute their efforts to attain financial inclusion of different sections of the society. The number of bank branches and ATMs are reasonable in developed countries but that of developing and underdeveloped

countries are not sufficient to meet the emerging needs of their growing population. Therefore, to get a real picture about the financial inclusion of a nation we have to examine both the geographic and demographic penetration of financial services across the respective nations. The geographic and demographic penetration of banking services across major countries is given in Table 3.2 and 3.3 respectively.

Table 3.2. Geographic Penetration of Banking Services in Major Countries

| Economy | Number per 1000 Km Sq. | | Economy | Number per 1000 Km Sq. | |
|--------------|------------------------|--------------|----------------|------------------------|---------|
| | Branches | ATMs | | Branches | ATMs |
| Australia | 10.94 | 158.42 | Iran | 11.79 | 33.62 |
| Argentina | 1.67 | 7.54 | Italy | 69.05 | 160.50 |
| Bangladesh | 82.05 | 85.62 | Japan | 102.71 | 375.83 |
| Brazil | 3.73 | 20.28 | Mexico | 6.65 | 29.81 |
| Canada | 0.68 | 7.45 | Norway | 0.65 | 3.82 |
| China | 10.84 | 116.92 | Pakistan | 18.99 | 19.79 |
| Denmark | 23.15 | 51.87 | Russia | 1.85 | 11.94 |
| France | 34.50 | * | Singapore | 551.48 | 4145.28 |
| Germany | 22.50 | * | South Africa | 3.29 | 22.39 |
| India | 49.17 | 70.65 | United Kingdom | * | 250.74 |
| Indonesia | 17.24 | 58.87 | United States | 8.90 | * |

* - Not Available

Source: IMF Financial Access Survey 2019.

The above table exhibits that both the bank branch and ATM penetration was highest in Singapore and lowest in Norway in 2019. India has a reasonable achievement in the geographic penetration of banking services compared to other nations. India has highest branch penetration among the BRICS member nations (Brazil, Russia, India, China and South Africa) and second highest ATM penetration among them. Bangladesh is a leading nation in the geographic penetration of banking services among South Asian countries followed by India. The data of the number of branches in FAS (2019) showing a decreasing trend in developed countries due to the technology banking services in the respective nations replaced

the traditional banking institutions. But in developing nations the growth rate of banking services showing an increasing trend due to the pressure of unmet needs of the population. Japan has a remarkable achievement in the penetration of both branches and ATMs in Asian countries after Singapore. This table indicates that India still have miles to go ahead to meet the financial needs of her growing population.

From the demographic availability of banking services, it is possible to monitor the extent to which a country gave emphasis to the process of financial inclusion and the potential for improving financial inclusion of people. Table 3.3 explain the status of demographic penetration of banking services across major countries in the World.

Table 3.3. Demographic Penetration of Banking Services in Major Countries

| Country | Number per 100,000 adults | | Country | Number per 100,000 adults | |
|--------------|---------------------------|-------------|----------------|---------------------------|-------|
| | Branches | ATMs | | Branches | ATMs |
| Australia | 29.6 | 162 | Iran | 28.2 | 76.5 |
| Argentina | 13.4 | 59.4 | Italy | 44.6 | 92.4 |
| Bangladesh | 8.6 | 8.1 | Japan | 34 | 127.8 |
| Brazil | 19.2 | 106.8 | Mexico | 14.1 | 53.5 |
| Canada | 21.5 | 227.8 | Norway | 5.5 | 36.4 |
| China | 8.5 | 76.8 | Pakistan | 10.6 | 10.4 |
| Denmark | 20.7 | 50.1 | Russia | 29.2 | 163.9 |
| France | 35.9 | 107 | Singapore | 8.5 | 65.2 |
| Germany | 12.9 | 122.2 | South Africa | 10.4 | 67.9 |
| India | 14.7 | 22.1 | United States | 31.5 | # |
| Indonesia | 16.9 | 55.6 | United Kingdom | 25.1 | 128.1 |

- Not Available

Source: IMF Financial Access Survey 2019.

The table reveals that the demographic penetration of bank branches was highest in Italy and that of ATMs is highest in Canada among major countries of the World. India has only 14.7 bank branches per 100,000 adults and 22.1 ATMs per 100,000 adults which are lowest among BRICS nations except in the case bank branches. Most of the developed nations have remarkable achievement in the demographic

penetration of banking services. Among the developing nations Russia has highest number of bank branches and ATMs per 100,000 adults.

Availability or penetration of banking services are important in providing banking facilities to the people and the access to such facilities will encourage the uses of banking and other financial services among them. Penetration of banking services is considered as the supply side parameter of financial inclusion of a nation and which reflect the status of financial development and the depth of banking services in respective nations. Financial development in a nation will accelerate the growth momentum in a nation if the financial facilities available to its citizens without any discrimination. Financial inclusion aims to ensure that everyone has an equal opportunity to access the financial facilities available in an area. Table 3.4 shows how many people have access to different financial facilities in the major countries of the World.

Table 3.4. Access to Banking Facilities across selected Countries and Regions in 2017

| Country or Region | Percent of Adults Having Ownership of (Age 15+) | | | | Country or Region | Percent of Adults Having Ownership of (Age 15+) | | | |
|-------------------|---|-------------|-------------|----------|-------------------|---|-------------|------------|--------|
| | Account | Credit card | Debit card | MM A/c | | Account | Credit card | Debit card | MM A/c |
| Argentina | 48.7 | 24 | 41.4 | 2.4 | Japan | 98.2 | 68.4 | 87 | * |
| Australia | 99.5 | 59.7 | 90 | * | Mexico | 36.9 | 9.5 | 24.6 | 5.6 |
| Brazil | 70 | 27 | 59.3 | 4.8 | Norway | 99.7 | 70.5 | 98.1 | * |
| Canada | 99.7 | 82.6 | 96.8 | * | Saudi Arabia | 71.7 | 16.3 | 66.8 | * |
| China | 80.2 | 20.8 | 66.8 | * | Russia | 75.8 | 20.1 | 56.6 | * |
| Denmark | 99.9 | 44.7 | 97.4 | * | South Africa | 69.2 | 8.9 | 34.1 | 19 |
| France | 94 | 40.9 | 84.7 | * | UAE | 88.2 | 45.4 | 82.9 | 21.3 |
| Germany | 99.1 | 52.5 | 90.6 | * | UK | 96.4 | 65.4 | 91.5 | * |
| Indonesia | 48.9 | 2.4 | 30.8 | 3.1 | US | 93.1 | 65.6 | 80.2 | * |
| India | 79.9 | 3 | 32.7 | 2 | South Asia | 69.6 | 2.5 | 26.9 | 4.2 |
| Italy | 93.8 | 42.5 | 84.6 | * | World | 68.5 | 18.4 | 47.7 | 4.4 |

Source: Global Financial Inclusion Data base, World Bank 2018

The table shows that the percentage of adults with access to various banking facilities is highest in Canada followed by Norway and which is lowest in Mexico among major countries in the world. World Bank (Global Findex, 2018) reported that people in Asian countries have less access to various banking facilities than that of European countries. The percentage of adults with access to various banking facilities in South Asia is lower than that of World average except in the access to bank account. Since the access to various financial facilities indicates the breadth of financial inclusion of a nation, the access to technology banking was very low in India compared to the world average. Most countries have a very high percentage of bank account holders, but some of the countries still have half of the adults without a bank account (Argentina and Indonesia). Although the number of adults with bank accounts has increased as part of the policies adopted in India in the last decade, the percentage of adults with access to technology banking facilities is very low compared the member nations BRICS. The acceptance of technology banking improves the delivery mechanism of financial services in particular, and that enables better targeting and transfer of financial resources to households in general. Since financial inclusion is the combined result of the access and use of different banking and non-banking financial services, it is necessary to analyse the level access to both banking and non-banking financial services by people among major countries to understand their status of financial inclusion. Table 3.5 shows the details of access to various financial services of people in major countries of the world.

Table 3.5. Access to Banking and Non-banking Financial Services in Major Countries

| Country | Number per 1000 Adults | | | | | |
|--------------------|------------------------|--------------|--------------|--------------|--------------|---------------|
| | Deposit Acc. | Loan Acc. | Credit Cards | Debit Cards | LI Policy | Non-LI Policy |
| Argentina | 1994.3 | 560.6 | 1224.6 | 1432.8 | 187.9 | 1120.0 |
| Brazil | * | 3131.3 | 730.4 | 793.8 | * | * |
| China | 7025.2 | 1868.8 | 649.3 | 6678.8 | 1052.9 | 960.2 |
| India | 1967.6 | 231.7 | 47.0 | 903.4 | 332.4 | 190.0 |
| Indonesia | 1616.0 | 238.6 | 87.6 | 873.6 | * | * |
| Italy | 713.3 | 826.6 | 294.6 | 1092.6 | * | * |
| Japan | 7156.5 | 206.3 | 2572.2 | 4110.8 | 1642.3 | * |
| Russian Federation | * | * | 314.7 | 2104.3 | 84.5 | 1051.3 |
| Saudi Arabia | 1317.9 | 201.0 | 118.1 | 1225.0 | 4.5 | 292.7 |
| Turkey | 4706.3 | * | 1105.5 | 2631.4 | 70.4 | 1096.8 |

Source: Financial Access Survey 2019, IMF

From the above table it can be seen that people in most countries have more than one deposit account. The data shows that Japan has the highest number of bank account per 1000 adults and Italy has the lowest. The access to loan account per 1000 adults is very high in Brazil, access to Credit cards and life insurance policy per 1000 adults is high in Japan, access to debit cards is high in China and access to non-life insurance policy is high in Argentina. Since the effective use of various financial services is essential for an individual's financial well-being, the bank account is considered as the key to perform financial transactions and thus the percentage of adults who have access to a bank account is an indicator of the extent of a country's financial inclusion (Chakrabarty, 2013). Moreover, the types of services provided and credit available are also determines the level of financial inclusion. Therefore, mere opening of bank branches will not improve the access if the branches do not serve the people according to their preferences (Lenka & Sharma, 2017; Sethi & Sethy, 2019).

Table 3.6. Use of Banking Services across Major Countries and Regions

| Country or Region | Percent of Adults Used Financial Services in the Past Year (Age 15+) | | | | | | | |
|----------------------|--|-------------|-------------|-------------|---------------------|-------------|-------------------|-------------|
| | Deposit | Borrowed | Debit Card | Credit Card | Digital Transaction | Saved Money | Domestic Transfer | Withdrawal |
| Argentina | 67.4 | 24.4 | 21.6 | 21.0 | 40.2 | 7.2 | 24.4 | 80.8 |
| Australia | 93.1 | 63.7 | 83.3 | 56.8 | 95.9 | 62.1 | * | 94.6 |
| Brazil | 72.5 | 26.3 | 33.0 | 22.6 | 57.9 | 14.5 | 54.8 | 77.4 |
| Canada | 96.4 | 82.8 | 84.6 | 79.2 | 97.9 | 67.6 | * | 97.3 |
| China | 71.5 | 22.7 | 38.8 | 17.6 | 67.9 | 34.8 | 56.7 | 78.1 |
| Denmark | 95.1 | 46.3 | 92.0 | 35.4 | 99.4 | 63.1 | * | 94.0 |
| France | 83.0 | 45.2 | 80.9 | 34.5 | 92.2 | 48.1 | * | 89.2 |
| Germany | 88.5 | 54.6 | 81.8 | 47.4 | 97.8 | 55.4 | * | 92.7 |
| Indonesia | 51.7 | 18.4 | 11.3 | * | 34.6 | 21.5 | 46.0 | 55.9 |
| India | 42.2 | 8.1 | 11.7 | * | 28.7 | 19.6 | 38.5 | 43.0 |
| Italy | 85.2 | 45.7 | 72.9 | 37.9 | 89.7 | 45.3 | * | 94.3 |
| Japan | 89.7 | 54.1 | 56.6 | 53.8 | 95.3 | 64.5 | * | 89.6 |
| Mexico | 58.8 | 11.8 | 13.3 | * | 31.7 | 9.8 | 40.1 | 66.7 |
| Norway | 98.0 | 69.5 | 94.4 | 60.5 | 99.1 | 79.3 | * | 97.1 |
| Saudi Arabia | 72.2 | 21.1 | 47.1 | 12.6 | 61.2 | 14.3 | * | 78.5 |
| Russian Federation | 79.4 | 23.0 | 41.5 | 15.5 | 70.5 | 13.5 | 48.2 | 82.4 |
| South Africa | 67.8 | 13.5 | 22.6 | * | 60.1 | 22.1 | 55.8 | 65.6 |
| United Arab Emirates | 84.6 | 46.1 | 65.0 | 40.4 | 84.0 | 28.7 | * | 86.6 |
| United Kingdom | 92.1 | 64.7 | 82.4 | 59.1 | 95.6 | 63.7 | * | 95.3 |
| United States | 94.7 | 68.4 | 68.2 | 61.9 | 91.1 | 62.2 | * | 94.3 |
| South Asia | 43.2 | 7.8 | 9.4 | * | 27.8 | 17.2 | 37.5 | 44.0 |
| World | 69.3 | 22.5 | 29.1 | 15.7 | 52.3 | 26.7 | * | 72.1 |

*- Data not available

Source: Global Financial Inclusion Data base, World Bank 2018.

The above table shows that Canada has the highest percentage of adults using almost all types of banking services among the major countries of the world in

2017. India has the lowest percentage of adults using most of the banking services. Moreover, the average number of adults in South Asian countries lags far behind the global average in this regard. India has only a lower percentage of adults using various banking services except savings compared to countries of BRICS organization. The percentage of adults using credit card, debit card and digital banking indicates that the attitude and acceptance of modern banking in India was lower than other countries in the world.

Though the number of people using different banking services actually reveals the extent of financial inclusion in India, it also gives some indication about the number of dormant bank accounts. Acharya (2013) opined that the available statistics do not convey the true picture about the extent of financial exclusion or inclusion because of the dormancy of most of the accounts that were verified. Moreover, he argues that millions of people across the country still denied the opportunity to improve their earning capacity and entrepreneurial talent, and were fighting towards marginalization and poverty. Table 3.7 gives the details about the percentage of adults with active bank accounts across major countries in the world.

Table 3.7. Percentage Adults with Active Bank Accounts across Major Countries

| Country | Percent of Adults with | | Country | Percent of Adults with | |
|------------|------------------------|-------------|--------------|------------------------|-------------|
| | Account | Active Acc. | | Account | Active Acc. |
| Australia | 99.5 | 96.6 | Iran | 94 | 85.2 |
| Argentina | 48.7 | 42.6 | Italy | 93.8 | 90.8 |
| Bangladesh | 50 | 39.7 | Japan | 98.2 | 94.1 |
| Brazil | 70 | 58.3 | Mexico | 36.9 | 29.4 |
| Canada | 99.7 | 98.1 | Norway | 99.7 | 98.8 |
| China | 80.2 | 68.2 | Pakistan | 21.3 | 18.6 |
| Denmark | 99.9 | 97.9 | Russia | 75.8 | 68.2 |
| France | 94 | 89.7 | Singapore | 97.9 | 93.7 |
| Germany | 99.1 | 94.4 | South Africa | 69.2 | 57 |
| India | 79.9 | 41.3 | US | 93.1 | 90.3 |
| Indonesia | 48.9 | 34.1 | UK | 96.4 | 93.7 |

Source: Global Financial Inclusion Data base, World Bank 2018.

The table reveals that there was a difference between the percentage of adults with bank accounts and the percentage of adults with active bank account in all countries and some of the accounts that are opened were no longer used. This difference was even greater in India than in any other country, with 79.9 % of adults having a bank account, according to Global Findex (2018) data, but only 41.3% of adults have an active bank account. These statistics shed light on the effectiveness of financial inclusion policies in India and the rest of the world.

3.3. Progress of Financial Inclusion in India

Financial inclusion initiatives, which actually marked its beginning through the nationalization of the major banks in 1969, once again regained its momentum in Indian economy, as part of the diligence to achieve the declared goals of 11th Five Year Plan, to bring 600 million rural people into the mainstream of the economy. Financial inclusion has been accepted around the world as an important tool for achieving most of the Millennium Development Goals designed by UN and also as a part of the hidden agenda of expanding the global banking business. It should ensure appropriate financial services to every person like basic no-frills account, suitable saving products, money transfer facilities, small loans, overdraft and insurance to upgrade them into a better living condition. Therefore, here we are analysing the evolution and growth of access to and use of various financial services as part of Indian financial inclusion process.

3.3.1. Progress of Availability of Banking Services in India

The literature shows that the availability of banking services in India actually began to increase after the transition of banking services from class banking to mass banking since 1980s, but its pace has been accelerated only in recent decades. All the schemes like MGNREGS, DBTS and Jan-Dhan Yojana implemented in the last few decades have accelerated the pace of financial inclusion process by making it mandatory for every family to have at least one bank account. This background highlights the relevance of delivery of banking services and credit to the vast sections of disadvantaged and low income groups at an affordable cost as primary objective of financial inclusion (Rangarajan, 2008). Therefore, an indiscriminate

access to various financial services including financial counselling and advisory services should be in the forefront of the provision of formal financial services that constitute the backbone of financial inclusion. To meet the growing demand for banking services, more bank branches have been set up in rural areas. This section examines how many such bank branches have ATMs since 2004. Table 3.8 explains the growth or trend of the availability of banking services in India.

Table 3.8. Availability and Annual Growth of Banking Services in India

| Year | Number of | | AGB | AGA |
|------|-----------|--------|------|------|
| | Branches | ATMs | | |
| 2004 | 67156 | * | 1.8 | 0 |
| 2005 | 68357 | 17642 | 1.8 | 0 |
| 2006 | 69629 | 21523 | 1.8 | 21.9 |
| 2007 | 71996 | 27088 | 3.4 | 25.9 |
| 2008 | 75977 | 35075 | 5.5 | 29.5 |
| 2009 | 79922 | 44310 | 5.2 | 26.3 |
| 2010 | 85219 | 61833 | 6.6 | 39.5 |
| 2011 | 90965 | 76741 | 6.7 | 24.1 |
| 2012 | 98643 | 97121 | 8.4 | 26.6 |
| 2013 | 106551 | 115849 | 8 | 19.3 |
| 2014 | 117869 | 163230 | 10.6 | 40.9 |
| 2015 | 126561 | 184139 | 7.4 | 12.8 |
| 2016 | 135506 | 202060 | 7.1 | 9.7 |
| 2017 | 140674 | 213553 | 3.8 | 5.7 |
| 2018 | 142868 | 213653 | 1.6 | 0.05 |
| 2019 | 146031 | 210070 | 2.2 | -1.7 |

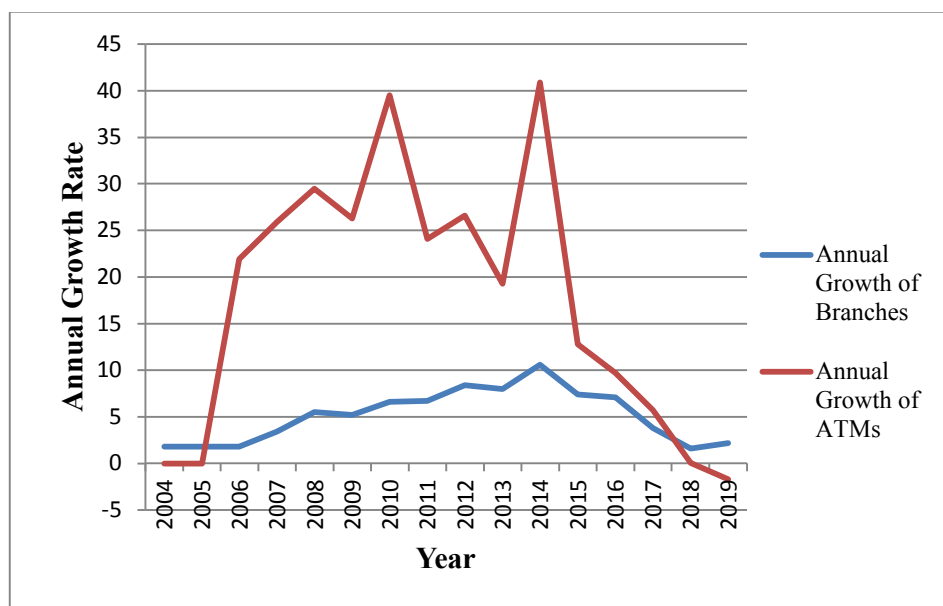
Source: Financial Access Survey 2019, IMF

AGB- Annual Growth of Branches, AGA- Annual Growth of ATMs

The table shows that the availability of banking services in India during 2004 – 2019. The number of bank branches increased to 146031 in 2019 from 67156 in 2004, which shows an overall growth of 117.5 percent during this period. The number of ATMs increases to 210070 in 2019 from 17642 in 2005, which shows an overall growth of 1090.7 percent during this period. In absolute sense the increase in

number bank branches and ATMs were reasonable during this period to cater the needs of growing population. But the annual growth of bank branches and ATMs (see Figure 3.1) are showing a declining trend in India, which is similar to the global trend, particularly after 2014. One reason for this declining trend may be the result of over-emphasis placed on digital financial transaction in India after 2014. Since the global data (FAS, 2019) showing there has been an increasing dependence on ATMs as a mode of cash withdrawal among bank customers, the declining trend of annual growth of ATMs in India is a contradiction if financial inclusion process was focused to ensure affordable accessibility to banking services across the nation.

Figure 3.1. Annual Growth of Banking Services in India during 2004-2019



Source: Financial Access Survey 2019, IMF

Since the availability of bank branches and ATMs alone does not provide a complete picture of the financial inclusion of a country, an examination of the geographic and demographic penetration of banking services needed to get an idea about the availability of financial services. Geographic and demographic penetration of banking services indicates the depth of financial inclusion in a country. Table 3.9 gives the details about the geographic and demographic penetration of financial services in India during 2004-2019.

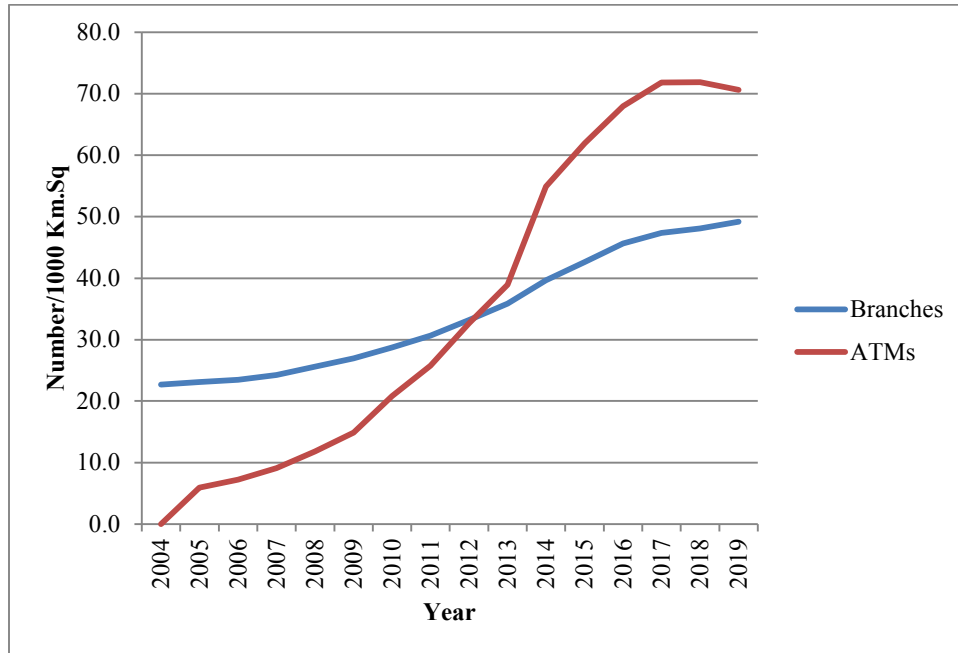
Table 3.9. Penetration of Financial Services in India during 2004-2019

| Year | Number of | | | | |
|------|-----------------------|----------------|-----------------------|----------------|----------------|
| | Bank Branches per | | ATMs per | | Insu. Co. per |
| | 1,000 km ² | 100,000 Adults | 1,000 km ² | 100,000 Adults | 100,000 adults |
| 2004 | 22.69 | 8.93 | | | 0.0037 |
| 2005 | 23.09 | 8.89 | 5.93 | 2.29 | 0.00375 |
| 2006 | 23.49 | 8.86 | 7.24 | 2.73 | 0.00381 |
| 2007 | 24.28 | 8.97 | 9.11 | 3.37 | 0.00398 |
| 2008 | 25.61 | 9.28 | 11.79 | 4.27 | 0.00451 |
| 2009 | 26.94 | 9.57 | 14.9 | 5.29 | 0.00514 |
| 2010 | 28.72 | 9.99 | 20.79 | 7.24 | 0.00562 |
| 2011 | 30.65 | 10.47 | 25.81 | 8.82 | 0.00552 |
| 2012 | 33.24 | 11.14 | 32.67 | 10.95 | 0.00575 |
| 2013 | 35.89 | 11.8 | 38.96 | 12.82 | 0.00564 |
| 2014 | 39.69 | 12.82 | 54.9 | 17.73 | 0.00565 |
| 2015 | 42.62 | 13.52 | 61.93 | 19.64 | 0.00555 |
| 2016 | 45.63 | 14.21 | 67.96 | 21.17 | 0.00555 |
| 2017 | 47.37 | 14.5 | 71.83 | 21.99 | 0.00679 |
| 2018 | 48.11 | 14.49 | 71.86 | 21.65 | 0.00689 |
| 2019 | 49.17 | 14.58 | 70.65 | 20.95 | 0.00698 |

Source: Financial Access Survey 2019, IMF

Although the table shows a huge increase in the availability of various financial services from 2004 to 2019, it can be seen that a ‘plateauing’ trend has occurred (see Figure 3.2 and 3.3) in India in terms availability financial facilities similar to what happened globally since 2016. The IMF (FAS, 2019) attributes this change to the universal acceptance of technology banking and the growth of such facilities in various countries in past decades. However, it is estimated that the acceptance of technology banking and the availability of such facilities have not yet reached the desired level, which may affect the speed of the Indian financial inclusion process.

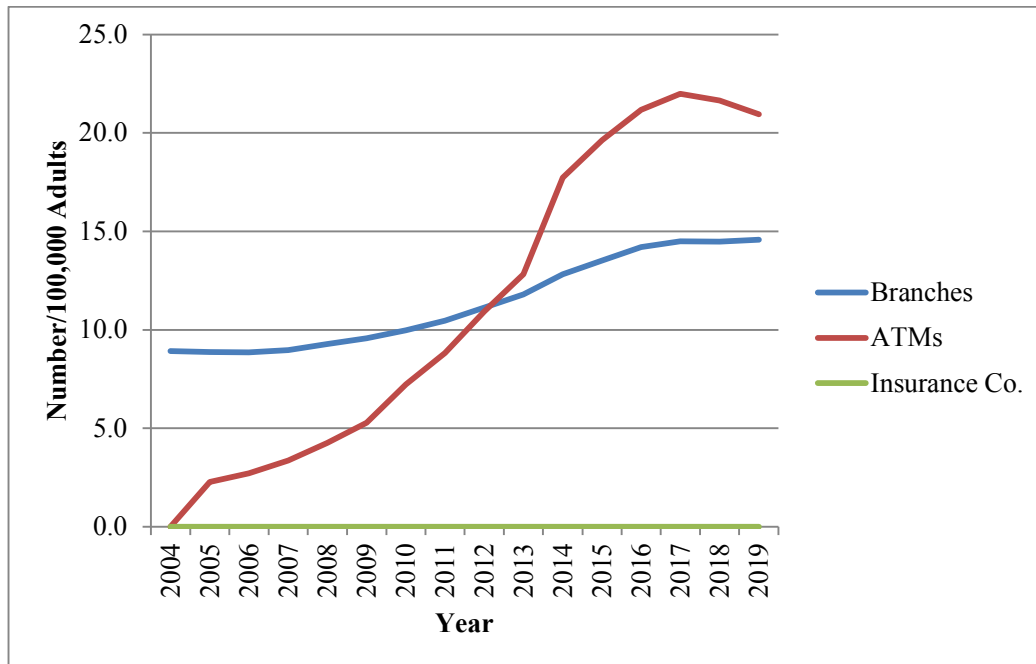
Figure 3.2. Geographic Penetration of Banking Facilities in India during 2004-2019



Source: Financial Access Survey 2019, IMF

Figure 3.3 showing demographic penetration of financial services also indicate the ‘plateauing’ trend during the period of 2004-2019. However, the growth of availability of insurance companies is seen as a creeping one at the lowest level in India.

Figure 3.3. Demographic Penetration of Financial Services in India during 2004-2019



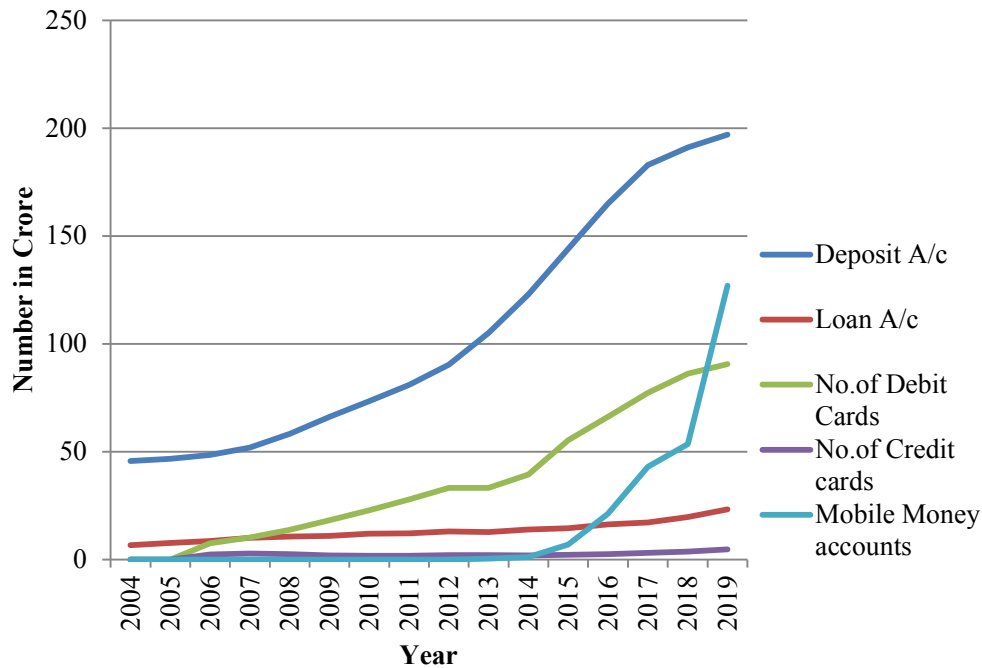
Source: Financial Access Survey 2019, IMF

3.3.2. Progress of Access to Financial Services

The extent to which various financial services are accessible to the community actually shows the acceptability of a country's financial inclusion facilities. CRISIL (2018) defines financial inclusion as: "The extent of access by all sections of society to formal financial services such as credit, deposit, insurance and pension services." Access to finance, is more helpful especially to the poor and vulnerable groups because it perpetuate their employment level, economic growth, poverty reduction and social participation. Further, access to finance will empower them by ensuring the opportunity to have a bank account, to save and invest, to insure their valuables or to avail credit, that facilitate the reduction of poverty (Rangarajan, 2008). The progress of access to different banking services indicates the degree of breadth of the financial inclusion programmes. Following figure shows

the number of adults who have access to various financial products and services in India.

Figure 3.4. Progress of Access to Banking Services in India during 2004-2019



Source: Financial Access Survey 2019, IMF

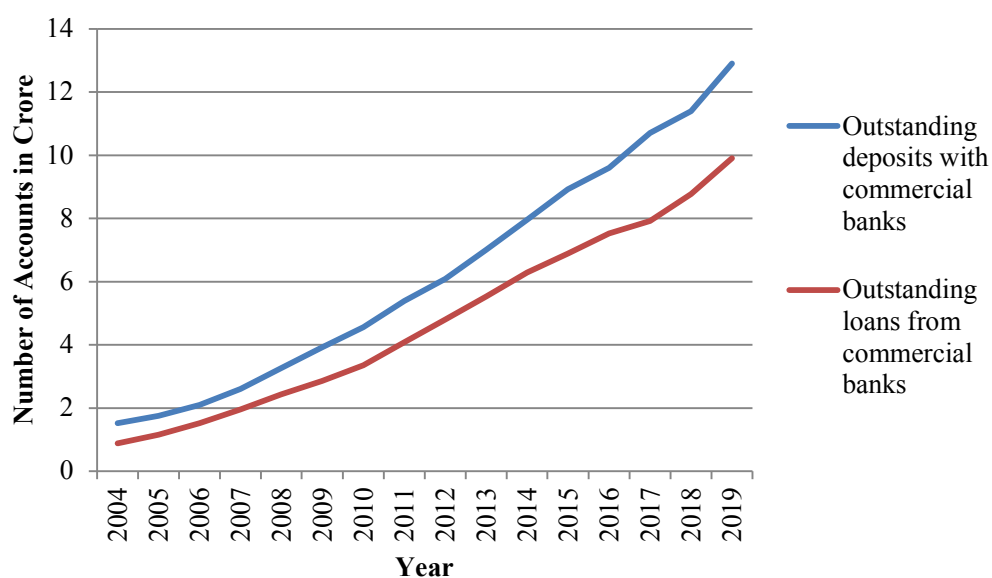
Although Figure 3.4 shows a significant increase in the number of adults with access to various banking facilities in India from 2004 to 2019, the gap between the number adults opened deposit accounts and loan account is widening day by day. However, if the increase in the number of adults who have access to modern banking facilities has dragged on until 2014, then after 2014 there has been a huge increase in that, except the number of credit card holders in India.

3.3.3. Progress in the Use of Financial Services

The use of banking services is considered as a demand side indicator of financial inclusion because it generates various self-perpetuating elements that increase the depth and breadth of financial inclusion. According to World Bank

(Findex, 2018), “owning an account is an important first step toward financial inclusion. But to fully benefit from having an account, people need to be able to use it in safe and convenient ways”. It can be seen from the Global Findex (2018) data that people save their residual income or a part of household income to meet future expenses related to large purchase, for education of children, to meet business expenses and for old age needs or choose to borrow instead to meet immediate expenses, thereby, maintain financial resilience. Of course the use of banking services depends on many factors but their availability and suitability will encourage usage to some extent. Therefore, the use of different banking services also indicates the availability and suitability of financial services. Available data (Global Findex, 2018) show that the use of various banking services in India is much lower than that of other countries. The number of adults using the primary services banks like saving and credit is very low. At the same time, it is clear that people are increasingly taking advantage of services such as sending, receiving and withdrawing money through bank accounts. Figure 3.5 shows the details about percentage of adults have outstanding deposit and loan accounts in India.

Figure 3.5. Number of Accounts with Outstanding Deposits and Loans in India during 2004-2019 (in Crore)

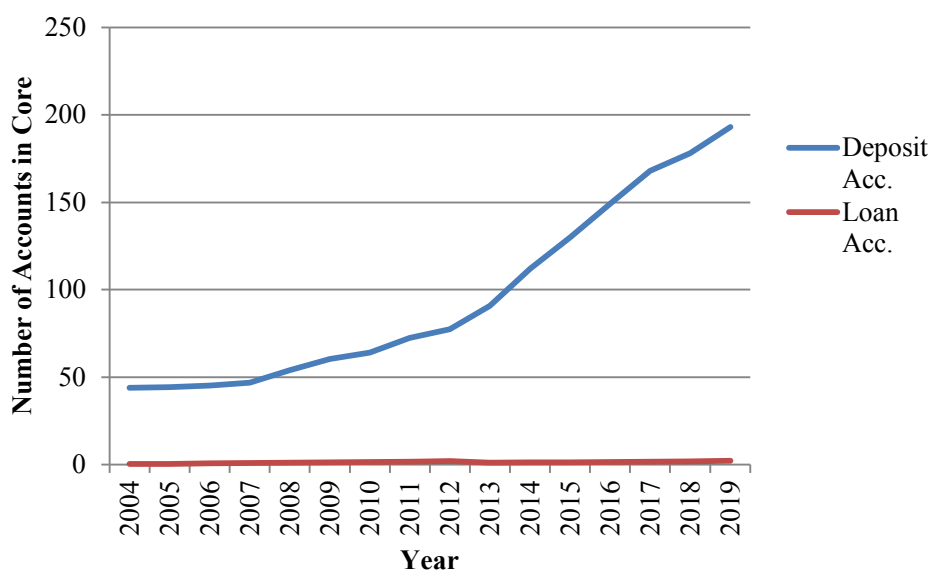


Source: Financial Access Survey 2019, IMF

The above figure shows a steady increase in the number of adults with outstanding deposit or loan accounts. It was a promising change to realize the potential of financial development, but it can be seen that the number of adults using primary services was very small compared to the total number of account holders. Also, although the number of outstanding loan accounts is less than the number of outstanding deposit accounts, the difference between them has been increasing since 2007. But if we look at the same thing in relation to the household sector, the situation is even worse in the case of the outstanding loan accounts and the gap between number of outstanding loan accounts and number of outstanding deposit accounts.

Figure 3.6 showing the details about the percentage adults have outstanding deposit and loan account in household sector in India during 2004-2019. From this figure it can be seen that the household sector is under-represented its size in the number of outstanding loan accounts and remains at its lowest level. In other words, a number of deposit accounts have been opened as part of the financial inclusion process, but the figures convey that the opening of bank accounts have not made much impact on widening the credit availability to the household sector in India.

Figure 3.6. Number of Outstanding Deposit and Loan Accounts with Commercial Banks by Household Sector



Source: Financial Access Survey 2019, IMF

From the above analysis it is clear that up to what extent the financial inclusion realized in various countries around the globe and where India stands still compared to rest of the world. Moreover, it is possible to understand the effectiveness of the financial inclusion policies adopted by India so far in enhancing the availability of financial services and the use of financial services among the people. In this context, understanding the extent of financial inclusion across different regions of India would be helpful to identify the miles that India still have to travel in this path and the extent of differences in the level of financial inclusion among different regions.

3.4. Status of Financial Inclusion across different regions in India

The financial inclusion Index of different regions given in Table 3.10 highlights there was regional disparity in the status of financial inclusion in India. This index was calculated by CRISIL, a rating agency in India, on the basis of branch (BP), credit (CP), deposit (DP) and insurance penetration (IP) in different regions of India in 2016. It is clear from the table that the South zone was far ahead of all other zones in terms of all indicators and which was above the national average. However, the East or North-East zone lags behind other zones in India in terms of various indicators of penetration of financial services in India.

Table 3.10. Zone wise Financial Inclusion Status in India-2016

| Region | BP | | CP | | DP | | IP | Inclusix | |
|-------------------|------|------|------|------|------|------|------|----------|------|
| | 2016 | 2013 | 2016 | 2013 | 2016 | 2013 | | 2016 | 2013 |
| South | 77.3 | 69.7 | 91.6 | 88.7 | 95.3 | 83.1 | 72.2 | 79.8 | 76 |
| West | 60.1 | 54.1 | 59.1 | 37.3 | 78.5 | 60.5 | 67 | 62.8 | 48.2 |
| North | 55.9 | 49 | 44.8 | 32.8 | 77 | 59.1 | 44.3 | 51.7 | 44 |
| East | 42.8 | 43.1 | 42.5 | 35.1 | 68.1 | 44.8 | 49.1 | 48.2 | 40.2 |
| North-east | 42.5 | 41.2 | 47.7 | 35.8 | 63.7 | 45.9 | 41.5 | 46.5 | 39.7 |
| India | 57.2 | 52.4 | 56 | 45.7 | 78.3 | 60.3 | 54.3 | 58 | 50.1 |

Source: CRISIL Inclusix 2018

3.5. Financial Inclusion in Kerala

Kerala is one of the leading states in financial inclusion in India because of the favourable conditions that contributed by many factors, while lack of those factors prevent financial inclusion in other states. Among them, educational advancement, increase in banking infrastructure, gulf migration and consumption culture of the people were very crucial elements. According to the latest series of financial inclusion index published by CRISIL, Kerala attained a number one position among other states in India. This remarkable performance in the financial inclusion mainly attributed to the expansion of its banking sector. Table 3.11 shows the details about the performance of banking sector in Kerala.

Table 3.11. Performance of Banking Sector in Kerala

| Sl. No. | Parameter | March, 2019 | | |
|---------|----------------------------|---------------------|------------------------------|--------|
| | | Co-operative Sector | Commercial Banks+ RRBs+ SFBs | Total |
| 1 | Branches | 995 | 6426 | 7421 |
| 2 | Total Deposits | 70140 | 493562 | 563702 |
| 3 | Total Advances | 50719 | 329900 | 380619 |
| 4 | Total Business | 120859 | 823462 | 944321 |
| 5 | Priority sector advances | 33778 | 172940 | 206718 |
| 6 | % Priority sector advances | 67% | 52% | 54% |
| 7 | Agriculture Advances | 8580 | 80803 | 89383 |
| 8 | % Agriculture Advances | 17% | 24% | 23% |
| 9 | MSME Advances | 1474 | 54446 | 55921 |
| 10 | % MSME Advances | 3% | 17% | 15% |
| 11 | CD Ratio | 72.31 | 66.84 | 67.52 |

RRBs-Regional Rural Banks, **SFBs**-Small Finance Banks

Source: Economic Review-2019, Kerala State Planning Board

The above table reveals that the overall performance of Commercial banks, Co-operative Banks, Regional Rural Banks and Small Finance Banks operating in the State were reasonable compared to other states. According to Economic Review (2019) of Kerala State Planning Board, the total deposits of commercial banks, RRBs, SFBs and Co-operative banks as on March 2019 was ₹5,63,702 crore. The report shows that the total advances from both commercial banks and co-operative

banks in the State was ₹3,80,619 crore in March 2019. Amount of advances to the agricultural sector from commercial and co-operative banks in the State as on March 2019 was ₹89,383 crore. Total percentage of priority sector advances in Kerala was 54% in 2019. From the report it can be seen that the volume of total banking business in the State was ₹8,49,631 crore in March 2018 which increased to ₹9,44,321 crore in March 2019.

Since commercial banks play a major role in the banking industry of Kerala, the researcher has mostly used information related to commercial banks to gauge the financial inclusion progress of Kerala. Therefore, here we examine the increase in the number of Commercial Bank branches in Kerala during the last decade. The district wise details of increase in the bank branches in Kerala is given in Table 3.12.

Table 3.12. Decadal Growth of Commercial Bank Branches across Districts in Kerala

| Districts | Number of Bank Branches | | | DGR |
|--------------------|-------------------------|-------------|-------------|--------------|
| | 2010 | 2015 | 2020 | |
| Thiruvananthapuram | 518 | 744 | 793 | 53.1 |
| Kollam | 262 | 385 | 415 | 58.4 |
| Alappuzha | 279 | 374 | 403 | 44.4 |
| Pathanamthitta | 301 | 377 | 397 | 31.9 |
| Kottayam | 351 | 495 | 540 | 53.8 |
| Idukki | 117 | 171 | 197 | 68.4 |
| Ernakulam | 749 | 1016 | 1113 | 48.6 |
| Thrissur | 520 | 729 | 799 | 53.7 |
| Palakkad | 307 | 402 | 482 | 57 |
| Malappuram | 312 | 434 | 482 | 54.5 |
| Kozhikkode | 325 | 455 | 504 | 55.1 |
| Wayanad | 91 | 118 | 144 | 58.2 |
| Kannur | 270 | 376 | 410 | 51.9 |
| Kasargode | 150 | 214 | 239 | 59.3 |
| Kerala | 4552 | 6290 | 6918 | 51.98 |

Source: Bank Branch Statistics-RBI 2020

The table shows that from 2010 to 2020, the number of bank branches in Kerala has increased by 51.98 per cent. In terms of branches, Ernakulam has the

highest number of bank branches and Wayanad district has the lowest number of branches among different districts. However, Idukki recorded the highest growth in the number of branches in the last decade and that of Pathanamthitta was the lowest. This shows that the growth of bank branches in various districts of Kerala depends on their economic development. However in terms of population, the availability of bank branches in Kerala has not been fair in many districts. This difference is evident not only in the number of branches but also in terms of deposit and credit availability (see Table 3.13).

Table 3.13. District wise Distribution of Commercial Bank Branches, Gross Deposits and Gross Credit in Kerala in 2019

| Districts | Bank Branch | Deposit | Credit |
|---------------|-------------|---------------|---------------|
| TVM | 723 | 75300 | 49262 |
| KLM | 395 | 31980 | 20820 |
| ALPY | 389 | 31355 | 14300 |
| PTTA | 390 | 40786 | 10387 |
| KTYM | 508 | 37866 | 21109 |
| IDK | 180 | 5980 | 6965 |
| EKM | 1014 | 96639 | 88748 |
| TSR | 751 | 59073 | 34790 |
| PKD | 439 | 23981 | 16030 |
| MLP | 453 | 24716 | 14498 |
| KKD | 453 | 27966 | 21507 |
| WYND | 123 | 3457 | 4799 |
| KNR | 386 | 27877 | 15224 |
| KSGD | 226 | 8766 | 6843 |
| Kerala | 6430 | 495742 | 325282 |

Source: Economic Review 2019, Kerala State Planning Board

From the above table it is clear that the gross deposit and credit were highest in Ernakulam and the lowest in Wayanad. However, to understand the real picture of financial inclusion status of different districts in Kerala we should check the penetration of bank services rather than the gross amounts of deposits and credit.

Table 3.14 gives the details of branch, deposit and credit penetration across districts of Kerala and district wise national level financial inclusion index.

Table 3.14. District wise Penetration of Banking Services and Financial Inclusion in Kerala

| Districts | Number per 100,000 Persons (Amount in Crore) | | | Financial Inclusion Index |
|---------------|--|---------------|--------------|---------------------------|
| | Branch | Deposit | Credit | |
| TVM | 21.9 | 2280.8 | 1492.1 | 99 |
| KLM | 15 | 1213.5 | 790.0 | 91.2 |
| ALPY | 18.3 | 1473.6 | 672.1 | 100 |
| PTTA | 32.6 | 3406.2 | 867.5 | 100 |
| KTYM | 25.7 | 1917.7 | 1069.1 | 100 |
| IDK | 16.2 | 539.2 | 628.1 | 89.5 |
| EKM | 30.9 | 2944.2 | 2703.8 | 100 |
| TSR | 24.1 | 1892.6 | 1114.6 | 100 |
| PKD | 15.6 | 853.4 | 570.5 | 88.2 |
| MLP | 11 | 600.9 | 325.5 | 63.2 |
| KKD | 14.7 | 906.1 | 696.9 | 92 |
| WYND | 15 | 422.9 | 587.1 | 79.6 |
| KNR | 15.3 | 1104.9 | 603.4 | 90.7 |
| KSGD | 17.3 | 670.5 | 523.4 | 90.5 |
| Kerala | 19.2 | 1484.0 | 973.7 | 90.9 |

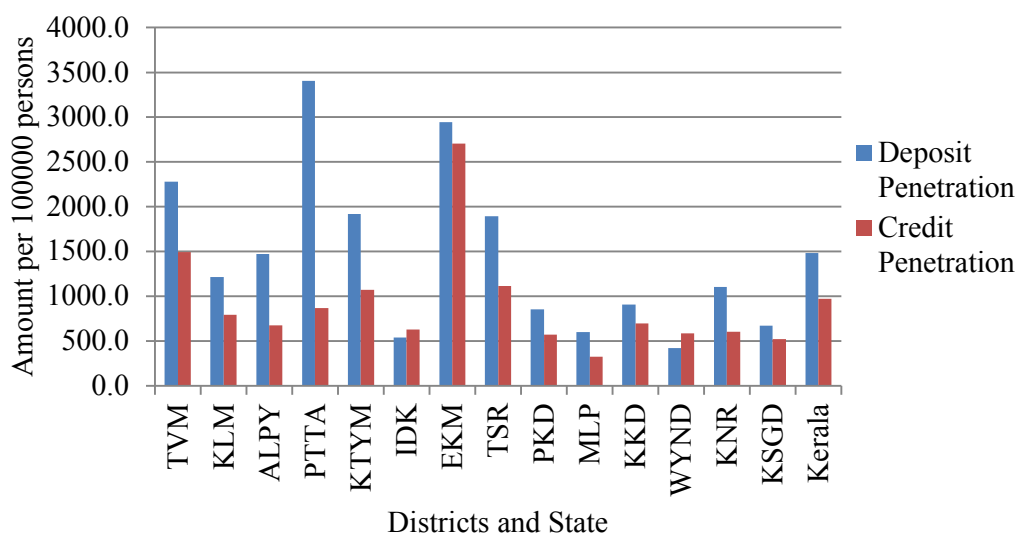
Source: 1. Economic Review – 2019, Kerala State Planning Board,
2. Census 2011
3. CRISIL Inclusix 2018

The above table reveals that the number of bank branches per 100,000 persons in Kerala was 19.2 in 2019. The highest number of bank branches per 100,000 persons was in Pathanamthitta and which was lowest in Malappuram district. The table also shows that the amount of deposit per 100,000 persons in Kerala was 1484 crore and that of credit was 973.7 crore in 2019. Among the districts, Pathanamthitta has the highest amount of deposit per 100,000 persons, which is far above the state average, and Wayanad has the lowest deposit penetration in 2019. While in terms of amount of credit per 100,000 persons,

Ernakulam district has the highest amount of credit and Malappuram has the lowest amount of credit than other district in Kerala in 2019. The data indicate an inter-district disparity in the penetration of banking services in Kerala and majority of districts have branch, deposit and credit penetration below the state average.

The inter-district variations in the penetration of deposits and credit are depicted in Figure 3.7. Thiruvananthapuram, Pathanamthitta, Kottayam, Ernakulam and Thrissur districts have the penetration of banking services above the state average and district in Northern Kerala lags behind the state average in banking service penetration. This difference was also reflected in the financial inclusion index published by CRISIL (2018) at national level. According to the financial inclusion index, the score of Kerala was 90.9 and five districts were attained highest score at national level, which was 100, and bagged first rank among the total districts of India in 2016.

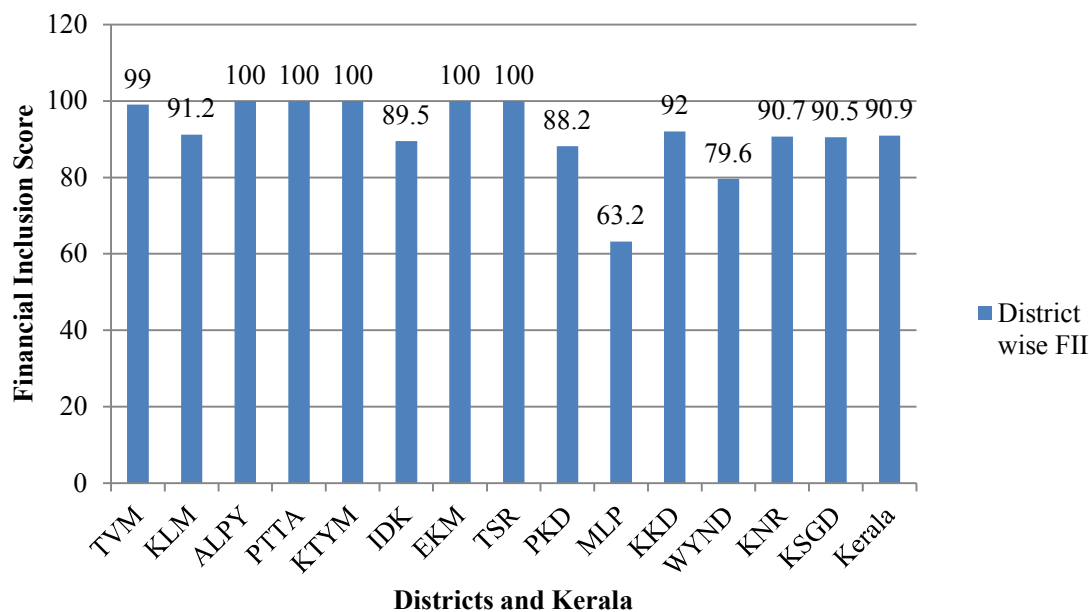
Figure 3.7. Inter-District Variations in Deposit and Credit Penetration in Kerala in 2019



Source: 1. Economic Review – 2019, Kerala State Planning Board,
2. Census 2011

The district wise financial inclusion index depicted in the Figure 3.8 shows the inter-district variations in the financial inclusion index in Kerala in 2016.

Figure 3.8. District wise Financial Inclusion in Kerala



Source: CRISIL Inclusix 2018

The Figure shows that the financial inclusion index of Malappuram was lowest among other districts in Kerala and Six districts were attained a financial inclusion score lower than the state average, five among them situated in Malabar region of Kerala.

3.6. Muslim Concentrated Regions and Financial Inclusion

Available literatures on the socio-economic life of Muslims around the world highlights that Muslims were intensively adhered to their religious beliefs and deeply committed to obey the teachings of Islam ('Sharia' rules) not only in their personal life but also their social and political life too (Lugo et al., 2013). According to Global Findex (2018), 31 percent of adults around the world were unbanked. The survey revealed that 6 percent of adults without an account at a financial institution cited their religious concerns as the major reason and the share of those people was substantially higher in countries with predominant Muslim population (Demirgüç-

Kunt, 2018). Brekke (2018) conducted a study to find out whether and how religious norms cause financial exclusion of Muslims in the West and reported that the guilty consciousness felt by Muslims in using conventional banking and that the lack of an alternative compatible with 'Sharia' rules was the real problem faced by them in their financial transactions. He also found that this contradiction of religious norms followed by Muslims against conventional banking was a potential cause of their financial exclusion. Demircuc-Kunt et al (2013) conducted a study which analysed the use of and demand for formal financial services among self-identified Muslim adults from 64 economies, they found that the possibility of Muslims to own a formal account or formal savings were significantly lower than that of non-Muslims after normalising other individual- and country-level attributes.

3.6.1. Indian Scenario

The Sachar Committee (2007) report pointed out the discrimination existed in India in the approach of commercial banks in providing banking services particularly in availing credits to Muslims in those areas they largely concentrated, but was largely ignored or not taken seriously by policy makers. Sachar Committee (2007) identified that the share of account holders among Muslims in the 44 Muslim concentration districts showing a deficit of 12 % compared to their share in population and which was only satisfactory to the national average. The report highlights that in the quantum of priority sector advances there was a 9 percentage deficit compared to all India level and the deficit was 25 percentages in the Muslim concentration districts. The average outstanding amount kept per account of Muslims was only about half compared to that of other Minorities. Committee also analysed the banking statistics of four major Muslim concentrated states namely West Bengal, Kerala, Uttar Pradesh and Bihar and presented a depressing scenario. For example, in West Bengal, the number of account holders among Muslims was just above 29 %, which was only just 4 % more than their share in population. In case of Kerala the shares account holders among Muslims was 22 %, which is lower than their share (25 %) in total population of the state. The report also revealed a

similar situation of share of account holders among Muslims in Uttar Pradesh and Bihar.

The report again highlighted the inability of banks to provide credit to Muslims even they being able to provide the same to other minorities. Moreover, the report identified a number of Muslim concentration areas were considered as ‘negative geographical zones’ by banks in terms of the provision of credit and other banking facilities. Table 3.15 shows the financial inclusion status of the states with Muslim population more than 50% or close to the national average out of the state population in India.

Table 3.15. Financial Inclusion Score and Rank of Muslim Concentrated States in India

| State | Muslim Population | | Financial Inclusion | |
|-------------------|-------------------|--------------------|---------------------|-----------|
| | Percent | Significance | Score | Rank |
| Lakshadweep | 96.58% | Majority | 51.3 | 23 |
| Jammu and Kashmir | 68.31% | Majority | 47.8 | 28 |
| Assam | 34.22% | Significant | 47.9 | 27 |
| West Bengal | 27.01% | Significant | 53.7 | 22 |
| Kerala | 26.56% | Significant | 90.9 | 1 |
| Uttar Pradesh | 19.26% | Significant | 44.1 | 30 |
| Bihar | 16.87% | Significant | 38.5 | 32 |
| India | 14.22% | -- | 58.0 | -- |

Source: Census 2011 and CRISIL Inclusix 2018

Although it is not possible to identify the extent of influence exerted by Muslim population to the level of financial inclusion of different states from the above table, but can be seen that the financial inclusion status of all the states except Kerala, whether incidental or not, is well below the national average. Of these, the socio-economic conditions that are likely to affect the banking business in all the states except Kerala are backward in India. The table shows that the financial inclusion status was lowest in Bihar and was highest in Kerala. Moreover, the status of Kerala was well above the national average and first among other states of India. Therefore, it will be worthwhile to examine the banking statistics of Muslim

concentrated districts of Kerala to identify at what extent the Muslim population affects the level of financial inclusion of such districts.

3.6.2. Kerala Scenario

The Muslim concentrated districts of Kerala are mainly located in the Malabar region and the banking statistics of those districts show that these districts are experiencing a deficiency in the branch, deposit and credit penetration compared to other districts. The details about banking statistics of different districts in Kerala are given in Table 3.16.

Table 3.16. District wise Banking Statistics and Muslim Population in Kerala

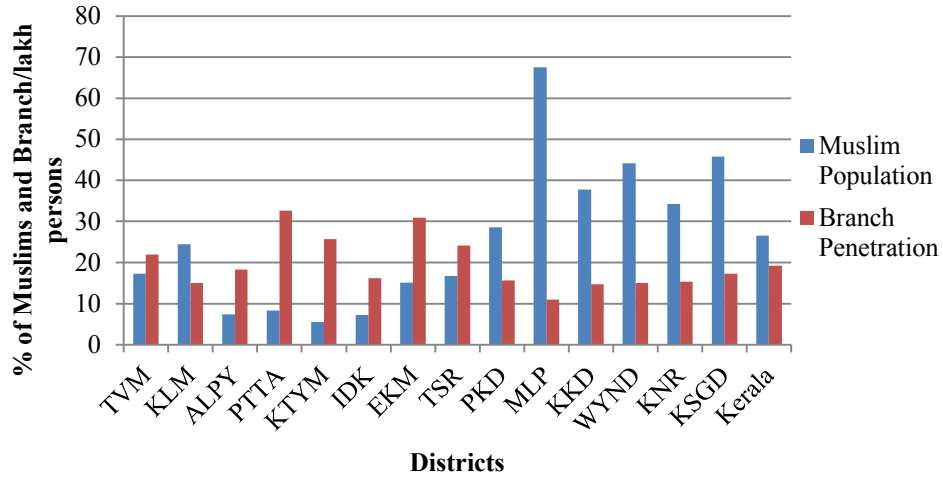
| Districts | % Mus Pop | Number per 100,000 Persons | | |
|---------------|-------------|----------------------------|---------------|--------------|
| | | Branch | Deposit | Credit |
| TVM | 17.3 | 21.9 | 2280.8 | 1492.1 |
| KLM | 24.5 | 15 | 1213.5 | 790.0 |
| ALPY | 7.4 | 18.3 | 1473.6 | 672.1 |
| PTTA | 8.3 | 32.6 | 3406.2 | 867.5 |
| KTYM | 5.5 | 25.7 | 1917.7 | 1069.1 |
| IDK | 7.3 | 16.2 | 539.2 | 628.1 |
| EKM | 15.1 | 30.9 | 2944.2 | 2703.8 |
| TSR | 16.7 | 24.1 | 1892.6 | 1114.6 |
| PKD | 28.6 | 15.6 | 853.4 | 570.5 |
| MLP | 67.5 | 11 | 600.9 | 325.5 |
| KKD | 37.8 | 14.7 | 906.1 | 696.9 |
| WYND | 44.2 | 15 | 422.9 | 587.1 |
| KNR | 34.3 | 15.3 | 1104.9 | 603.4 |
| KSGD | 45.8 | 17.3 | 670.5 | 523.4 |
| Kerala | 26.5 | 19.2 | 1484.0 | 973.7 |

Source: Census 2011, Economic Review-2019.

The above table shows that districts with the share of Muslim population close to or above the state average have only a lower penetration of banking services like branch penetration, deposit penetration and credit penetration than other districts in Kerala. The penetration of bank branches and share of Muslim population in

different districts is depicted in Figure 3.9. The figure highlights that the branch penetration in Muslim concentrated districts were less than the state average.

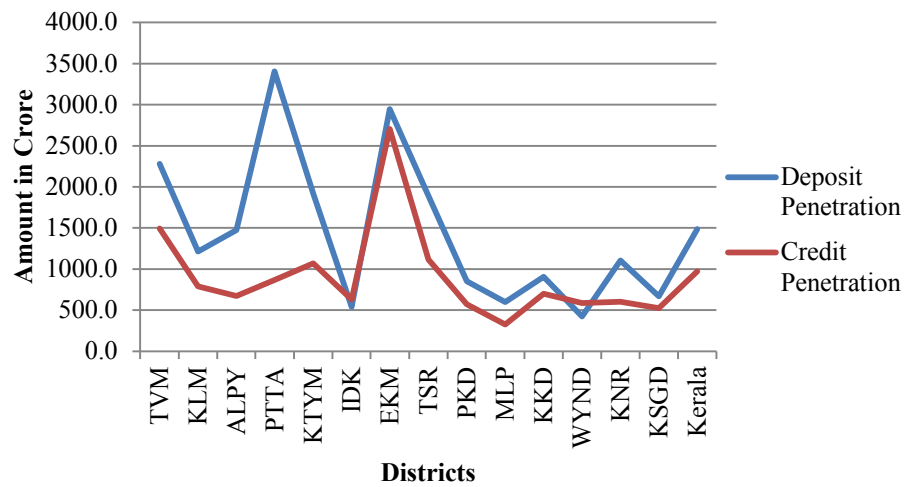
Figure 3.9. District wise Branch Penetration and Muslim Population in Kerala



Source: Census 2011, Economic Review-2019.

The following figure (Figure 3.10) shows that the deposit and credit penetration in Muslim concentrated districts is lower than that of other districts in Kerala.

Table 3.10. District wise Deposits and Credits Penetration in Kerala



Source: Census 2011, Economic Review-2019.

3.6.3. Financial Inclusion Status of Muslim Concentrated Districts in Kerala

The financial inclusion status of Muslim concentrated districts in Kerala is given in Table 3.17.

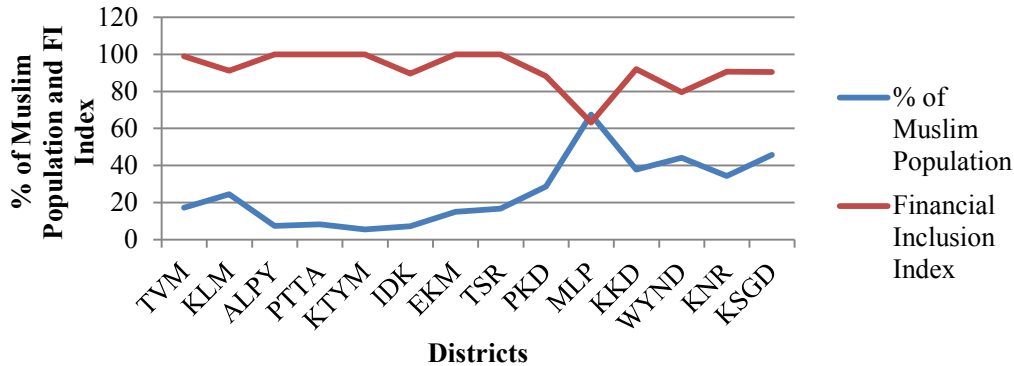
Table 3.17. District wise Financial Inclusion Status and Muslim Population in Kerala

| Districts | % Mus Pop | FI Score | FI Rank |
|-----------|-----------|----------|---------|
| TVM | 17.3 | 99 | 16 |
| KLM | 24.5 | 91.2 | 29 |
| ALPY | 7.4 | 100 | 1 |
| PTTA | 8.3 | 100 | 1 |
| KTYM | 5.5 | 100 | 1 |
| IDK | 7.3 | 89.5 | 38 |
| EKM | 15.1 | 100 | 1 |
| TSR | 16.7 | 100 | 1 |
| PKD | 28.6 | 88.2 | 46 |
| MLP | 67.5 | 63.2 | 220 |
| KKD | 37.8 | 92 | 26 |
| WYND | 44.2 | 79.6 | 53 |
| KNR | 34.3 | 90.7 | 31 |
| KSGD | 45.8 | 90.5 | 33 |

Source: Census 2011, CRISIL Inclusix -2018.

The table shows that districts with high Muslim concentration experienced comparatively low financial inclusion status in Kerala. The financial inclusion score of Malappuram district, a district with highest Muslim concentration in Kerala, was the lowest score (63.2) among other districts in Kerala and its achievement in financial inclusion indicators was also very poor compared to other districts. The financial inclusion rank of Malappuram district (220) was an outlier in the state. The relation between Muslim populations on financial inclusion is depicted in Figure 3.11.

Figure 3.11. District wise Financial Inclusion Status and Muslim Population in Kerala



Source: Census 2011, CRISIL Inclusix -2018.

3.7. Financial Inclusion Initiatives Taken in India

RBI has initiated several measures to achieve greater financial inclusion. Chakrabarty (2011) listed some of the schemes or programmes which implemented in India to achieve the ultimate objective of spreading banking services to all the unbanked 600,000 villages. Some of them are:

3.7.1. Opening of no-frills accounts:

Under this programme people can open a basic banking no-frills account without keeping minimum balance and paying other charges to maintain the account that ensure the accessibility of such accounts to the vulnerable sections of the society. Also, banks have been advised to provide small overdrafts to them through such accounts (Chakrabarty, 2011).

3.7.2. Relaxation on know-your-customer (KYC) norms:

It was a movement to remove the barriers related to documentation and reference person to access banking service by reducing KYC requirements for opening bank accounts and which was launched in August 2005 (Chakrabarty, 2011).

3.7.3. Engaging business correspondents (BCs):

This scheme was introduced in January 2006, which permitted banks to engage business facilitators (BFs) and Business Correspondents (BCs) as their agents for providing financial and banking services to the customers. The BC model allows doorstep delivery of banking services, especially deposit and withdrawal transactions to address the problems related to the crowding, location and business hours of the banks (Chakrabarty, 2011).

3.7.4. Use of technology:

Under this scheme banks making an effective use of information and communications technology (ICT) to provide banking services to solve the problems of outreach and credit delivery in remote areas feasibly (Chakrabarty, 2011).

3.7.5. Adoption of EBT:

This was introduced to transfer social security benefits electronically to the bank account of the exact beneficiary for eliminating the leakages and also for leveraging digitalised banking, which reduce the cash transaction and thereby lowering transaction costs (Chakrabarty, 2011).

3.7.6. GCC:

The general credit card introduced with a view to cater the credit needs of poor and the disadvantaged sections of the society, it ensuring access to hassle-free credit to banks' customers based on the cash flow without any conditions regarding collateral security, purpose or use of the credit (Chakrabarty, 2011).

3.7.7. Simplified branch authorization:

This scheme was introduced in December 2009 intended to speed up the branch penetration to the unbanked areas, which aimed to overcome the disparity in the spread of bank branches. Under this scheme the domestic scheduled commercial banks can freely open branches in an area with 50,000 populations, subject to reporting (Chakrabarty, 2011).

3.7.8. Opening of branches in unbanked rural centres:

This programme mandated the banks to open at least 25% of the total branches to unbanked rural area to improve banking penetration and the level of financial inclusion through the opening of branches in those areas (Chakrabarty, 2011).

3.7.9. Financial inclusion plans of banks for three years:

It is mandatory to submit a three-year financial inclusion plan by commercial banks, duly approved by their board, which must contain their self-set targets regarding the rural branches to be opened, BCs to be employed, coverage of unbanked villages through different modes of operation, no-frills accounts opened, KCCs and GCCs issued; and other specific products aimed to address the needs of unbanked segments (Chakrabarty, 2011).

3.8. Important Social Security cum Financial Inclusion Schemes in India

Following are the major schemes introduced in India to ensure social security and thereby financial inclusion of weaker sections of the society (DFSI, 2020).

3.8.1. Pradhan Mantri Jan Dhan Yojana (PMJDY)

It is a National Mission on Financial Inclusion, announced by Hon'ble Prime Minister on 15th August 2014, to ensure comprehensive financial inclusion of all the households in the country by providing universal access to banking facilities with at least one basic bank account to every household and also to improve financial literacy, access to credit, insurance and pension facility. In addition to that, the account holders would get a RuPay debit card, with inbuilt accident insurance cover of Rs. 2 lakh, and access to overdraft facility upon satisfactory operation of account or credit history of six months (DFSI, 2020).

3.8.2. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

Basically it is a renewable insurance scheme, aimed to the age group of 18 to 50 years, which gives life cover of Rs. 2 lakh for one year period stretching from 1st

June to 31st May. It can be subscribing any person in the specified age group having a bank account and required 'Aadhar' as the primary KYC for the bank account (DFSI, 2020).

3.8.3. Pradhan Mantri Suraksha Bima Yojana (PMSBY)

This scheme also a renewable annual insurance services to people in the age group 18 to 70 years with a bank account and the coverage period stretching from 1st June to 31st May and required Aadhar as the primary KYC for. The scheme has a risk coverage of Rs. 2 lakh for accidental death and full disability and Rs. 1 lakh for partial disability (DFSI, 2020).

3.8.4. Atal Pension Yojana (APY)

This is a pension scheme aimed to all saving bank/post office saving bank account holders in the age group of 18 to 40 years and the contributions differ on the basis of chosen pension amount. APY was launched on 9th May, 2015. The Subscribers would receive the guaranteed minimum monthly pension of Rs. 1,000 or Rs. 2,000 or Rs. 3,000 or Rs. 4,000 or Rs. 5,000 according to pension amount at the age of 60 years (DFSI, 2020).

3.8.5. Pradhan Mantri Mudra Yojana

This is a credit enhancement scheme provide loans through its sub-schemes 'Shishu', 'Kishore' and 'Tarun' without any collaterals upto Rs. 50,000, between Rs. 50,000 to 5.0 Lakhs and between 5.0 Lakhs to 10.0 Lakhs respectively. These measures are aimed to promote business confidence and entrepreneurial ability of young, educated or skilled workers and also to expand their existing activities. The scheme was launched on 8th April 2015 (DFSI, 2020).

3.8.6. Stand up India Scheme

A scheme was aimed to provide bank loans for setting up of Greenfield enterprises with a loan amount between Rs.10 lakh and Rs.1 crore from a bank. It should include at least one Scheduled Caste/ Scheduled Tribe borrower and at least

one Woman borrower per bank branch. This scheme was launched on 5th April, 2016 (DFSI, 2020).

3.8.7. Pradhan Mantri Vaya Vandana Yojana

This is a social security scheme which aims to protect financial activities of elderly persons who aged 60 years and above against the risk associated with their interest income due to market fluctuations. The scheme also provides social security benefits to elder persons during their old age. The scheme is implemented through the Life Insurance Corporation of India (LIC) and open for subscription up to 31st March, 2023 (DFSI, 2020).

CHAPTER 4

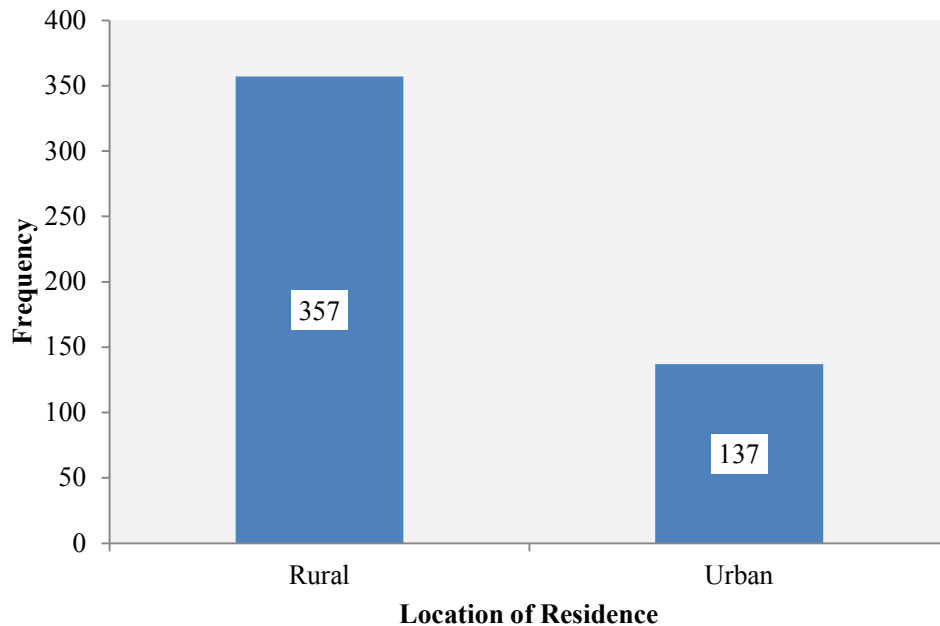
EXTENT OF FINANCIAL INCLUSION AMONG MUSLIMS IN KERALA

4.1 Sample Description

4.1.1 Locality-wise Distribution of Respondents

The locality details of the respondents are presented in Figure 4.1. The figure highlights that more than 70 percent of the respondents live in rural area. It reflects the nature of habitation of Muslims in the sample districts of Kerala.

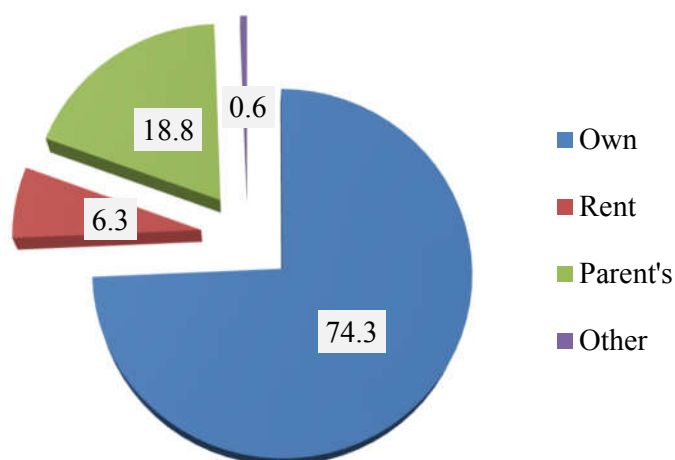
Figure 4.1. Location of the Residence of the Respondents



Source: Primary Survey

4.1.2. Nature of House Ownership of the Respondents

The details of the house ownership of the respondents are presented in Figure 4.2.

Figure 4.2. Ownership of House

Source: Primary Survey

The figure shows that majority of the respondents have their own homes to live in, while only a few percent of respondents were live in rented homes (6.3%). Nearly 20 percent of respondents were living in the home owned by their parents.

4.1.3. Type of the Roof of House of the Respondents

Table 4.1 shows the nature of the roof of the house of the respondents.

Table 4.1. Type of the Roof of House

| Sl. No. | Nature of House Roof | Number of Respondents | Percentage |
|---------|----------------------|-----------------------|------------|
| 1 | Concrete | 428 | 86.6 |
| 2 | Tile | 65 | 13.2 |
| 3 | Asbestos | 1 | 0.2 |
| | Total | 494 | 100 |

Source: Primary Survey

The table shows that majority (86.6%) of the respondents have concrete roofed houses.

4.1.4. Type of the Floor of House of the Respondents

Type of the floor of house of the respondents is presented in Table 4.2 .

Table 4.2. Type of the Floor of House

| Sl. No. | Nature of House Roof | Number of Respondents | Percentage |
|---------|----------------------|-----------------------|------------|
| 1 | Tile or Marbonite | 248 | 50.2 |
| 2 | Granite | 146 | 29.6 |
| 3 | Oxide | 83 | 16.8 |
| 4 | Mud | 17 | 3.4 |
| | Total | 494 | 100 |

Source: Primary Survey

The table shows that 50 percent of the respondents were made the floor of their house with Tile or Marbonite and more than 80 percent of respondents made their floors with high quality materials. While, only very few houses have earthen floors. It indicates the preference of respondents towards the construction of good quality houses.

4.1.5. Size of House of the Respondents

Pattern of distribution and descriptive statistics of the size of the house of the respondents are presented in Table 4.3.

Table 4.3. Pattern of Distribution & Descriptive Statistics of the Size of the House of the Respondents

| Size Distribution Pattern of the House | | | | | Descriptive Statistics | |
|--|---------------------------|-----------------------|------------|-----------------------|------------------------|------------------|
| Sl. No. | Plinth Area (Square Feet) | Number of Respondents | Percentage | Cumulative Percentage | Statistic | Value (Sq. Feet) |
| 1 | Up to 1000 | 192 | 38.9 | 38.9 | Mean | 1206.84 |
| 2 | 1001 - 1500 | 239 | 48.4 | 87.2 | S.D. | 425.04 |
| 3 | 1501 - 2000 | 35 | 7.1 | 94.3 | Minimum | 600 |
| 4 | 2001 & Above | 28 | 5.7 | 100 | Maximum | 3500 |
| | Total | 494 | 100 | | N | 494 |

Source: Primary Survey

The table shows that more than 60% of the respondents living in the house with a size of plinth area more than 1000 sq.ft. and the mean size of the houses were 1206.84 sq. feet. This reflects Muslim's preference for large sized houses to live.

4.1.6. Size of Household of the Respondents

The distribution and descriptive statistics of the size of household of the respondents are presented in Table 4.4.

Table 4.4. Distribution & Descriptive Statistics of Household Size of the Respondents

| Distribution of the Household Size | | | | | Descriptive Statistics | |
|------------------------------------|------------------------------------|-----------------------|------------|-----------------------|------------------------|---------------------------|
| Sl. No. | Household Size (Number of Members) | Number of Respondents | Percentage | Cumulative Percentage | Statistic | Value (Number of members) |
| 1 | Up to 4 | 70 | 14.2 | 14.2 | Mean | 5.96 |
| 2 | 5 - 6 | 268 | 54.3 | 68.4 | S.D. | 1.65 |
| 3 | 7 & Above | 156 | 31.6 | 100 | Minimum | 2 |
| | Total | 494 | 100 | | Maximum | 13 |

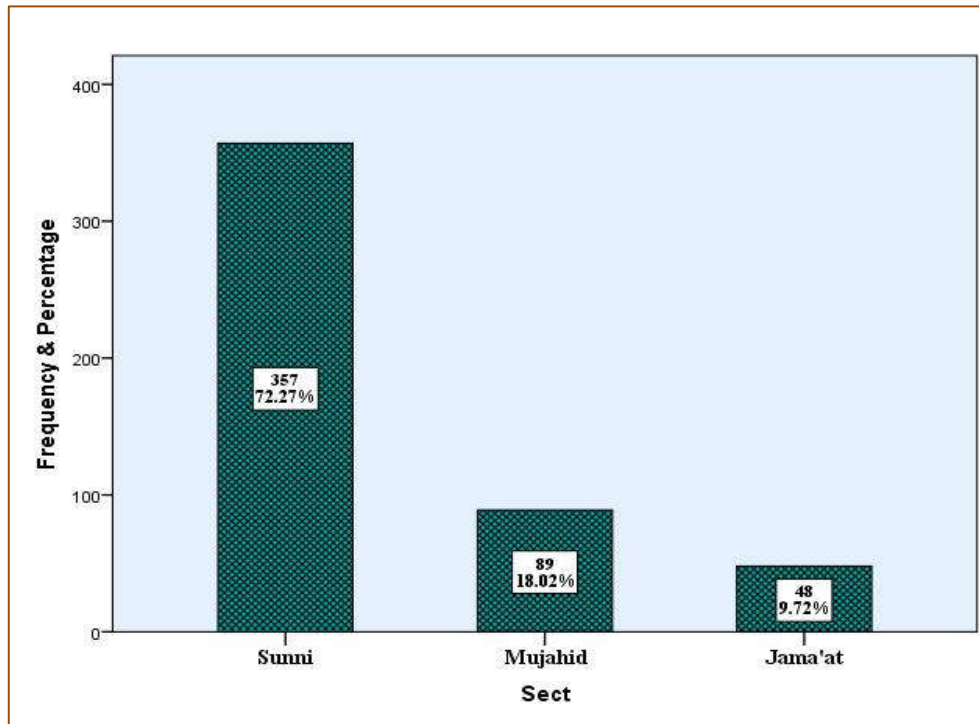
Source: Primary Survey

The table shows that more than 85 percent of the household have more than 5 members in their house with a mean size of 5.96 persons. It indicates that the size of households in the sample was more than the state average size of Muslim households as per 2011 Census, which were 4.95 persons. Moreover, 31 percent of the households have more than 7 members in their houses.

4.1.7. Sect of the Respondents

Sect-wise distribution of the respondents presented in Figure 4.3.

Figure 4.3. Sect of the Respondents



Source: Primary Survey

The figure shows that the sample includes three prominent sects of Muslims which constitute the major share of the Muslim population in Kerala. Out of which the proportion of Sunni was more than 72 percent of total respondent, while the share of respondents were belongs to the sect Jama'at was below 10 percent. The domination of Sunni sect among different sects of Muslim population in Kerala was clear from the Chi-square test, which reveals that there was statistically significant difference in the proportion of different sects of Muslims in Kerala, $\chi^2 (2) = 342.08, p < .001$.

4.1.8. Age-wise Distribution of Respondents

Age-wise details of the respondents are presented in Table 4.5.

Table 4.5. Pattern of Distribution & Descriptive Statistics of the Age of the Respondents

| Pattern of Age Distribution | | | | | Descriptive Statistics | |
|-----------------------------|----------------------|-----------------------|------------|-----------------------|------------------------|---------------|
| Sl. No. | Age Group (in Years) | Number of Respondents | Percentage | Cumulative Percentage | Statistic | Value (Years) |
| 1 | Up to 30 | 53 | 10.7 | 10.7 | Mean | 43.97 |
| 2 | 31 - 40 | 113 | 22.9 | 33.6 | S.D. | 9.15 |
| 3 | 41 - 50 | 216 | 43.7 | 77.3 | Minimum | 19 |
| 4 | 51 - 60 | 93 | 18.8 | 96.2 | Maximum | 79 |
| 5 | 61 & Above | 19 | 3.8 | 100 | N | 494 |
| | Total | 494 | 100 | | | |

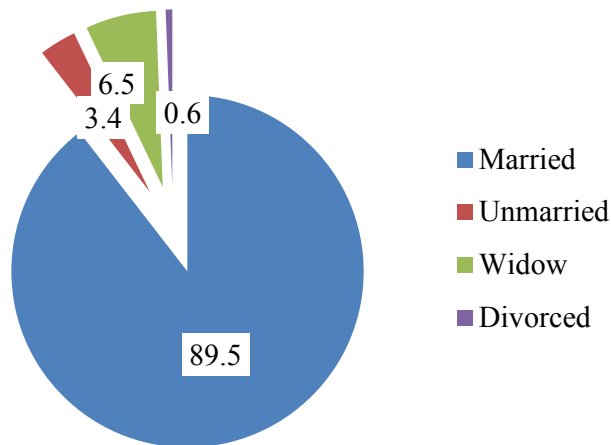
Source: Primary Survey

The table shows that the mean age of the sample respondents was 43.97 and majority of the respondents belong to the age group 41-50. More than 85 percent of respondents were between the age group 31-60 as they were the potential productive customers of the banks with employment or managing household budget.

4.1.9. Marital Status of the Respondents

Marital status of the respondents is presented in Figure 4.4.

Figure 4.4. Marital Status of the Respondents



Source: Primary Survey

The figure shows that majority of respondents were married while the respondents who were unmarried, widow and divorced together constitute only just above 10 percent of the sample.

4.1.10. Educational Status of the Respondents

Educational status of the respondents is presented in the Table 4.6.

Table 4.6. Educational Status of the Respondents

| Sl. No. | Highest Level of Education Attained/Completed | Number of Respondents | Percentage | Cumulative Percentage |
|---------|---|-----------------------|------------|-----------------------|
| 1 | Lower Primary | 25 | 5.1 | 5.1 |
| 2 | Upper Primary | 67 | 13.6 | 18.6 |
| 3 | High School | 217 | 43.9 | 62.6 |
| 4 | Higher Secondary or Equivalent | 89 | 18.0 | 80.6 |
| 5 | Graduation | 60 | 12.1 | 92.7 |
| 6 | Post-Graduation or Above | 36 | 7.3 | 100 |
| | Total | 494 | 100 | |

Source: Primary Survey

The table shows that majority of the respondents have high school education. Above 60 percent of the respondents have education between high school and higher secondary level. The proportions of respondents who have higher educational qualification like graduation, post graduation or equivalent constitute nearly 20 percent of the sample.

4.1.10.1.. Educational Qualification across the Sects of the Respondents

The sect-wise educational qualification details of respondents are given in Table 4.7. The table shows that 70 percent of respondents belong to the Sunni sect of Muslims have education less than or equal to high school level, while more than 50 percent of the respondents from both Mujahid and Jama'at sects of Muslims have education above higher secondary level. Only less than 15 percent of the Sunnis

have higher education qualifications. Moreover, there were only few respondents both from Mujahid and Jama'at sects have education below high school level.

The difference in educational attainment of different sects among the sample respondents reflects the positive attitude of the revivalist groups of Muslims, namely Mujahid and Jama'at, towards higher education. The educational backwardness of Sunni respondents may influence the status of Muslims in Kerala because they are the largest sect of Muslims in the State.

Table 4.7. Educational Qualification across the Sects of the Respondents

| | | Sect | | | Total | Chi-square Test Results | |
|---------------------------|--------------------------------|-------|---------|---------|--------|-------------------------|--|
| | | Sunni | Mujahid | Jama'at | | | |
| Educational Qualification | Lower Primary | Count | 25 | 0 | 0 | 25 | $\chi^2 = 50.361$ d.f. = 10 $p < .001$ (Exact p - value) Cramer's V = .226 $p < .001$ |
| | | % | 7.0% | 0.0% | 0.0% | 5.1% | |
| | Upper Primary | Count | 55 | 8 | 4 | 67 | |
| | | % | 15.4% | 9.0% | 8.3% | 13.6% | |
| | High School | Count | 170 | 28 | 19 | 217 | |
| | | % | 47.6% | 31.5% | 39.6% | 43.9% | |
| | Higher Secondary or Equivalent | Count | 54 | 23 | 12 | 89 | |
| | | % | 15.1% | 25.8% | 25.0% | 18.0% | |
| | Graduation | Count | 36 | 13 | 11 | 60 | |
| | | % | 10.1% | 14.6% | 22.9% | 12.1% | |
| | Post-Graduation & Above | Count | 17 | 17 | 2 | 36 | |
| | | % | 4.8% | 19.1% | 4.2% | 7.3% | |
| | Total | Count | 357 | 89 | 48 | 494 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

Chi-square test has been performed to examine whether there was any significant difference in the educational qualification across different sects of Muslims in Kerala. The results indicate that there was a statistically significant difference in the educational qualification across sects of Muslims in Kerala, $\chi^2 (10) = 50.361$, $p < .001$ (Exact p-value). Hence it is inferred that the level of educational qualification among Muslims are different in Kerala.

4.1.11. Nature of Employment of the Respondents

The intention to analyse the nature of employment was to understand about the nature of flow of income of respondents. Depending on the type of job, nature of job, wage structure and stability of the job, we can classify different jobs like self-employment, regular salaried, casual work, contract work and temporary work etcetera. The details of the nature of employment of the respondents are given in Table 4.8.

Table 4.8 Nature of Employment of the Respondents

| Sl. No. | Occupation | Number of Respondents | Percentage |
|---------|------------------|-----------------------|------------|
| 1 | Self Employed | 106 | 21.5 |
| 2 | Regular Salaried | 141 | 28.5 |
| 3 | Casual Work | 147 | 29.8 |
| 4 | Contract Job | 24 | 4.9 |
| 5 | Temporary Job | 35 | 7.1 |
| 6 | MGNREGS Work | 14 | 2.8 |
| 7 | Part time Job | 1 | 0 |
| 8 | Jobless | 26 | 5.3 |
| | Total | 494 | 100 |

Source: Primary Survey

The table shows that self-employed, regular salaried job and casual work were the main sources of employment, which provide employment to nearly 80 percent of the sample respondents. The number of respondents belongs to regular salaried job and casual work was almost equal. The regular salaried job consists of both private and government sector employment which pay the salary on monthly basis. Only 5.3 percent, were left behind of the migrant household head, have no job but they perform major role in managing their household budget.

4.1.11.1. Nature of Employment across different Sects of the Respondents

The details of occupational status across sects of the respondents are presented in Table 4.9 (See below). It is very clear from the table that the difference in educational attainment reflects in the employment status among Muslims. The

table shows that majority of respondents from Sunni sect engaged in Casual work, while the proportion of them engaged in self employment and regular salaried job were almost equal. At the same time, majority of respondents from both Mujahid and Jama'at sects engaged in regular salaried job. In general, the details of employment status among sample respondents visibly very differ and also in particular across different sects of Muslims.

Chi-square test was performed to examine whether there was any significant difference in employment status across sects of Muslims in Kerala. The results indicate that there was a statistically significant difference in the employment status across sects of Muslims in Kerala, $\chi^2 (14) = 37.949$, $p = .001$ (Exact p-value). However, the degree of difference in the status of employment among Muslims was not strong, Cramer's $V = .196$, $p = .001$. It can be inferred from the results that the employment status across different sects of Muslims was different in Kerala.

Table 4.9 Nature of Employment across different Sects of the Respondents

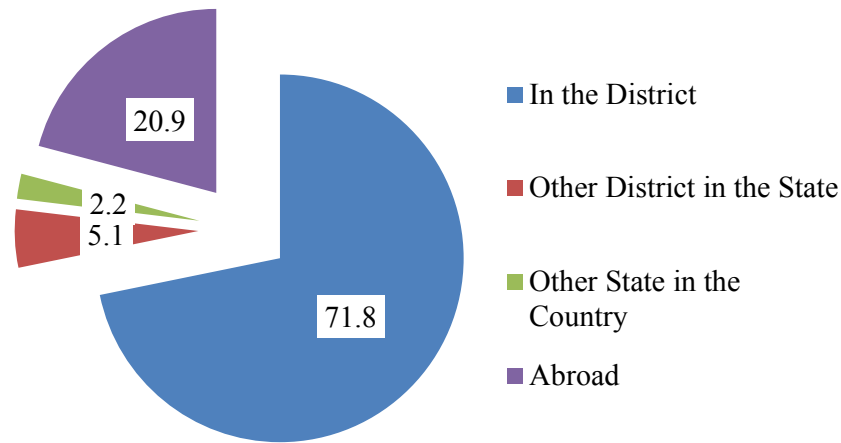
| | | | Sect | | | Total | Chi-square Test Results | |
|------------------------------------|------------------|---------------|--------|---------|---------|--------|--|--|
| | | | Sunni | Mujahid | Jama'at | | | |
| Nature of Employment of Respondent | Self Employed | Count | 77 | 20 | 9 | 106 | $\chi^2 = 37.949$ d.f. = 14 $p = .001$ (Exact p - value) Cramer's $V = .196$ $p = .001$ | |
| | | % | 21.6% | 22.5% | 18.8% | 21.5% | | |
| | Regular Salaried | Count | 79 | 43 | 19 | 141 | | |
| | | % | 22.1% | 48.3% | 39.6% | 28.5% | | |
| | Casual Work | Count | 120 | 12 | 15 | 147 | | |
| | | % | 33.6% | 13.5% | 31.3% | 29.8% | | |
| | Contract Job | Count | 18 | 5 | 1 | 24 | | |
| | | % | 5.0% | 5.6% | 2.1% | 4.9% | | |
| | Temporary Job | Count | 27 | 4 | 4 | 35 | | |
| | | % | 7.6% | 4.5% | 8.3% | 7.1% | | |
| | MGNREGS Work | Count | 13 | 1 | 0 | 14 | | |
| | | % | 3.6% | 1.1% | 0.0% | 2.8% | | |
| | Jobless | Count | 22 | 4 | 0 | 26 | | |
| | | % | 6.2% | 4.5% | 0.0% | 5.3% | | |
| | Part time Job | Count | 1 | 0 | 0 | 1 | | |
| | | % | 0.3% | 0.0% | 0.0% | 0.2% | | |
| | Total | Count | 357 | 89 | 48 | 494 | | |
| | | % within Sect | 100.0% | 100.0% | 100.0% | 100.0% | | |

Source: Primary Survey

4.1.12. Place of Job of the Respondents

The details of the workplace of the sample respondents, who were employed, are presented in Figure 4.5. The figure shows that majority of respondents were working in their native districts. More than 25 percent of respondents work outside their native district, and close to 21 percent of them works overseas. Although there were expatriates in most of the households, only expatriates who were in their home country during the survey period were in the sample frame.

Figure 4.5. Place of Job of the Respondents



Source: Primary Survey

4.1.13. Monthly Household Income of the Respondents

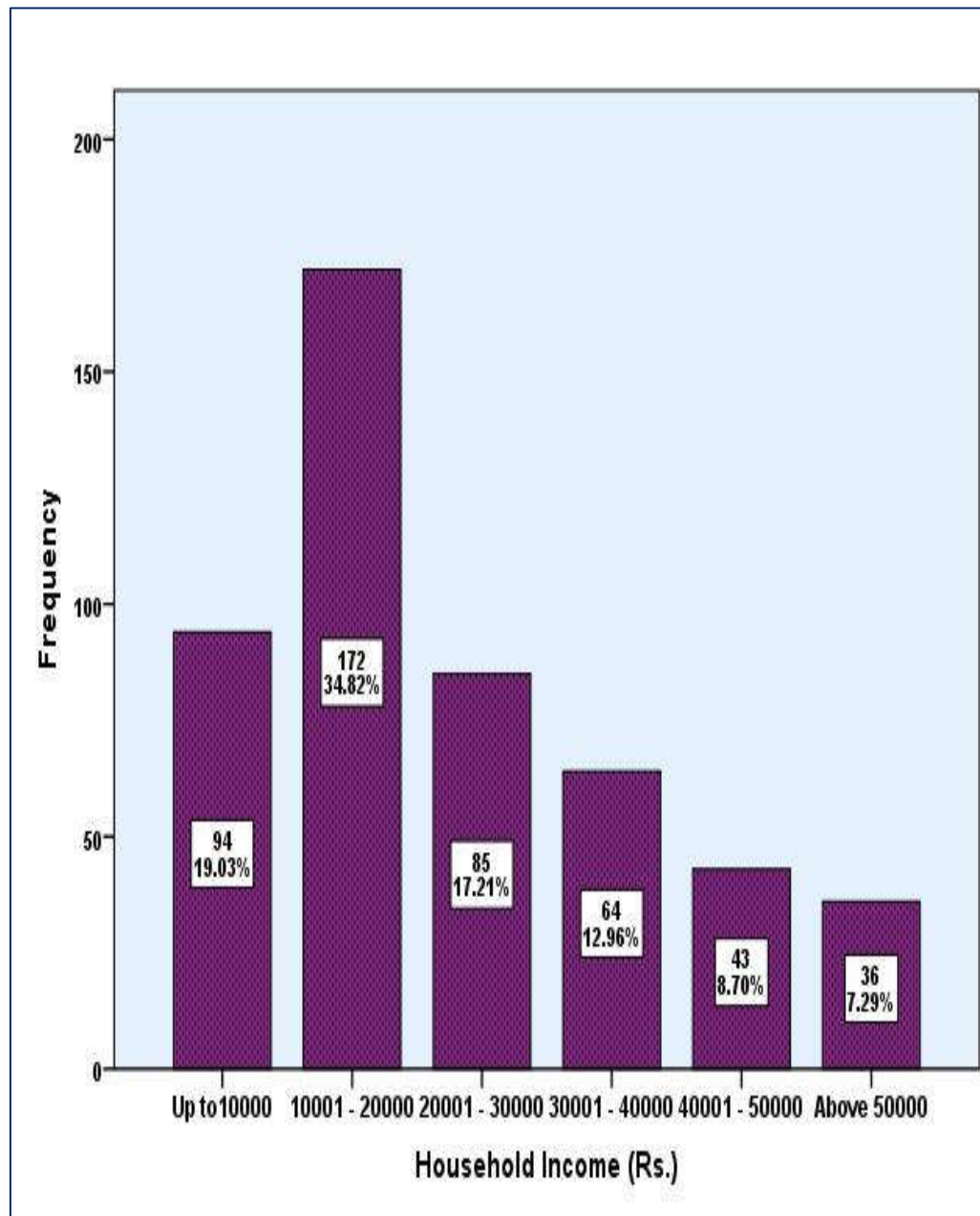
The monthly household income details of the respondents are presented in Table 4.10.

Table 4.10. Size-wise Distribution & Summary Statistics of the Monthly Household Income of the Respondents

| Pattern of Income Distribution | | | | | Descriptive Statistics | |
|--------------------------------|--------------------|-----------------------|------------|-----------------------|------------------------|-------------|
| Sl. No. | Income Class (Rs.) | Number of Respondents | Percentage | Cumulative Percentage | Statistic | Value (Rs.) |
| 1 | Up to 10000 | 94 | 19.0 | 19.0 | Mean | 27631.47 |
| 2 | 10001 - 20000 | 172 | 34.8 | 53.8 | S.D. | 24190.21 |
| 3 | 20001 - 30000 | 85 | 17.2 | 71.1 | Median | 20000 |
| 4 | 30001 - 40000 | 64 | 13.0 | 84.0 | Minimum | 1000 |
| 5 | 40001 - 50000 | 43 | 8.7 | 92.7 | Maximum | 160000 |
| 6 | Above 50000 | 36 | 7.3 | 100.0 | Skewness | 2.59 |
| | Total | 494 | 100.0 | | Kurtosis | 8.69 |

Source: Primary Survey

The table shows that the median income of the sample respondents was 20000 rupees. But majority of respondents earn a monthly household income less than 20000 rupees. Moreover, above 70 percent of respondents have a monthly household income less than or equal to 30000. A few percent of the respondents have monthly household income above 50000. The distribution of income among the sample respondents was positively skewed and the details show that there was high inequality in the distribution of income among them with a high standard deviation.

Figure 4.6 Pattern of Income Distribution of the Respondents

Source: Primary Survey

4.1.13. Monthly Household Income across different Sects of Muslim Households

Summary statistics of the monthly household income across different sects of Muslims is presented in Table 4.11.

Table 4.11. Summary Statistics of the Monthly Household Income across different Sects of Muslims

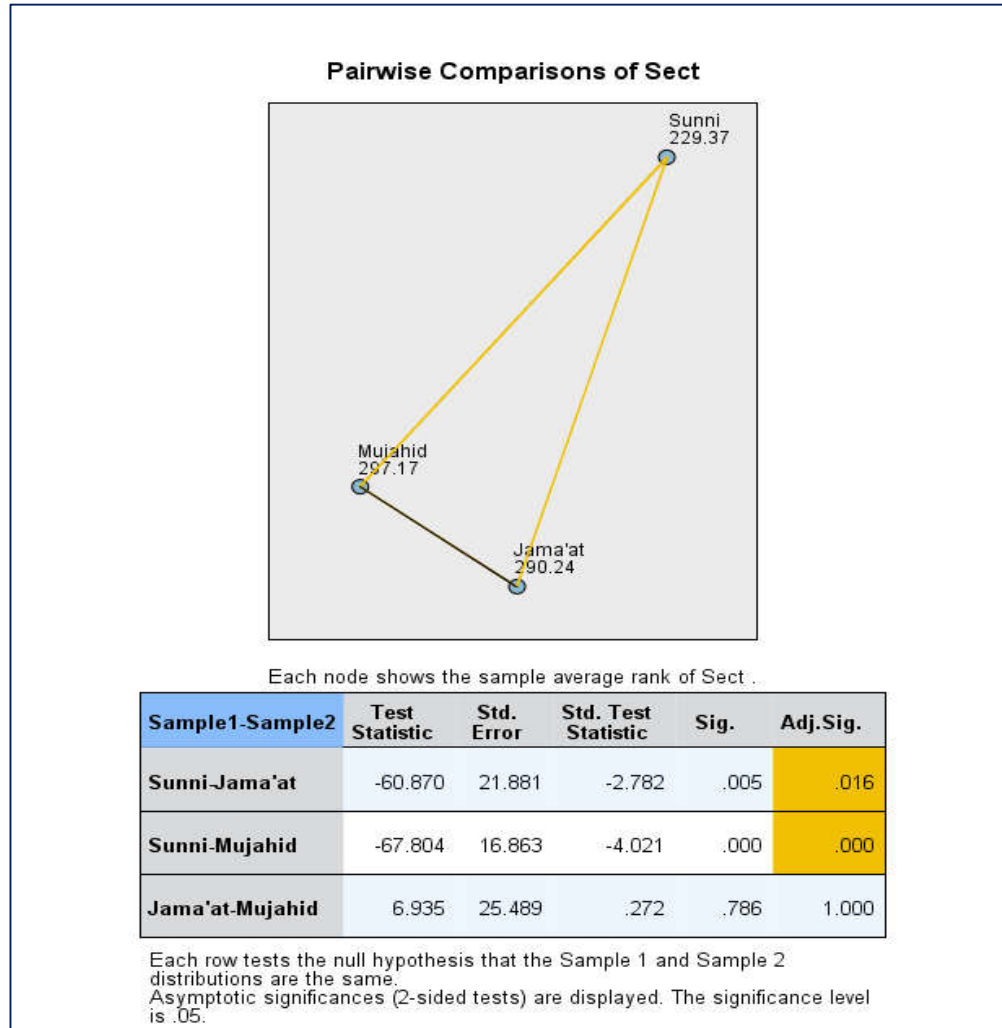
| Sl. No. | Sect | Mean Amount (Rs.) | S.D. (Rs.) | Median (Rs.) | Minimum (Rs.) | Maximum (Rs.) | Skewness | Kurtosis | N |
|-------------------------------|---------|-------------------|------------|--|---------------|---------------|----------|----------|-----|
| 1 | Sunni | 25329.8 | 23267.9 | 20000 | 1000 | 160000 | 3.03 | 12.41 | 357 |
| 2 | Mujahid | 34670.9 | 26883.5 | 27000 | 2000 | 126000 | 1.72 | 2.61 | 89 |
| 3 | Jama'at | 31697.9 | 23089.3 | 29500 | 8000 | 125000 | 2.29 | 6.83 | 48 |
| | Total | 27631.5 | 24190.2 | 20000 | 1000 | 160000 | 2.59 | 8.68 | 494 |
| Kruskal-Wallis H Test Results | | | | $\chi^2 = 20.961$, d.f. = 2, $p < .001$ | | | | | |

Source: Primary Survey

An exploratory analysis of the monthly household income data indicated the non-normality and the presence of outliers. It was due to the difference in the nature of prominent employment in which majority of people engaged across different sects of Muslims in Kerala. Therefore, a non-parametric test, viz., *Kruskal-Wallis H* test was performed to examine whether the distribution of the monthly household income was same across different sects of Muslims in Kerala. The test results indicate that the average monthly household income was significantly different across different sects of Muslims in Kerala, $\chi^2(2) = 20.96$, $p < .001$. It can be inferred from the results that the average monthly household income was different across different sects of Muslims in Kerala.

The subsequent pair wise comparison analysis (see Figure 4.7) indicated that the monthly household income of the Sunni households was significantly different from that of both *Mujahid* and *Jama'at* households in Kerala. To be more specific, the monthly household income of the Sunni households was lower than that of both *Mujahid* and *Jama'at* households in Kerala. While, there was no significant difference in the monthly household income between the *Mujahid* and *Jama'at* households in Kerala. It was due to the similarity in the employment profile of the *Mujahid* and *Jama'at* sects of Muslims in Kerala.

Figure 4.7. Pair wise Comparison of Monthly Household Income across different Sects of Muslims

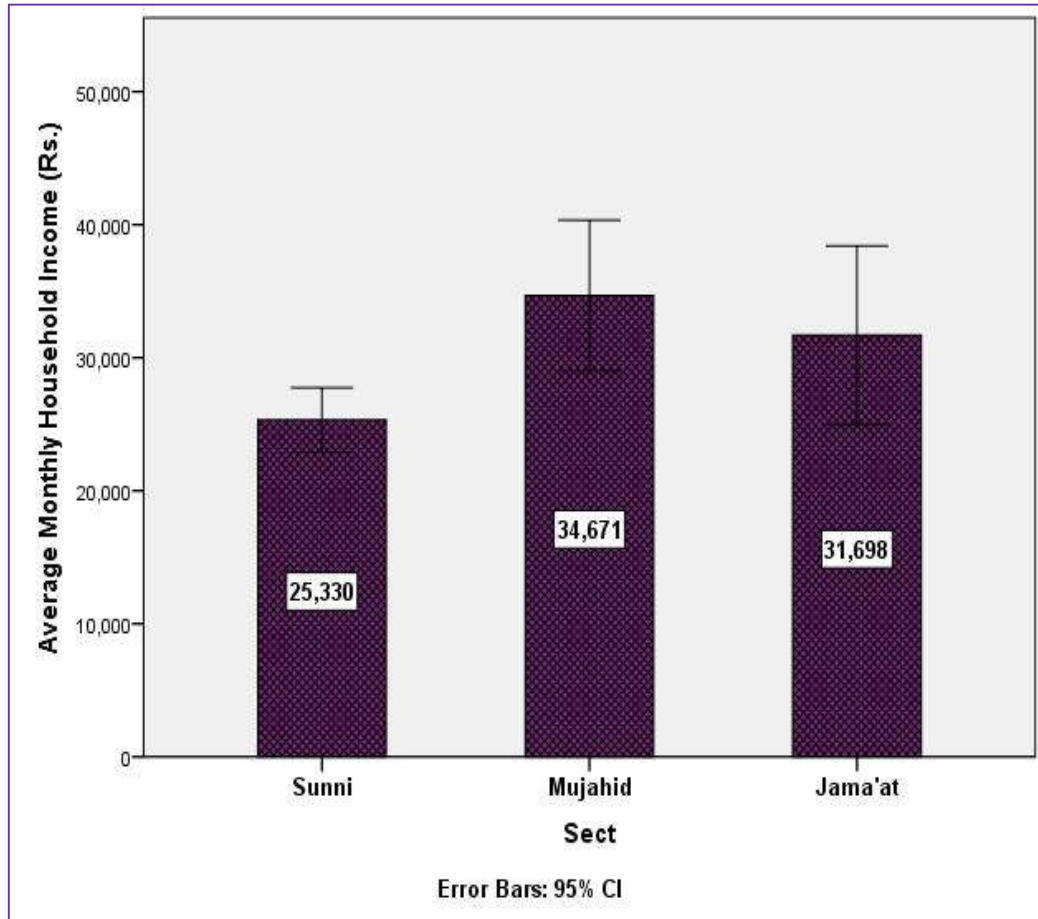


Source: Primary Survey

4.1.13.1. Average Monthly Household Income across different Sects of Muslims

The average monthly household income across different Sects of Muslims is presented in Figure 4.8. The figure shows that the average monthly household income of Sunni sect was less than that of the *Mujahid* and *Jama'at* sects of Muslims in Kerala. The error bars at 95% confidence interval exhibit that the average monthly household income of *Mujahid* sect was more than that of other sects of Muslims.

Figure 4.8. Average Monthly Household Income across different Sects of Muslim



Source: Primary Survey

4.1.13.2. Distribution of Monthly Household Income across different Sects of Muslims

Table 4.12 gives a detailed picture about the pattern of distribution of monthly household income across different sects of Muslims. The table shows that majority of respondents irrespective of the sect were belong to the income group 10001-20000. But the pattern of distribution of monthly household income clearly exhibits an inequality in the level of income across different sects of Muslims in the sample. To be more specific, nearly 60 percent of the respondents from Sunni sect have monthly household income only up to rupees 20000, while, more than 60

percent of respondents from *Mujahid* and *Jama'at* sects of Muslims have monthly household income above rupees 30000.

Table 4.12. Distribution Pattern of Monthly Household Income across different Sects of Muslim Households

| | | | Sect | | | Total | Chi-square Test Results |
|--------------------------------|---------------|-------|--------|---------|---------|--------|---|
| | | | Sunni | Mujahid | Jama'at | | |
| Monthly Household Income (Rs.) | Up to 10000 | Count | 83 | 8 | 3 | 94 | $\chi^2 = 29.466$ d.f. = 10 p = .001 Cramer's V = .173 p = .001 |
| | | % | 23.2% | 9.0% | 6.3% | 19.0% | |
| | 10001 - 20000 | Count | 131 | 25 | 16 | 172 | |
| | | % | 36.7% | 28.1% | 33.3% | 34.8% | |
| | 20001 - 30000 | Count | 52 | 22 | 11 | 85 | |
| | | % | 14.6% | 24.7% | 22.9% | 17.2% | |
| | 30001 - 40000 | Count | 40 | 15 | 9 | 64 | |
| | | % | 11.2% | 16.9% | 18.8% | 13.0% | |
| | 40001 - 50000 | Count | 32 | 7 | 4 | 43 | |
| | | % | 9.0% | 7.9% | 8.3% | 8.7% | |
| | Above 50000 | Count | 19 | 12 | 5 | 36 | |
| | | % | 5.3% | 13.5% | 10.4% | 7.3% | |
| | Total | Count | 357 | 89 | 48 | 494 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

Chi-square test was performed to examine whether there was any significant difference in the distribution of monthly household income across different sects of Muslims in Kerala. The test results indicate that there was a statistically significant difference in the pattern of distribution of monthly households income across different sects of Muslims in Kerala, $\chi^2 (10) = 29.47$, $p = .001$. Hence it can be inferred that the distribution of income across different sects of Muslims in Kerala was different. The sample results reveal that majority of the poor income people among Muslims belongs to Sunni sect.

4.1.13.1. Monthly Household Income by Nature of Employment of Respondents

The details of income distribution among the respondents engaged in different nature of employment are presented in Table 4.13.

Table 4.13 Household Income by Nature of Employment of Respondent

| | | Nature of Employment of Respondent | | | | | | | | Total | |
|-------------------------|---|------------------------------------|------------------|-------------|--------------|---------------|--------------|---------|---------------------------|--------|--------|
| | | Self Employed | Regular Salaried | Casual Work | Contract Job | Temporary Job | MGNREGS Work | Jobless | Student and Part time Job | | |
| Household Income (Rs.) | Up to 10000 | Count | 12 | 0 | 47 | 0 | 7 | 12 | 16 | 0 | 94 |
| | | % | 11.3% | 0.0% | 32.0% | 0.0% | 20.0% | 85.7% | 61.5% | 0.0% | 19.0% |
| | 10001 - 20000 | Count | 40 | 20 | 67 | 15 | 21 | 2 | 6 | 1 | 172 |
| | | % | 37.7% | 14.2% | 45.6% | 62.5% | 60.0% | 14.3% | 23.1% | 100.0% | 34.8% |
| | 20001 - 30000 | Count | 24 | 34 | 16 | 3 | 4 | 0 | 4 | 0 | 85 |
| | | % | 22.6% | 24.1% | 10.9% | 12.5% | 11.4% | 0.0% | 15.4% | 0.0% | 17.2% |
| | 30001 - 40000 | Count | 11 | 37 | 12 | 3 | 1 | 0 | 0 | 0 | 64 |
| | | % | 10.4% | 26.2% | 8.2% | 12.5% | 2.9% | 0.0% | 0.0% | 0.0% | 13.0% |
| | 40001 - 50000 | Count | 13 | 22 | 5 | 1 | 2 | 0 | 0 | 0 | 43 |
| | | % | 12.3% | 15.6% | 3.4% | 4.2% | 5.7% | 0.0% | 0.0% | 0.0% | 8.7% |
| | Above 50000 | Count | 6 | 28 | 0 | 2 | 0 | 0 | 0 | 0 | 36 |
| | | % | 5.7% | 19.9% | 0.0% | 8.3% | 0.0% | 0.0% | 0.0% | 0.0% | 7.3% |
| | Total | Count | 106 | 141 | 147 | 24 | 35 | 14 | 26 | 1 | 494 |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Chi-square Test Results | $\chi^2 = 252.196$, d.f. = 35, $p < .001$ (Exact p - value) Cramer's V = .320, $p < .001$ | | | | | | | | | | |

Source: Primary Survey

The table shows that majority of respondents who engaged in different types of job have monthly household income less than 20000 rupees, except regular salaried persons. Above 60 percent of respondents engaged in regular salaried job have monthly income more than 30000 rupees. While, majority of respondents engaged in casual work, contract job and temporary work earn monthly household income less than 20000 rupees only. The jobless respondents reported their household income including income of their spouse and majority of them have monthly income only below 10000. Chi-square test has been performed to examine whether there was any association between monthly household income of Muslims and the nature of their employment in Kerala. The results indicate that there was a statistically significant association between the household income and nature of employment among Muslims in Kerala.

4.2. Extent of Financial Inclusion among Muslims in Kerala

One of the specific objectives of the present study was to examine the extent of financial inclusion among Muslims in Kerala. Financial Inclusion has been a major focus of our national policy frame for the past few decades. Moreover, it has already been proven that the financial inclusion helps the governments to some extent in bringing the benefits of development to the grassroots level. Although previous studies have presented many indicators of financial inclusion, most of them have focused on the supply side aspects of financial services, which mostly show the general level of financial inclusion (Sarma, 2008, CRISIL an S&P Global Company, 2018, Chattopadhyay, 2011). As far as Muslims concerned, they often have to stay away from the existing interest-based banking services for religious reasons. However, due to the unavailability of other means and the necessity to open a bank account to avail various government services and benefits, the relationship with bank has becoming unavoidable. Therefore this section of the study intended to examine the extent of financial inclusion among Muslims in Kerala using the primary information about the access and use of various financial services by them.

4.2.1. Bank Account Status across the Sect of the Respondents

Bank account status among Muslims is presented in Table 4.14. The table (See below) shows that more than 90 percent of the respondents have bank accounts

and a very small percent of respondents have not yet opened a bank account. The proportion of respondents opened bank account was almost same irrespectively across the sects of Muslims. The Chi-square test results indicate that there was no statistically significant association between sect of Muslims and bank account status among them in Kerala, $\chi^2 (2) = 1.599$, $p = .466$. It can be inferred from the results that there was no significant difference in the proportion of bank account holders across different sects of Muslims in Kerala.

Table 4.14. Bank Account Status across the Sect of Muslims

| | | Sect | | | Total | Chi-square Test Results | |
|--------------------------|-------|-------|---------|---------|-------|--|-------|
| | | Sunni | Mujahid | Jama'at | | | |
| Have Bank Account Status | Yes | Count | 339 | 86 | 44 | $\chi^2 = 1.599$ d.f. = 2 $p = .466$ (Exact p - value) Cramer's V = .057 $p = .466$ | |
| | | % | 95.0% | 96.6% | 91.7% | | 94.9% |
| | No | Count | 18 | 3 | 4 | | 25 |
| | | % | 5.0% | 3.4% | 8.3% | | 5.1% |
| Total | Count | 357 | 89 | 48 | 494 | | |
| | % | 100% | 100% | 100. | 100% | | |

Source: Primary Survey

4.2.2. Major Reason for Not Having Bank Account

The different reasons why some respondents have not yet opened a bank account are given in Table 4.15.

Table 4.15. Major Reason for Not Having Bank Account

| Sl. No. | Reason | Frequency | Percentage | Chi-square Test Results |
|---------|-----------------------------|-----------|------------|--|
| 1 | To avoid interest dealings | 3 | 12.0 | $\chi^2 = 29.56$ d.f. = 3 $p < .001$ |
| 2 | Using other's bank accounts | 2 | 8.0 | |
| 3 | Not needed | 18 | 72.0 | |
| 4 | Others | 2 | 8.0 | |
| | Total | 25 | 100 | |

Source: Primary Survey

The table shows that majority of respondents did not yet open a bank account because they did not want to, while the proportion of those who did not open a bank

account to avoid interest dealings was 12 percent. The Chi-square test results indicate that there was a statistically significant difference in the proportion of respondents did not open a bank account due to various reasons among Muslims in Kerala, $\chi^2 (3) = 29.56$, $p < .001$. It can be inferred from the results that the major reason behind non-opening of bank account among Muslims were significantly different in Kerala.

4.2.3. Compulsion in Opening Bank Account by the Respondents

The Table 4.16 gives the details of whether the respondents had opened the bank account under any compulsory circumstances.

Table 4.16. Whether Bank Accounts were opened due to Compulsion

| | | | Sect | | | Total | Chi-square Test Results |
|---------------------------------|-------|--------|--------|---------|---------|-------|---|
| | | | Sunni | Mujahid | Jama'at | | |
| Compulsion to Open Bank Account | Yes | Count | 237 | 65 | 29 | 331 | $\chi^2 = 1.571$ d.f. = 2 p = .456 Cramer's V = .058 p = .456 |
| | | % | 69.9% | 75.6% | 65.9% | 70.6% | |
| | No | Count | 102 | 21 | 15 | 138 | |
| | | % | 30.1% | 24.4% | 34.1% | 29.4% | |
| Total | Count | 339 | 86 | 44 | 469 | | |
| | % | 100.0% | 100.0% | 100.0% | 100.0% | | |

Source: Primary Survey

The table shows that the majority of respondents had opened a bank account due to non-compliance. Moreover, the proportion of respondents who have opened a bank account under duress does not show much difference across different sects of Muslims. Chi-square test has been performed to examine whether there was any significant difference in the proportion of people those who had opened a bank account due to compulsion across different sects of Muslims in Kerala. The results indicate that there was no statistically significant difference in the proportion of people those who had opened a bank account due to compulsion across different sects of Muslims in Kerala, $\chi^2 (2) = 1.571$, $p = .456$. From the test results, it can be inferred that the majority of Muslims in Kerala were forced to open bank accounts, regardless of sect-wise differences.

4.2.3.1. Type of Compulsion Faced by the Respondents in Opening Bank Account

The details of type of compulsion faced by the respondents across different sects of Muslims in opening bank account are presented in the Table 4.17.

Table 4.17 Type of Compulsion to Open the Bank Account

| | | | Sect | | | Total | Chi-square Test Results |
|--------------------|---|-------|-------|---------|---------|--------|---|
| | | | Sunni | Mujahid | Jama'at | | |
| Type of Compulsion | To receive income and allowances from job | Count | 32 | 27 | 11 | 70 | $\chi^2 = 34.271$ d.f. = 8 p <.001 (Exact p - value) Cramer's V = .228 p <.001 |
| | | % | 13.5% | 41.5% | 37.9% | 21.1% | |
| | To receive government benefits | Count | 93 | 20 | 5 | 118 | |
| | | % | 39.2% | 30.8% | 17.2% | 35.6% | |
| | To get loan | Count | 39 | 6 | 3 | 48 | |
| | | % | 16.5% | 9.2% | 10.3% | 14.5% | |
| | To receive foreign remittances | Count | 65 | 10 | 10 | 85 | |
| | | % | 27.4% | 15.4% | 34.5% | 25.7% | |
| | Others | Count | 8 | 2 | 0 | 10 | |
| | | % | % | 3.1% | 0.0% | 3.0% | |
| | Total | Count | 237 | 65 | 29 | 331 | |
| | | % | % | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that the majority of respondents have opened bank account mainly to receive various types of government assistance but most of the people among *Mujahid* and *Jama'at* sects of Muslims have opened bank account to receive wages and other benefits as part of their job. At the same time, it should be noted that less than 15 percent have opened a bank account to avail loan from the bank. Chi-square test has been performed to examine whether there was any significant association between sect and type of compulsion in opening a bank account across different sects of Muslims in Kerala. The results indicate (Table 4.17) that there was a

statistically significant association between type of compulsion in opening a bank account and sect of Muslims in Kerala, $\chi^2(8) = 34.271$, $p < .001$ (Exact p-value).

4.2.4. Duration of Banking Experience of the Respondents

The details of experience of respondents in banking transaction and the number of years since they opened their bank accounts presented in Table 4.18.

Table 4.18. Pattern of Distribution & Descriptive Statistics of the Duration of Banking Experience of the Respondents

| Pattern of Distribution of the Duration of Banking Experience | | | | | Descriptive Statistics | |
|---|---|-----------------------|------------|-----------------------|------------------------|---------------|
| Sl. No. | Duration of Banking Experience (in Years) | Number of Respondents | Percentage | Cumulative Percentage | Statistic | Value (Years) |
| 1 | Up to 5 | 135 | 28.8 | 28.8 | Mean | 10.26 |
| 2 | 6 - 10 | 195 | 41.6 | 70.4 | S.D. | 6.52 |
| 3 | 11 - 15 | 55 | 11.7 | 82.1 | Minimum | 1 |
| 4 | 16 - 20 | 57 | 12.2 | 94.2 | Maximum | 40 |
| 5 | Above 20 | 27 | 5.8 | 100.0 | N | 469 |
| | Total | 469 | 100.0 | | | |

Source: Primary Survey

The table shows that majority of respondents had only ten years or less experience in banking transactions and their average banking experience was just 10.26 years. At the same time, only a very small percentage of respondents have more than 20 years of banking experience. This indicates a significant increase in the number of Muslims with bank accounts over the past decade. Moreover, it was only in the last decade that various policies such as Direct Benefit Transfer Scheme (DBTS) and Jhan Dhan Yojana (JDY) have been implemented in India as part of financial inclusion and many bank accounts have been opened as part of it. Therefore, it can be inferred from the details shown in the table that the vast majority of Muslims have opened a bank account only recently due to unavoidable circumstances.

4.2.4.1. Duration of Banking Experience among different Sects of Muslims

The details about the duration of banking experience across different sects of Muslims are given in the Table 4.19.

Table 4.19. Duration of Banking among different Sects of Muslims in Kerala

| Sl. No. | Sect | Mean | N | S.D. | Skewness | Kurtosis | One -Way ANOVA Results | |
|---------|---------|-------|-----|------|----------|----------|------------------------|----------|
| | | | | | | | F - Value | |
| 1 | Sunni | 10.31 | 339 | 6.79 | 1.26 | 1.44 | F - Value | 0.040 |
| 2 | Mujahid | 10.21 | 86 | 5.46 | 0.46 | -0.62 | df | (2, 466) |
| 3 | Jama'at | 10.02 | 44 | 6.48 | 0.60 | -0.76 | p -value | .961 |
| | Total | 10.26 | 469 | 6.52 | 1.12 | 1.16 | | |

Source: Primary Survey

The table shows that there were no significant differences among different Muslim communities in terms of years of banking experience. One-Way ANOVA test was conducted to find out whether there was any difference in banking experience among Muslim communities in Kerala. The one-way ANOVA results reported in Table 4.19 reveals that there was no statistically significant difference in the duration of banking across different sects of Muslims in Kerala, $F(2, 466) = 0.040$, $p = .961$. It can be inferred from the results that there were no difference in the banking experiences across different sects of Muslims in Kerala.

4.2.5. Number of Bank Accounts Possessed by the Respondents

The distribution and descriptive statistics of number of bank account possessed by the respondents are presented in the Table 4.20. The table shows that the majority of respondents had only one bank account and the mean number of bank accounts was 1.64. At the same time, more than 85 percent of respondents have either two or fewer bank accounts. Only a very small percent of respondents have more than three bank accounts.

Table 4.20. Pattern of Distribution & Descriptive Statistics of the Number of Bank Accounts of the Respondents

| Distribution Pattern of the Number of Bank Accounts | | | | | Descriptive Statistics | |
|---|-------------------------|-----------------------|------------|-----------------------|------------------------|-------|
| Sl. No. | Number of Bank Accounts | Number of Respondents | Percentage | Cumulative Percentage | Statistic | Value |
| 1 | One | 243 | 51.8 | 51.8 | Mean | 1.64 |
| 2 | Two | 176 | 37.5 | 89.3 | S.D. | 0.85 |
| 3 | Three | 37 | 7.9 | 97.2 | Minimum | 1 |
| 4 | More than Three | 13 | 2.8 | 100.0 | Maximum | 8 |
| | Total | 469 | 100 | | N | 469 |

Source: Primary Survey

4.2.5.1. Number of Bank Accounts held by different Sects of Muslims

The details of number of bank accounts held by sample respondents belong to different sects of Muslims are presented in Table 4.21. The table shows that there was no significant difference in the possession of multiple Savings Bank accounts by the respondents across different sects of Muslims with a mean number of accounts of 1.39. Similarly, Savings Bank accounts were more common among all sects of Muslims and although the number of Current and NRI accounts was very small, it varies across different sects of Muslims. Due to the distribution of number of bank accounts held by a person among the sample respondents not normal, Kruskal-Wallis H Test was conducted separately to examine whether there were any differences in the number of each type of account across different sects of Muslims in Kerala. The Kruskal-Wallis H Test results indicate that there was no statistically significant difference in the number of Savings Bank account held by a person across different sects of Muslims in Kerala, $\chi^2(2) = 2.387$, $p = .303$. While, Kruskal-Wallis H Test results indicate that there were statistically significant difference in the number of Current account and NRI account held by a person across different sects of Muslims, $\chi^2(2) = 9.630$, $p = .008$ and $\chi^2(2) = 14.010$, $p = .001$ respectively. It can be inferred from the results that there was no statistically significant difference in the number of Savings Bank account and have statistically significant difference in the number of Current account and NRI account held by a person across different sects of Muslims in Kerala.

Table 4.21. Summary Statistics of the Number of Bank Accounts held by different Sects of Muslims

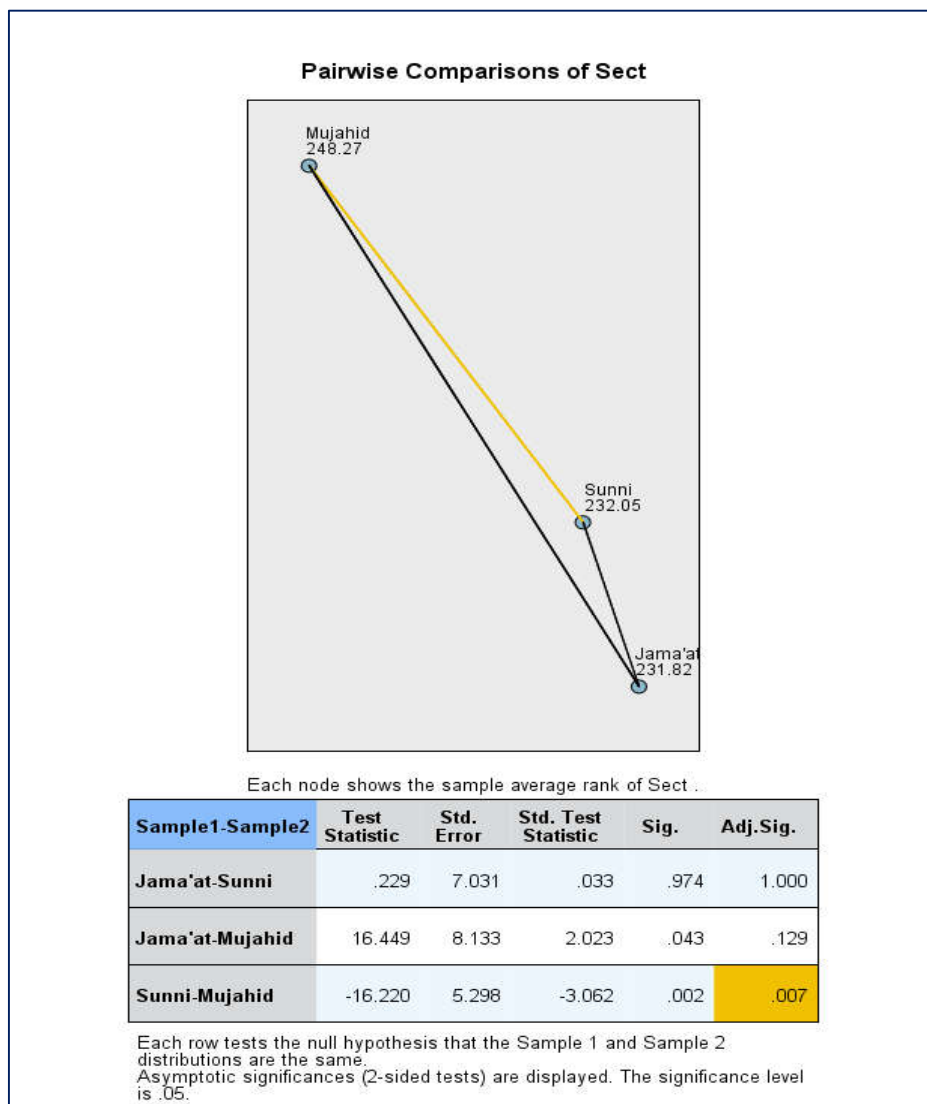
| Sl. No. | Type of Account | Sect | | | | | | | | | | | | Kruskal-Wallis H Test Results |
|---------|---------------------------------|-------|------|-----|---------|------|----|---------|------|----|-------|------|-----|---|
| | | Sunni | | | Mujahid | | | Jama'at | | | Total | | | |
| | | Mean* | S.D. | N | Mean | S.D. | N | Mean | S.D. | N | Mean | S.D. | N | |
| 1 | Number of Savings Bank Accounts | 1.41 | 0.72 | 339 | 1.37 | 0.72 | 86 | 1.23 | 0.42 | 44 | 1.39 | 0.70 | 469 | $\chi^2 = 2.387$ d.f. = 2 p = .303 |
| 2 | Number of Current Accounts | 0.03 | 0.18 | 339 | 0.09 | 0.29 | 86 | 0.02 | 0.15 | 44 | 0.04 | 0.20 | 469 | $\chi^2 = 9.630$ d.f. = 2 p = .008 |
| 3 | Number of NRI Accounts | 0.07 | 0.26 | 339 | 0.10 | 0.31 | 86 | 0.25 | 0.44 | 44 | 0.10 | 0.29 | 469 | $\chi^2 = 14.010$ d.f. = 2 p = .001 |

Note: * The sample median number of savings accounts was 1 for all the three groups, and it was 0.00 for the other two accounts for the three groups.

Source: Primary Survey

The subsequent pair wise comparison analysis (see Figure 4.9) indicated that the number of Current account held by a person in the Sunni households was significantly different from that of *Mujahid* households in Kerala. To be more specific, the number of Current account held by a person in the Sunni households was lower than that of *Mujahid* households in Kerala. While, there was no significant difference in the number of Current account held by a person between the *Mujahid* and *Jama'at* households and Sunni and *Jama'at* households in Kerala.

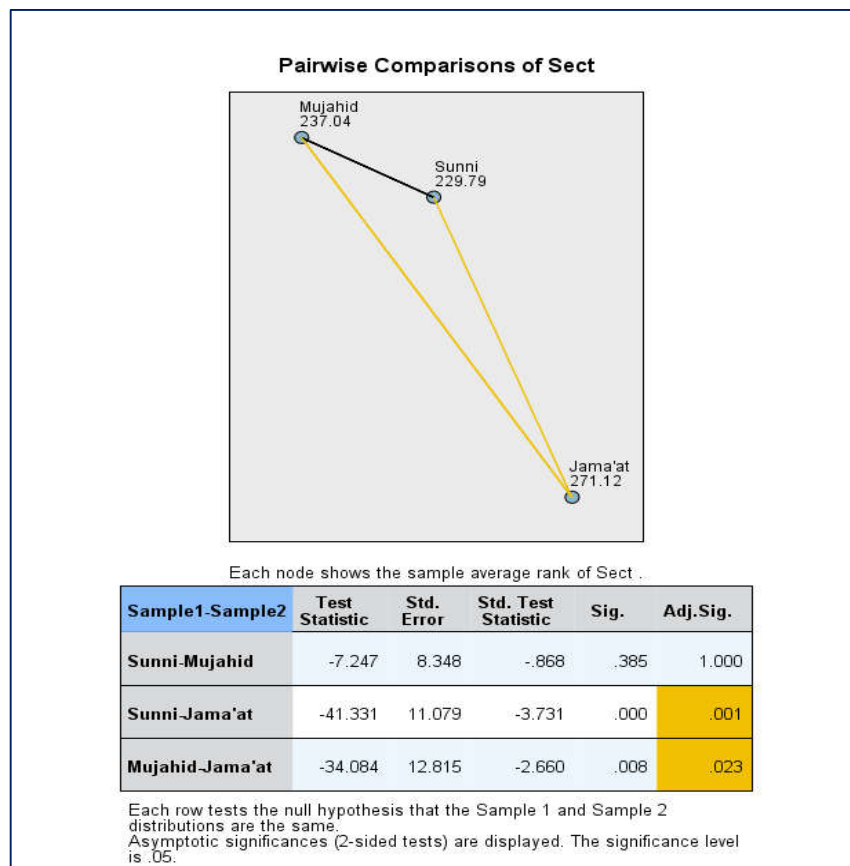
Figure 4.9. Pair wise Comparison for Number of Current Accounts



Source: Primary Survey

The subsequent pair wise comparison analysis (see Figure 4.10) indicated that the number of NRI account held by a person in the Jama'at households was significantly different from that of both *Mujahid* and *Sunni* households in Kerala. To be more specific, the number of NRI account held by a person in the Jama'at households was higher than that of both *Mujahid* and *Sunni* households in Kerala. While, there was no significant difference in the number of NRI account held by a person between the *Mujahid* and *Sunni* households in Kerala.

Figure 4.10. Pair wise Comparison for Number of NRI Accounts



Source: Primary Survey

4.2.5.2. Number of Bank Accounts by Type of Banks

Summary statistics of the number of bank account held by respondents in different type of banks are presented in Table 4.21.

Table 4.21. Summary Statistics of the Number of Accounts by Types of Banks

| Sl. No. | Sect | Statistic | Number of Accounts in: | | |
|-------------------------------|---------|-----------|--|--|--|
| | | | Public Sector Banks | Private Sector Banks | Cooperative Banks |
| 1 | Sunni | Mean | 0.75 | 0.53 | 0.37 |
| | | S.D. | 0.65 | 0.71 | 0.66 |
| | | Median | 1.00 | 0.00 | 0.00 |
| | | N | 339 | 339 | 339 |
| 2 | Mujahid | Mean | 0.76 | 0.69 | 0.23 |
| | | S.D. | 0.63 | 0.74 | 0.50 |
| | | Median | 1.00 | 1.00 | 0.00 |
| | | N | 86 | 86 | 86 |
| 3 | Jama'at | Mean | 0.68 | 0.68 | 0.25 |
| | | S.D. | 0.64 | 0.80 | 0.44 |
| | | Median | 1.00 | 1.00 | 0.00 |
| | | N | 44 | 44 | 44 |
| | Total | Mean | 0.75 | 0.57 | 0.33 |
| | | S.D. | 0.65 | 0.73 | 0.62 |
| | | Median | 1.00 | 0.00 | 0.00 |
| | | N | 469 | 469 | 469 |
| Kruskal-Wallis H Test Results | | | $\chi^2 = 0.486$ d.f. = 2 p = .784 | $\chi^2 = 5.144$ d.f. = 2 p = .076 | $\chi^2 = 2.853$ d.f. = 2 p = .240 |

Source: Primary Survey

The table shows that the average number of accounts held by the respondents in public sector banks was 0.75; in private sector banks were 0.57 and had 0.33 accounts in cooperative banks. Irrespective of the sect wise differences among the respondents, they were maintained more number of accounts in public sector banks than other type of banks. Also there were no significant differences in the number of accounts held by the respondents in different type of banks among Muslim households. Kruskal-Wallis test results indicate that there were no statistically significant differences in the number of accounts held by the people in different type

of banks across different sects of Muslim in Kerala, which was $\chi^2 (2) = 0.486$, $p = .784$ in the case of public sector banks, was $\chi^2 (2) = 5.144$, $p = .076$ in the case of private sector banks and was $\chi^2 (2) = 2.853$, $p = .240$ in the case of cooperative banks. It can be inferred from the results that Muslims held more number of accounts in public sector banks irrespective of the differences in sects among them in Kerala.

4.2.6. Mode of Operation of Bank Account across the Sect of the Respondent

The details of mode of operation of bank account held by the respondents are given in Table 4.22. The table shows that the bank accounts of almost all respondents were operated by themselves and there was no significant difference in the operation of bank account across different sects of Muslims. The Chi-square test, was conducted to examine the association between sect and mode of operation of bank account among Muslims in Kerala, results indicate that there was no statistically significant association between sect and mode of operation of bank account among Muslims in Kerala, $\chi^2 (2) = 0.770$, $p = 1.00$. It can be inferred from the results that there were no statistically significant in the mode of operation of bank account across different sects of Muslims in Kerala.

Table 4.22. Mode of Operation of the Account across the Sect of the Respondents

| | | | Sect | | | Total | Chi-square Test Results |
|----------------------------------|-------|--------|--------|---------|---------|-------|--|
| | | | Sunni | Mujahid | Jama'at | | |
| Mode of Operation of the Account | Self | Count | 337 | 86 | 44 | 467 | $\chi^2 = 0.770$ d.f. = 2 $p = 1.00$ (Exact p - value) Cramer's V = .041 $p = 1.00$ |
| | | % | 99.4% | 100.0% | 100.0% | 99.6% | |
| | Joint | Count | 2 | 0 | 0 | 2 | |
| | | % | 0.6% | 0.0% | 0.0% | 0.4% | |
| Total | Count | 339 | 86 | 44 | 469 | | |
| | % | 100.0% | 100.0% | 100.0% | 100.0% | | |

Source: Primary Survey Data

4.2.7. Distance to the Nearest Bank of the Respondents

The summary statistics of the distance to the nearest bank from the residence of respondents are given in Table 4.23.

Table 4.23. Summary Statistics of the Distance to the Nearest Bank from Home (in KM)

| Sl. No. | Sect | Mean | S.D. | Median | Minimum | Maximum | Skewness | Kurtosis | N |
|-------------------------------|---------|------|------|--|---------|---------|----------|----------|-----|
| 1 | Sunni | 4.37 | 3.18 | 3 | 1 | 20 | 2.06 | 6.13 | 339 |
| 2 | Mujahid | 4.23 | 2.76 | 4 | 1 | 15 | 2.20 | 6.48 | 86 |
| 3 | Jama'at | 3.66 | 2.32 | 3 | 1 | 10 | 1.23 | 1.83 | 44 |
| | Total | 4.28 | 3.04 | 3 | 1 | 20 | 2.08 | 6.32 | 469 |
| Kruskal-Wallis H Test Results | | | | $\chi^2 = 1.607, \text{ d.f.} = 2, \text{ p} = .448$ | | | | | |

Source: Primary Survey

The table shows that the average distance to the nearest bank from the residence of respondents was 3 Kilometers. Kruskal-Wallis test results indicate that there were no statistically significant differences in the distance to the nearest bank of people across different sects of Muslims in Kerala, $\chi^2 (2) = 1.607, \text{ p} = .448$. It can be inferred from the results that the average distance to the nearest bank from the residence of the people among Muslims was same in Kerala.

4.2.8. Access to different Types of Cash Transaction Instruments

The details of access of different cash transaction instruments by respondents across different sects of Muslims are presented in Table 4.24.

Table 4.24. Access to different Types of Cash Transaction Instruments across different Sects of Muslims in Kerala

| Sl. No. | Type of Cash Transaction Instrument | | Sect | | | Total | Chi-square Test Results | | | |
|---------|-------------------------------------|-------|-------|---------|---------|-------|-------------------------|----|-------------------------|------------|
| | | | Sunni | Mujahid | Jama'at | | χ^2 | df | p-value | Cramer's V |
| | | | Count | Count | Count | | | | | |
| 1 | Debit/ATM Card | Count | 261 | 78 | 43 | 382 | 17.044 | 2 | <.001 | .191 |
| | | %* | 77.0% | 90.7% | 97.7% | 81.4% | | | | |
| 2 | Credit Card | Count | 23 | 4 | 13 | 40 | 27.891 | 2 | <.001 | .244 |
| | | %* | 6.8% | 4.7% | 29.5% | 8.5% | | | | |
| 3 | Kisan Credit Card | Count | 3 | 0 | 0 | 3 | 1.158 | 2 | .712 (Exact p value) | .561 |
| | | %* | 0.9% | 0.0% | 0.0% | 0.6% | | | | |
| 4 | Cheque Book | Count | 181 | 41 | 32 | 254 | 7.647 | 2 | .022 | .128 |
| | | %* | 53.4% | 47.7% | 72.7% | 54.2% | | | | |
| | Total | Count | 339 | 86 | 44 | 469 | | | | |
| | | % | 100% | 100% | 100% | 100% | | | | |

Note: * Percentage to the total bank account holders

Source: Primary Survey

The table shows that more than 80 percent of respondents have debit card and half of them have a cheque book. While, only a few percent of respondents have Credit Card and Kisan Credit Card. But, there were differences in the proportion of respondents who possess such money transaction instruments across different sects of Muslims. The Chi-square tests results indicate that there were statistically significant differences in the accessibility of different cash transaction instruments across different sects of Muslims, except Kisan Credit Card, in Kerala, which was $\chi^2(2) = 17.044$, $p < .001$ in the possession of Debit Cards, $\chi^2(2) = 27.891$, $p < .001$ in the possession of Credit Cards, $\chi^2(2) = 1.158$, $p = .722$ (Exact p-value) in the possession of Kisan Credit Cards and $\chi^2(2) = 7.647$, $p = .022$ in the possession of Cheque book. It can be conclude from the results that there were differences in the accessibility of different cash transaction instruments among Muslims in Kerala. The sample result reveals that debit card was one of the important cash transaction instruments and Sunni sect left behind other sects of Muslims in the access to the same. Jama'at sect has greater accessibility to almost all types of cash transaction instruments than other sects of Muslims. While Mujahid sect has lesser accessibility to all types of cash transaction instruments, except debit card, among Muslims.

4.2.8.1. Number of different Types of Cash Transaction Instruments

The summary statistics of the number of different cash transaction instruments used by different sects of Muslims is presented in Table 4.25.

Table 4.25. Summary Statistics of the Number of different Types of Cash Transaction Instruments held by different Sects of the Muslims

| Sect | Statistic | Number of | | | |
|-------------------------------|-----------|---|---|--|--|
| | | Debit Cards | Credit Cards | Kissan Credit Cards | Cheque Books |
| Sunni | Mean | 0.98 | 0.08 | 0.01 | 0.59 |
| | S.D. | 0.81 | 0.31 | 0.13 | 0.66 |
| | Median | 1 | 0 | 0 | 1 |
| | Skewness | 2.73 | 4.22 | 12.46 | 1.92 |
| | Kurtosis | 19.28 | 18.67 | 167.2 | 10.33 |
| | N | 339 | 339 | 339 | 339 |
| Mujahid | Mean | 1.2 | 0.05 | 0 | 0.66 |
| | S.D. | 0.75 | 0.21 | 0 | 0.94 |
| | Median | 1 | 0 | 0 | 0 |
| | Skewness | 1.72 | 4.38 | -- | 2.03 |
| | Kurtosis | 5.26 | 17.63 | -- | 4.53 |
| | N | 86 | 86 | 86 | 86 |
| Jama'at | Mean | 1.23 | 0.3 | 0 | 0.84 |
| | S.D. | 0.71 | 0.46 | 0 | 0.61 |
| | Median | 1 | 0 | 0 | 1 |
| | Skewness | 2.89 | 0.93 | -- | 0.08 |
| | Kurtosis | 9.59 | -1.19 | -- | -0.27 |
| | N | 44 | 44 | 44 | 44 |
| Total | Mean | 1.04 | 0.09 | 0.01 | 0.63 |
| | S.D. | 0.79 | 0.32 | 0.11 | 0.72 |
| | Median | 1 | 0 | 0 | 1 |
| | Skewness | 2.48 | 3.55 | 14.68 | 1.91 |
| | Kurtosis | 15.74 | 12.93 | 232.21 | 7.84 |
| | N | 469 | 469 | 469 | 469 |
| Kruskal-Wallis H Test Results | | $\chi^2 = 10.761$ d.f. = 2 p = .005 | $\chi^2 = 27.190$ d.f. = 2 p < .001 | $\chi^2 = 1.155$ d.f. = 2 p = .561 | $\chi^2 = 7.975$ d.f. = 2 p = .019 |

Source: Primary Survey

It is clear from the table that the mean number of debit card was more than one among Muslims, but it was above average among both Mujahid and Jama'at sects and was below average among Sunni sect. Apart from debit cards, the statistics indicate that cheque books are also the most widely used cash transfer device among Muslims. At the same time the average number of credit cards and Kissan credit

cards shows that they are not very popular among Muslims. The Jama'at sect was ahead of other sects of Muslims in terms of the number of different cash transaction instruments except the Kisan credit card.

The Kruskal-Wallis tests results indicate that there were statistically significant differences in the number of different cash transaction instruments like, Debit card, Credit card and Cheque book across different sects of Muslims in Kerala, which were $\chi^2(2) = 10.761, p = .005$, $\chi^2(2) = 27.190, p < .001$ and $\chi^2(2) = 7.975, p = .019$ respectively. But in the case of Kisan Credit card, Kruskal-Wallis tests results indicate that there was no statistically significant difference in the number of this card across different sects of Muslims in Kerala, $\chi^2(2) = 1.155, p = .561$. It can be inferred from the results that there were differences in the number of different cash transaction instruments, except Kisan Credit card, across different sects of Muslims in Kerala.

4.2.9. Access to Different Types of Online Banking Facilities

The details of access to different types of online banking facilities across different sects of Muslims are presented in Table 4.26.

Table 4.26. Access to Different Types of Online Banking Facilities across different Sects of Muslims in Kerala

| Sl. No. | Type of Cash Transaction Instrument | | Sect | | | Total | Chi-square Test Results | | | |
|---------|-------------------------------------|-------|-------|---------|---------|-------|-------------------------|----|---------|------------|
| | | | Sunni | Mujahid | Jama'at | | χ^2 | df | p-value | Cramer's V |
| | | | | | | | | | | |
| 1 | Internet Banking | Count | 94 | 38 | 24 | 156 | 18.278 | 2 | <.001 | .197 |
| | | %* | 27.7% | 44.2% | 54.5% | | | | | |
| 2 | Mobile Banking | Count | 115 | 51 | 27 | 193 | 24.436 | 2 | <.001 | .237 |
| | | %* | 33.9% | 59.3% | 61.4% | | | | | |
| | Total | Count | 339 | 86 | 44 | 469 | | | | |
| | | % | 100% | 100% | 100% | 100% | | | | |

Note: * Percentage to the total bank account holders

Source: Primary Survey

The table shows that more than 40 percent of the respondents had access to Mobile banking facility, while only one third of the respondents had Internet banking facility. Jama'at sect had greater access to online banking facilities than other sects, while Sunni sect lagged behind other sects of Muslims. Chi-square tests results indicate that there were statistically significant differences in the access to Internet banking and Mobile banking facilities across different sects of Muslims in Kerala, which were $\chi^2 (2) = 18.278$, $p < .001$ and $\chi^2 (2) = 24.436$, $p < .001$ respectively. It can be inferred from the results that there were differences in the access to different types of online banking facilities across different sects of Muslims in Kerala.

4.3. Use of Banking Services by Muslims

The use of bank account shows the demand for banking services among the people. Previous studies have shown that financial inclusion can only be complete when the bank account is used effectively. The use of a bank account is, in fact, subject to change and regulation by a number of factors. The technological advancement and economic policies that have been taking place in the World over the last few decades have given us more possibilities to use banking services. However, some people are reluctant to use banking services for personal reasons rather than opportunities. Therefore, in this section we examining the extent of use of banking services by Muslims living in Kerala, they have very good social, economic and political conditions than Muslims of other states in India.

4.3.1. Status of Active Bank Account

The table 4.27 provides information on the proportion of respondents with bank accounts currently in operation across different sects of Muslims.

Table 4.27. Active Bank Account Status across Different Sects of Respondents

| | | Sect | | | Total | Chi-square Test Results | |
|---------------------------|-----|-------|---------|---------|--------|---|---------------------------------|
| | | Sunni | Mujahid | Jama'at | | | |
| Have Active Bank Accounts | Yes | Count | 336 | 86 | 44 | $\chi^2 = 1.158$ d.f. = 2 $p = .712$ (Exact p - value) | |
| | | % | 99.1% | 100.0% | 100.0% | | 99.4% |
| | No | Count | 3 | 0 | 0 | | Cramer's V = .050 $p = .712$ |
| | | % | 0.9% | 0.0% | 0.0% | | |
| Total | | Count | 339 | 86 | 44 | Cramer's V = .050 $p = .712$ | |
| | | % | 100.0% | 100.0% | 100.0% | | |

Source: Primary Survey

The table shows that almost everyone's bank accounts were active in the survey period and they constitute 99.4 percent of the sample respondents had bank accounts. Moreover, the proportion respondents with active bank account across different sects of Muslims were almost same. Chi-square test results indicate that there was no statistically significant difference in the status of active bank account holders across different sects of Muslims in Kerala, $\chi^2 (2) = 1.158$, $p = .712$ (exact p-value). It can be inferred from the results that the proportion active bank account holders among Muslims was invariably very high irrespective of the difference in sect to which they belong.

4.3.3. Minimum Balance Requirements in the Bank Accounts

The summary statistics about the minimum balance requirement in the bank account of the respondents are presented in Table 4.28.

Table 4.28 Summary Statistics of the Minimum Balance Requirements in the Bank Accounts of different Sects of Muslims in Kerala

| Sl. No. | Sect | Mean Amount (Rs.) | S.D. (Rs.) | Median (Rs.) | Minimum (Rs.) | Maximum (Rs.) | Skewness | Kurtosis | N |
|-------------------------------|---------|-------------------|------------|---|---------------|---------------|----------|----------|-----|
| 1 | Sunni | 1469.0 | 1378.6 | 1000 | 0 | 5000 | 1.4 | 1.4 | 339 |
| 2 | Mujahid | 1738.4 | 1486.7 | 1000 | 0 | 5000 | 1.0 | 0.3 | 86 |
| 3 | Jama'at | 2147.7 | 1740.7 | 1000 | 0 | 5000 | 0.8 | -0.9 | 44 |
| | Total | 1582.1 | 1447.9 | 1000 | 0 | 5000 | 1.3 | 0.8 | 469 |
| Kruskal - Wallis Test Results | | | | $\chi^2 = 8.514$, d.f. = 2, $p = .014$ | | | | | |

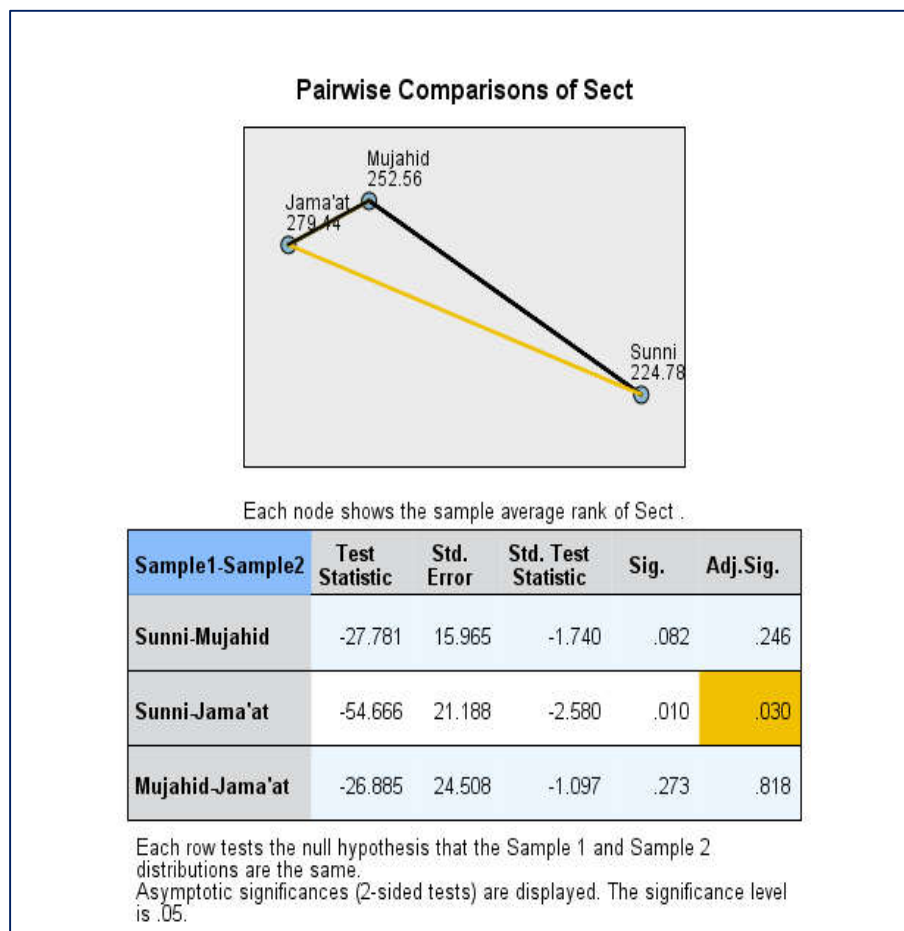
Source: Primary Survey

The table shows that the average amount required as minimum balance in the bank account of respondents was rupees 1582.1. The minimum balance requirement of the bank account opened by the respondents belong to Jama'at sect was rupees 2147.7 and which was the highest among other sects of Muslims. While the lowest minimum balance requirement was reported in the bank accounts of the Sunni sects. It is clear from the table that the proportion of zero balance account maintained by the respondents was very few. Kruskal-Wallis test results indicate that there was statistically significant difference in the amount of required minimum balance in the

bank account across different sects of Muslims in Kerala, $\chi^2(2) = 8.514$, $p = .014$. It can be inferred from the results that the people maintain bank accounts with different amount of minimum balance across different sects of Muslims in Kerala.

Following pair wise comparison (Figure 4.11) unfold the difference of minimum balance requirement in the bank account of respondents across different sects of Muslims.

Figure 4.11. Pair wise Comparison of the Minimum Balance Requirements



The figure shows that there was statistically significantly difference in the amount of minimum balance required to maintain bank account between Sunni and Jama'at sects. While there was no statistically significant difference in the amount of minimum balance required to maintain bank account between Sunni and Mujahid sects and also between Mujahid and Jama'at sects in Kerala.

4.3.2. Outstanding Balance in the Bank Accounts

The summary statistics of the outstanding balance in the bank account of the respondents during the survey period is presented in Table 4.29.

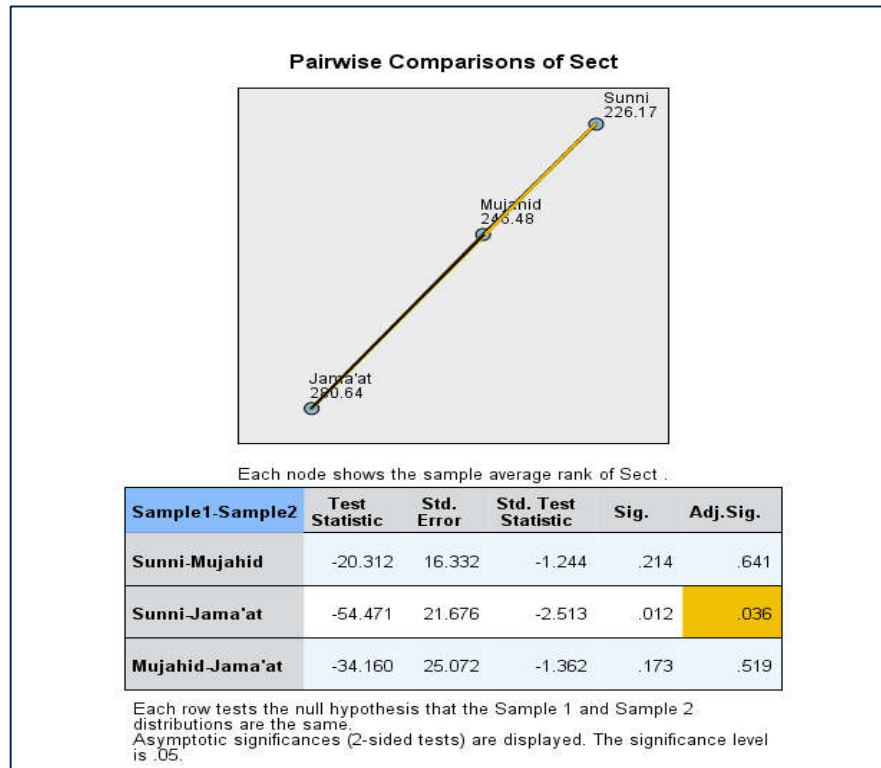
Table 4.29. Summary Statistics of the Outstanding Balance in the Bank Accounts of different Sects of Muslims in Kerala

| Sl. No. | Sect | Mean Amount (Rs.) | S.D. (Rs.) | Median (Rs.) | Minimum (Rs.) | Maximum (Rs.) | Skewness | Kurtosis | N |
|-----------------------------|---------|-------------------|------------|--------------------------------------|---------------|---------------|----------|----------|-----|
| 1 | Sunni | 48234.2 | 217861.6 | 6000 | 0 | 3000000 | 10.4 | 122.7 | 339 |
| 2 | Mujahid | 62412.2 | 327895.5 | 7000 | 0 | 3000000 | 8.7 | 78.3 | 86 |
| 3 | Jama'at | 23638.6 | 23695.3 | 14400 | 500 | 100000 | 1.2 | 0.9 | 44 |
| | Total | 48526.6 | 232275.7 | 8000 | 0 | 3000000 | 10.6 | 123.4 | 469 |
| Kruskal-Wallis Test Results | | | | $\chi^2 = 7.073, d.f. = 2, p = .029$ | | | | | |

Source: Primary Survey

The table shows that the median outstanding balance in the bank account of respondents during the survey period was Rupees 8000. The respondents belong to *Jama'at* sect have highest outstanding balance and those belong to Sunni sect have lowest outstanding balance in their bank accounts than other sects of Muslims. Kruskal-Wallis test results indicate that there were statistically significant differences in the outstanding balance in the bank account of people across different sects of Muslims in Kerala, $\chi^2 (2) = 7.073, p = .029$. It can be inferred from the results that the outstanding balance in the bank account of the people across different sects of Muslims was different in Kerala.

The subsequent pair wise comparison analysis (see Figure 4.12) indicated that the average amount of outstanding balance in the bank account of a person in the *Jama'at* households was significantly different from that of *Sunni* households in Kerala. To be more specific, the average amount of outstanding balance in the bank account of a person in the *Jama'at* households was higher than that of *Sunni* households in Kerala. While, there was no significant difference in the average amount of outstanding balance in the bank account of a person between the *Mujahid* and *Sunni* and also between *Mujahid* and *Jama'at* households in Kerala.

Figure 4.12. Pair wise Comparison Outstanding Balance in the Bank Account

4.3.4. Status of Receiving Foreign Remittance through Bank Account

The details of foreign remittance receiving status through the bank accounts of the respondents are presented in Table 4.30.

Table 4.30. Status of Receiving Foreign Remittance through Bank Account across the Sect of the Respondents

| | | | Sect | | | Total | Chi-square Test Results |
|---|-------|--------|--------|---------|---------|-------|--|
| | | | Sunni | Mujahid | Jama'at | | |
| Receive Foreign Remittances in Accounts | Yes | Count | 157 | 30 | 29 | 216 | $\chi^2 = 11.310$ d.f. = 2 p = .003 Cramer's V = .155 p = .003 |
| | | % | 46.3% | 34.9% | 65.9% | 46.1% | |
| | No | Count | 182 | 56 | 15 | 253 | |
| | | % | 53.7% | 65.1% | 34.1% | 53.9% | |
| Total | Count | 339 | 86 | 44 | 469 | | |
| | % | 100.0% | 100.0% | 100.0% | 100.0% | | |

Source: Primary Survey

The table shows that majority of the respondents did not receive foreign remittance through their bank account. But more than 60 percent of the respondents belong to Jama'at sect were receiving foreign remittance through their bank account, followed by those belong to Sunni sect. While, majority of the respondents belong to Mujahid and Sunni sect did not receive foreign remittance through their bank account. Chi-square test results indicate that there was statistically significant difference in the status of receiving foreign remittance through bank account across different sects of Muslims in Kerala, $\chi^2(2) = 11.310$, $p = .003$. It can be inferred from the results that the proportion of people receiving foreign remittance through their bank account were different across different sects of Muslims in Kerala.

4.3.5. Reason for Not Receiving Foreign Remittance across the Sect

The different reasons for not receiving foreign remittance through bank account by the respondents are given in Table 4.31.

Table 4.31. Reasons for not Receiving Foreign Remittance across the Sect of the Respondents

| | | | Sect | | | Total | Chi-square Test Results | |
|--------------------------------------|----------------------------|-------|--------|---------|---------|--------|--|---------------------------------|
| | | | Sunni | Mujahid | Jama'at | | | |
| Reason for not receiving remittances | Lack of NRI account | Count | 2 | 0 | 3 | 5 | $\chi^2 = 22.194$ d.f. = 4 $p < .001$ (Exact p - value) | |
| | | % | 1.1% | 0.0% | 16.7% | 2.0% | | |
| | To avoid interest dealings | Count | 4 | 1 | 0 | 5 | | |
| | | % | 2.2% | 1.8% | 0.0% | 2.0% | | |
| | No Foreign Remittance | Count | 173 | 55 | 15 | 243 | | Cramer's V = .209 $p < .001$ |
| | | % | 96.6% | 98.2% | 83.3% | 96.0% | | |
| Total | | Count | 179 | 56 | 18 | 253 | | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | | |

Source: Primary Survey

The table shows that the main reason why majority of respondents did not receive foreign remittance through their bank account was they do not have a source of foreign remittance up to the survey period. The proportion respondents those who did not receive foreign remittance due to the lack of NRI account and to avoid interest dealing was same. Chi-square test results indicate that the reasons for not

receiving foreign remittance were different across different sects of Muslims in Kerala, $\chi^2(4) = 22.194$, $p < .001$. It can be inferred that the proportion of people who did not receive foreign remittance through their bank account due to different reasons was varied across different sects of Muslims in Kerala.

4.4. Saving Details of Muslims in Kerala

Saving is a productive activity and essential to meet future contingencies. Past savings are considered as a crucial factor in determining the financial resilience of a person. In fact, saving is the result of deliberate decision of a person and which may be influenced by the social, economic and cultural factors of the society in which they lives. Interest is an important factor in bank savings, but it keeps Muslims away from bank savings to some extent. This is because interest-based banking services are forbidden to Muslims according to Islamic principles. Moreover, the penetration of saving is one of the determinants of financial inclusion of a society and which has a cause and effect relation with branch penetration also.

4.4.1. Details of Bank Savings of Respondents

The details of bank savings of the respondents are presented in Table 4.32.

Table 4.32. Savings in the Bank across the Sects of Muslims in Kerala

| | | | Sect | | | Total | Chi-square Test Results |
|---------------------------------|-------|-------|-------|---------|---------|-------|--|
| | | | Sunni | Mujahid | Jama'at | | |
| Do You Have Savings in the Bank | Yes | Count | 93 | 12 | 17 | 122 | $\chi^2 = 19.226$ d.f. = 2 $p = .010$ Cramer's V = .139 $p = .010$ |
| | | % | 27.1% | 13.8% | 35.4% | 25.5% | |
| | No | Count | 250 | 75 | 31 | 356 | |
| | | % | 72.9% | 86.2% | 64.6% | 74.5% | |
| Total | Count | 343 | 87 | 48 | 478 | | |
| | % | 100% | 100% | 100% | 100% | | |

Source: Primary Survey

The table shows that majority of respondents were not saved in bank. More than 85 percent of respondents belong to Mujahid sect was reluctant to save in banks. While the respondent belong to Jama'at sect have high saving habit than the

respondents from other sects of Muslims. Chi-square test results indicate that there were statistically significant difference in the saving habit of the people across different sects of Muslims in Kerala, $\chi^2(2) = 19.226$, $p = .010$. It can be deduced from the results that the saving habit across different sects Muslims was different in Kerala.

4.4.1.1. Reason for not keeping Savings in Banks

The different reasons for not keeping savings at bank by respondents are presented in Table 4.33.

Table 4.33. Reason for not Keeping Savings in Banks across the Sect of the Respondents

| | | Sect | | | Total | Chi-square Test Results |
|---------------------------------------|---------------------------|-------|---------|---------|-------|-------------------------|
| | | Sunni | Mujahid | Jama'at | | |
| Reason for not having savings in bank | Lack of sufficient income | Count | 109 | 15 | 4 | 128 |
| | | % | 43.4% | 20.0% | 12.9% | 35.9% |
| | Lack of knowledge | Count | 5 | 0 | 0 | 5 |
| | | % | 2.0% | 0.0% | 0.0% | 1.4% |
| | Lack of trust on Bank | Count | 6 | 0 | 0 | 6 |
| | | % | 2.4% | 0.0% | 0.0% | 1.7% |
| | Avoid Interest | Count | 131 | 60 | 27 | 218 |
| | | % | 52.2% | 80.0% | 87.1% | 61.1% |
| Total | Count | 251 | 75 | 31 | 357 | |
| | % | 100% | 100% | 100% | 100% | |

Source: Primary Survey

The table shows that majority of respondents across different sects were did not save in bank to avoid the dealings with interest. The proportion of respondents reported the presence of interest as the major reason for not saving in bank was more among Jama'at sect compared to other sects of Muslims. Above one third of the respondents were did not save in bank due to insufficient income. While the proportion of respondents reported insufficient income as the major reason for not saving in bank was more among Sunni sect compared to other sects of Muslims. Only a few percent of respondents not saved in bank due to the lack of knowledge and trust on bank. Chi-square test results indicate that there were sect-wise differences in the reasons for not saving in bank among Muslims in Kerala, $\chi^2(6) =$

29.552, $p < .001$. It can be inferred from the results that the major reason for not saving in bank was different across different sects of Muslims.

4.4.2. Bank Savings by Monthly Household Income of Respondents

The Bank saving details of respondents across different income groups are presented in Table 4.34.

Table 4.34. Savings in the Bank across the Income of Muslims in Kerala

| | | | Household Income (Rs.) | | | | | Total | |
|-------------------------|-------|-------|---|---------------|---------------|---------------|---------------|-------|-------------|
| | | | Up to 10000 | 10001 - 20000 | 20001 - 30000 | 30001 - 40000 | 40001 - 50000 | | Above 50000 |
| Savings in the Bank | Yes | Count | 13 | 38 | 27 | 20 | 14 | 10 | 122 |
| | | % | 14.4% | 23.6% | 31.8% | 31.3% | 32.6% | 28.6% | 25.5% |
| | No | Count | 77 | 123 | 58 | 44 | 29 | 25 | 356 |
| | | % | 85.6% | 76.4% | 68.2% | 68.8% | 67.4% | 71.4% | 74.5% |
| Total | Count | 90 | 161 | 85 | 64 | 43 | 35 | 478 | |
| | % | 100% | 100% | 100% | 100% | 100% | 100% | 100% | |
| Chi-square Test Results | | | $\chi^2 = 10.261$, d.f. = 5, $p = .068$ Cramer's V = .147, $p = .068$ | | | | | | |

Source: Primary Survey

The table shows that only 25.5 percent of respondents have savings in their banks and the proportion of respondents keeping their savings in bank did not show any improvement even their monthly household income increases. Theoretically, saving is a function of income and rate of interest, but the survey data shows that the size of household income did not encourage saving in banks among Muslims. Chi-square test results indicate that there were no statistically significant association between monthly household income and saving in bank among Muslims in Kerala, $\chi^2 (5) = 10.261$, $p = .068$. It can be deduced from the results that level of monthly household income did not encourage saving habit among Muslims in Kerala. As far as Muslims concerned, the dealings with interest is prohibited to them by their religious principles, the bank saving is only an optional form of saving to them and usually they divert their savings into other forms to avoid interest dealings.

4.4.3. Mode of Non-bank Savings of the Respondents

Mode of non-bank savings mainly includes the major types or forms of non-compulsory savings of a respondent in institutions other than the banks. The details of non-bank saving of the respondents are presented in Table 4.35.

Table 4.35 Mode of Non-bank Savings of the Respondents

| Sl. No. | Mode of Savings | Responses | | Percentage of the total respondents |
|---------|-----------------|-----------------------|--|-------------------------------------|
| | | Number of Respondents | Percentage to the total non-bank savings | |
| 1 | Land | 228 | 25.5 | 52.4 |
| 2 | Cash | 214 | 24.0 | 49.2 |
| 3 | Gold | 194 | 21.7 | 44.6 |
| 4 | SHG | 177 | 19.8 | 40.7 |
| 5 | KSFE | 37 | 4.1 | 8.5 |
| 6 | Securities | 23 | 2.6 | 5.3 |
| 7 | NBFCs | 6 | 0.7 | 1.4 |
| 8 | Others | 14 | 1.6 | 3.2 |
| | Total | 893 | 100 | 205.3 |

Source: Primary Survey

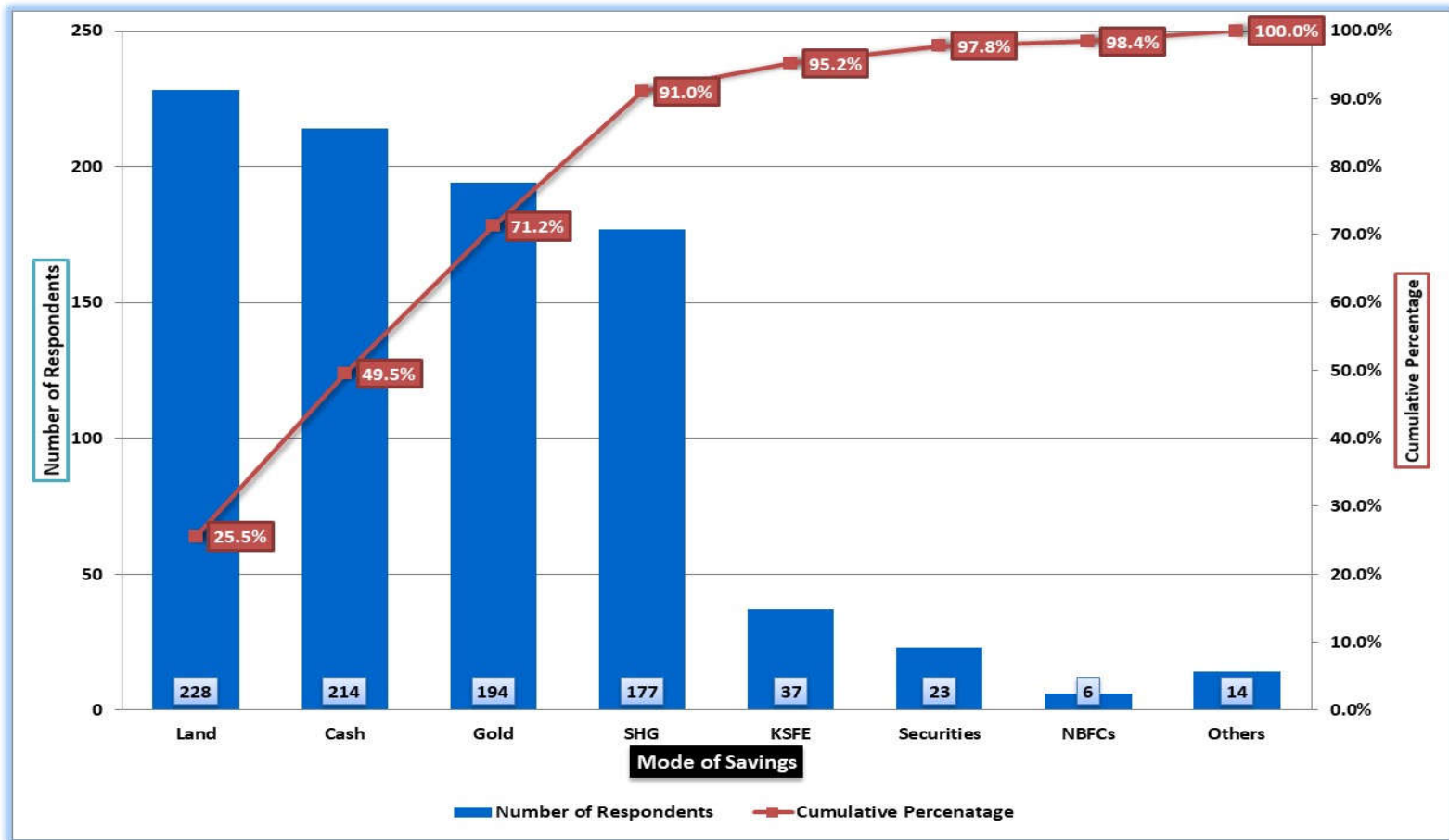
The table shows that majority of respondents have savings in land other than their homestead. Land, cash, gold and savings in SHG were the major types of savings in which more than 40 percent of respondent were saved. While the institutions like KSFE, stock market, NBFCs, were not an attractive saving venture among Muslim households. Only 3.2 percent of respondents have other savings, which includes the contribution made by respondents to different worker's welfare fund board in relation with various government schemes.

4.4.3.1. Pattern of Non-Bank Savings of the Respondents

The pattern of the mode of non-bank savings reveals the degree of concentration of certain mode of saving in total non-bank savings made by Muslim households. The details of the pattern of the mode of non-bank savings made by the respondents are presented in Figure 4.13.

The figure shows that more than 70 percent of non-bank savings made by Muslim households were in the form of interest free ventures like land, cash and gold. It exhibits their intention to keep the interest from their financial transactions. Generally, more than 90 percent of the non-bank savings of Muslims concentrated on the land, cash, gold and SHG (small savings in Self Help Group) forms of savings. However, KSFE, NBFC, stock market have not been able to make much progress among Muslims in the form of non-bank savings.

Figure 4.13 Pattern of Non-Bank Savings of the Respondents



Source: Primary Survey

4.4.3.2. Mode of Non-bank Savings across different Sects

The details of the mode of non-bank savings across different sects of Muslims are presented in Table 4.36.

Table 4.36 Mode of Non-bank Savings across different Sects of Muslims in Kerala

| | | | Sect | | | Total | Chi-square Test Results | |
|-----------------|------------|-------|-------|---------|---------|-------|--|---------------------------------------|
| | | | Sunni | Mujahid | Jama'at | | | |
| Mode of Savings | Securities | Count | 19 | 1 | 3 | 23 | $\chi^2 = 627375$ $df = 14$ $p < .001$ (Exact p - value) $N = 893$ | |
| | | %* | 6.1% | 1.3% | 6.3% | | | |
| | Gold | Count | 115 | 39 | 40 | 194 | | |
| | | %* | 37.1% | 50.6% | 83.3% | | | |
| | Land | Count | 163 | 34 | 31 | 228 | | |
| | | %* | 52.6% | 44.2% | 64.6% | | | |
| | Cash | Count | 134 | 50 | 30 | 214 | | |
| | | %* | 43.2% | 64.9% | 62.5% | | | |
| | KSFE | Count | 18 | 19 | 0 | 37 | | Cramer's $v = .187$ $p < .001$ |
| | | %* | 5.8% | 24.7% | 0.0% | | | |
| | NBFCs | Count | 4 | 2 | 0 | 6 | | |
| | | %* | 1.3% | 2.6% | 0.0% | | | |
| | SHG | Count | 143 | 21 | 13 | 177 | | |
| | | %* | 46.1% | 27.3% | 27.1% | | | |
| Others | Count | 8 | 4 | 2 | 14 | | | |
| | %* | 2.6% | 5.2% | 4.2% | | | | |
| Total | Count | 310 | 77 | 48 | 435 | | | |

Note: * Percentage within the Sects of Muslims

Source: Primary Survey

The table shows that major form of non-bank saving among Sunni sect was land, that of Mujahid sect was in the form of cash and majority of Jama'at sect was made their non-bank savings in the form of Gold. People belongs to Sunni sect have made most of their non-bank savings, mainly in land, cash, gold and Self Help Groups. But Mujahid and Jama'at sect have done the same in land, cash and gold. It reveals that both Mujahid and Jama'at sect trying to keep the interest dealings away

from their savings compared to Sunni sect of Muslims. Chi-square test results indicate that there was statistically significant association between the mode of non-bank savings and sect of Muslims in Kerala, $\chi^2(14) = 627375$, $p < .001$. It can be inferred from the results that the concentration of various mode of non-bank savings was different across different sects of Muslims in Kerala.

4.5. Debt Details of Muslims in Kerala

Borrowing from bank is an inevitable activity to meet the requirements of financial crisis and which is considered as an important source of finance during the situation of emergency. It is also considered as one of the major constituents of financial resilience of a person. Moreover, borrowing from a bank is not an easy job and also it is more time consuming because which require cumbersome documentation. But, due to the presence of interest Muslims are reluctant to approach bank for loan and they use other sources of borrowing at the time of emergency. As far as the low income group concerned, due to lack of availability of alternative sources of borrowings, they usually approach bank for availing loan.

4.5.1. Preferred Sources of Borrowing

The preference of respondents towards bank borrowing is presented in Table 4.37.

Table 4.37 Preferred Sources of Borrowing across the Sect of the Respondents

| | | | Sect | | | Total | Chi-square Test Results |
|--------------------------------|----------|-------|--------|---------|---------|--------|---|
| | | | Sunni | Mujahid | Jama'at | | |
| Preferred Sources of Borrowing | Banks | Count | 107 | 14 | 12 | 133 | $\chi^2 = 7.444$ d.f. = 2 $p = .024$ Cramer's V = .123 $p = .024$ |
| | | % | 30.0% | 15.7% | 25.0% | 26.9% | |
| | Non-Bank | Count | 250 | 75 | 36 | 361 | |
| | | % | 70.0% | 84.3% | 75.0% | 73.1% | |
| Total | | Count | 357 | 89 | 48 | 494 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that majority of respondents were preferred non-bank sources of finance for borrowing money to meet their necessities. More than 80 percent of respondents belong to *Mujahid* sect were preferred non-bank sources for their borrowings. At the same time, the proportion of people preferred bank as a source of borrowing were highest in Sunni sect. Though most of the respondents were preferred non-bank sources for borrowing, the proportion of them were different across different sects of Muslims. Chi-square test results indicate that there were statistically significant differences in the proportion of people who prefer bank and non-bank sources of credit across different sects of Muslims in Kerala, $\chi^2 (2) = 7.444$, $p = .024$. It can be deduced from the results that there were differences in the preference towards different sources of borrowing among Muslims in Kerala.

4.5.1.1. Preferred Sources of Borrowing across the Income of the Respondents

The preferred sources of borrowing across different income groups of respondents are presented in Table 4.38.

Table 4.38. Preferred Sources of Borrowing across the Income of Muslims in Kerala

| | | | Household Income (Rs.) | | | | | | Total |
|--------------------------------|----------|-------|--|---------------|---------------|---------------|---------------|-------------|-------|
| | | | Up to 10000 | 10001 - 20000 | 20001 - 30000 | 30001 - 40000 | 40001 - 50000 | Above 50000 | |
| Preferred Sources of Borrowing | Banks | Count | 22 | 52 | 30 | 12 | 7 | 10 | 133 |
| | | % | 23.4% | 30.2% | 35.3% | 18.8% | 16.3% | 27.8% | 26.9% |
| | Non-Bank | Count | 72 | 120 | 55 | 52 | 36 | 26 | 361 |
| | | % | 76.6% | 69.8% | 64.7% | 81.3% | 83.7% | 72.2% | 73.1% |
| Total | | Count | 94 | 172 | 85 | 64 | 43 | 36 | 494 |
| | | % | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Chi-square Test Results | | | $\chi^2 = 9.239$, d.f. = 5, $p = .100$ Cramer's V = .137, $p = .100$ | | | | | | |

Source: Primary Survey

The table shows that those respondents with a monthly household income of less than Rs 30,000 were more likely to preferred bank as a primary source of credit those who have monthly household income more than Rs 30,000. The proportion of

respondents who preferred bank as a primary source of credit was least in the income group Rs 30,001-40,000. Moreover, it can be seen that the proportion of people relied mainly on non-bank sources for borrowing among different income group were almost equal among Muslims. Chi-square test results indicate that there were no statistically significant association between monthly household income and preference towards different sources of credit across different sects of Muslims in Kerala, $\chi^2(5) = 9.239$, $p = .100$. It can be deduced from the results that there were invariably majority of people preferred non-bank sources of credit for their borrowing irrespective of their monthly household income.

4.5.2. Bank Loan Status across different Sects of Muslims

The details of bank loan status of respondents across different sects of Muslims are presented in Table 4.39.

Table 4.39. Bank Loan Status across the Sect of the Respondents

| | | | Sect | | | Total | Chi-square Test Results |
|----------------------|-----|-------|--------|---------|---------|--------|---|
| | | | Sunni | Mujahid | Jama'at | | |
| Taken loan from Bank | Yes | Count | 131 | 22 | 9 | 162 | $\chi^2 = 9.393$ d.f. = 2 $p = .009$ Cramer's V = .138 $p = .009$ |
| | | % | 36.7% | 24.7% | 18.8% | 32.8% | |
| | No | Count | 226 | 67 | 39 | 332 | |
| | | % | 63.3% | 75.3% | 81.3% | 67.2% | |
| Total | | Count | 357 | 89 | 48 | 494 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that majority of respondents, irrespective of the differences in sects, were did not taken loan from banks. At the same time, the proportion respondents who taken loan from banks were high in *Sunni* sect and less in *Jama'at* sect compared to other sects of Muslims. Chi-square test results indicate that there were statistically significant differences in the proportion of people who taken loan from banks across different sects of Muslims in Kerala, $\chi^2(2) = 9.393$, $p = .009$. It can be inferred from the results that proportion of people who taken loan from banks were varied across different sects of Muslims.

4.5.2.1. Reasons for not Taking Bank Loan across different Sects

The details of different reasons for not taking bank loans across different sects of Muslims are presented in Table 4.40.

Table 4.40 Reasons for not Taking Bank Loan across different Sects of the Respondents

| | | Sect | | | | Total | Chi-square Test Results |
|---------------------------------|----------------------------|-------|---------|---------|--------|--------|--|
| | | Sunni | Mujahid | Jama'at | | | |
| Reason for not taking bank loan | To avoid interest | Count | 77 | 36 | 23 | 136 | $\chi^2 = 16.202$ d.f. = 6 p = .015 (Exact p - value) Cramer's V = .156 p = .015 |
| | | % | 34.1% | 53.7% | 59.0% | 41.0% | |
| | No need of loan | Count | 131 | 29 | 14 | 174 | |
| | | % | 58.0% | 43.3% | 35.9% | 52.4% | |
| | Not eligible | Count | 6 | 0 | 0 | 6 | |
| | | % | 2.7% | 0.0% | 0.0% | 1.8% | |
| | Lack of adequate documents | Count | 12 | 2 | 2 | 16 | |
| | | % | 5.3% | 3.0% | 5.1% | 4.8% | |
| Total | | Count | 226 | 67 | 39 | 332 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that the majority of respondents were reported that the main reason they did not take a loan from a bank was because they do not need it. Among them the proportion of Sunni sect was very high compared to other sects of Muslims. Also 41 percent of respondents were opined that they did not take a loan from a bank to avoid having to deal with interest. But majority of people among Mujahid and Jama'at sect were avoided bank loan due to the presence of interest. Only few percent of respondents did not take loan from bank due to the lack of eligibility and adequate documents. Chi-square test results indicate that there was statistically significant difference in the reasons for not taking loan from a bank across different sects of Muslims in Kerala, $\chi^2 (6) = 16.202$, $p = .015$. It can be inferred from the results that the major reason for not taking loan from bank was different across different sects of Muslims in Kerala.

4.5.3. Bank Loan Status and Income of the Respondents

The status of bank loan of respondents across different income groups is presented in Table 4.41.

Table 4.41 Bank Loan Status across the Income of Muslims in Kerala

| | | | Household Income (Rs.) | | | | | Total | |
|-------------------------|-----|-------|---|---------------|---------------|---------------|---------------|-------|-------------|
| | | | Up to 10000 | 10001 - 20000 | 20001 - 30000 | 30001 - 40000 | 40001 - 50000 | | Above 50000 |
| Taken loan from Bank | Yes | Count | 29 | 70 | 33 | 12 | 9 | 9 | 162 |
| | | % | 30.9% | 40.7% | 38.8% | 18.8% | 20.9% | 25.0% | 32.8% |
| | No | Count | 65 | 102 | 52 | 52 | 34 | 27 | 332 |
| | | % | 69.1% | 59.3% | 61.2% | 81.3% | 79.1% | 75.0% | 67.2% |
| Total | | Count | 94 | 172 | 85 | 64 | 43 | 36 | 494 |
| | | % | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Chi-square Test Results | | | $\chi^2 = 15.904$, d.f. = 5, $p = .007$ Cramer's V = .179, $p = .007$ | | | | | | |

Source: Primary Survey

The table shows that majority of respondents across different income groups did not take loan from banks and the proportion of people who taken loan from banks was decreasing at higher level of monthly income groups. The proportion of respondents taken loan from banks was comparatively high among those who have monthly household income up to rupees 30000 than other income group. Chi-square test results indicate that there were statistically significant difference in the proportion of people taken loan from bank across different income groups of Muslims in Kerala, $\chi^2 (5) = 15.904$, $p = .007$. It can be deduced from the results that the proportion of people who taken loan from banks were varied across different income groups among Muslims and the sample reveals that the more people from low income groups taken loan from banks than high income groups among Muslims.

4.5.4. Types of Loan Taken by Respondents across different Sects

The details of types of loan taken by respondents across different sects of Muslims are presented in Table 4.42.

Table 4.42 Types of Loan Taken by different Sects of the Respondents

| | | | Sect | | | Total |
|--------------------|------------------|-------|--------|---------|---------|--------|
| | | | Sunni | Mujahid | Jama'at | |
| Type of Loan Taken | Education Loan | Count | 1 | 0 | 3 | 4 |
| | | % | 0.8% | 0.0% | 33.3% | 2.5% |
| | Personal Loan | Count | 28 | 4 | 1 | 33 |
| | | % | 21.4% | 18.2% | 11.1% | 20.4% |
| | Housing Loan | Count | 51 | 4 | 5 | 60 |
| | | % | 38.9% | 18.2% | 55.6% | 37.0% |
| | Vehicle Loan | Count | 12 | 8 | 0 | 20 |
| | | % | 9.2% | 36.4% | 0.0% | 12.3% |
| | Agriculture Loan | Count | 22 | 2 | 0 | 24 |
| | | % | 16.8% | 9.1% | 0.0% | 14.8% |
| | Business Loan | Count | 11 | 2 | 0 | 13 |
| | | % | 8.4% | 9.1% | 0.0% | 8.0% |
| | SHG Linkage Loan | Count | 4 | 1 | 0 | 5 |
| | | % | 3.1% | 4.5% | 0.0% | 3.1% |
| | Others | Count | 2 | 1 | 0 | 3 |
| | | % | 1.5% | 4.5% | 0.0% | 1.9% |
| Total | | Count | 131 | 22 | 9 | 162 |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% |

Source: Primary Survey

The table shows that among different types of loans majority of respondents from different sects were availed Housing loan from bank, except *Mujahid sect*, among Muslims. Majority of respondents from Mujahid sect were availed Vehicle loan from bank. Only a very small proportion of respondents were taken education loan from banks. In General, sample revealed that, the proportion of respondents were taken different loans from bank was different across different sects of Muslims.

4.5.5. Amount of Loan Taken across different Sects of Muslim Households

The summary statistics of the amount of loan taken by respondents across different sects of Muslims are presented in Table 4.43.

Table 4.43 Summary Statistics of the Amount of Loan Taken across different Sects of Muslim Households

| Sl. No. | Sect | Mean Amount (Rs.) | S.D. (Rs.) | Median (Rs.) | Minimum (Rs.) | Maximum (Rs.) | Skewness | Kurtosis | N |
|------------------------------|---------|-------------------|------------|--------------------------------------|---------------|---------------|----------|----------|-----|
| 1 | Sunni | 401564.9 | 526815.2 | 200000 | 0 | 4000000 | 3.48 | 17.47 | 131 |
| 2 | Mujahid | 255454.5 | 215754.0 | 200000 | 0 | 700000 | 0.95 | -0.34 | 22 |
| 3 | Jama'at | 188888.9 | 74068.3 | 200000 | 100000 | 300000 | -0.11 | -1.30 | 9 |
| | Total | 369907.4 | 484641.6 | 200000 | 0 | 4000000 | 3.77 | 20.89 | 162 |
| Kruskal -Wallis Test Results | | | | $\chi^2 = 0.837, d.f. = 2, p = .658$ | | | | | |

Source: Primary Survey

The table shows that the median amount of taken by respondents across different sects of Muslims was rupees 200000, but the average amount of loan taken was highest among *Sunni* sect and was lowest among *Jama'at* sect. Some of the respondents were availed very high amount of loan for their business purposes both among Sunni and Mujahid sects among the sample respondents and all others got availed only a minimum amount of loan nearly rupees 200000 from banks. Kruskal -Wallis Test results indicate that there were no statistically significant disparity in the average loan amount availed from bank across different sects of Muslims in Kerala, $\chi^2 (2) = 0.837, p = .658$. It can be deuced from the results that the average amount of loan availed across different sects of Muslims in Kerala was same.

4.5.6. Type of Bank from which the Loan Availed

The details of types of banks from which the loan was taken by respondents across different sects are presented in Table 4.44.

Table 4.44 Type of Bank from which the Loan is taken across different Sects of the Respondents

| | | | Sect | | | Total | Chi-square Test Results |
|------------------------------------|------------------|-------|--------|---------|---------|--------|---|
| | | | Sunni | Mujahid | Jama'at | | |
| Type of Bank from which Loan taken | Public sector | Count | 62 | 12 | 4 | 78 | $\chi^2 = 11.006$ d.f. = 6 p = .090 (Exact p - value) Cramer's V = .184 p = .090 |
| | | % | 47.3% | 54.5% | 44.4% | 48.1% | |
| | Private sector | Count | 26 | 6 | 5 | 37 | |
| | | % | 19.8% | 27.3% | 55.6% | 22.8% | |
| | Cooperative Bank | Count | 41 | 3 | 0 | 44 | |
| | | % | 31.3% | 13.6% | 0.0% | 27.2% | |
| | Others | Count | 2 | 1 | 0 | 3 | |
| | | % | 1.5% | 4.5% | 0.0% | 1.9% | |
| | Total | Count | 131 | 22 | 9 | 162 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that majority of respondents availed their loan from public sector banks followed by Cooperative banks. But majority of the respondents from Jama'at sect were taken their loan from private sector banks. Only few percent of respondents were taken loan from other sources like microfinance institutions. Chi-square test results indicate that there were no statistically significant association between the type of bank and proportion of people who taken loan across different sects of Muslims in Kerala, $\chi^2 (6) = 11.006$, $p = .090$. It can be deduced from the results that majority of Muslims, invariably across different sects, taken loan from public sector banks than other forms of banks in Kerala.

4.5.7. Current Indebtedness across the Different Sects of the Respondents

The current indebtedness of respondents consists of loan taken by them or their parents both from bank and non-bank sources of credit. The differences in the status of indebtedness of respondents from different sects of Muslims are given in Table 4.45.

Table 4.45 Current Indebtedness across the Different Sects of the Respondents

| | | | Sect | | | Total | Chi-square Test Results |
|------------------|-----|-------|--------|---------|---------|--------|---|
| | | | Sunni | Mujahid | Jama'at | | |
| Outstanding Debt | Yes | Count | 153 | 30 | 17 | 200 | $\chi^2 = 3.042$ d.f. = 2 p = .218 Cramer's V = .078 p = .218 |
| | | % | 42.9% | 33.7% | 35.4% | 40.5% | |
| | No | Count | 204 | 59 | 31 | 294 | |
| | | % | 57.1% | 66.3% | 64.6% | 59.5% | |
| Total | | Count | 357 | 89 | 48 | 494 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that majority of respondents have no outstanding debt obligations with bank or non-bank sources of credit. Among the indebted respondents the proportion of *Sunni* sect was comparatively high and that of *Mujahid* sect was low among other sects of Muslims. Chi-square test results indicate that there were no statistically significant differences in the status of outstanding debt obligations across different sects of Muslims in Kerala, $\chi^2 (2) = 11.006$, $p = .218$. It can be inferred from the results that the proportion indebted people across different sects of Muslims are same in Kerala.

4.5.8. Nature of Outstanding Debt across the Different Sects of the Respondents

The proportion of different nature of outstanding debt (bank and non-bank) across different sects of respondents is given in Table 4.46

Table 4.46 Nature of Outstanding Debt across the Different Sects of the Respondents

| | | | Sect | | | Total | Chi-square Test Results |
|----------------------------|---------------|-------|--------|---------|---------|--------|--|
| | | | Sunni | Mujahid | Jama'at | | |
| Nature of Outstanding Debt | Own debt | Count | 141 | 28 | 17 | 186 | $\chi^2 = 1.452$ d.f. = 2 p = .521 (Exact p-value) Cramer's V = .484 p = .521 |
| | | % | 92.2% | 93.3% | 100.0% | 93.0% | |
| | Parent's debt | Count | 12 | 2 | 0 | 14 | |
| | | % | 7.8% | 6.7% | 0.0% | 7.0% | |
| Total | | Count | 153 | 30 | 17 | 200 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that majority of the outstanding debt of the respondents was taken by themselves from bank or non-bank sources of credit. The outstanding debt details of respondents revealed that only a few percent of the respondents have current debt burden due to they taken up the responsibility of repayment of debt taken by their parents. Chi-square test results indicate that there were no statistically significant association between nature of outstanding debt and sect of the people among Muslims in Kerala, $\chi^2 (2) = 1.452$, $p = .521$. It can be deduced from the results that the nature of outstanding debt was almost similar across different sects of Muslims.

4.5.9. Promptness of the Repayment of Loan

The association between the promptness of the repayment of loan and sect of the respondents are given in Table 4.47.

Table 4.47. Promptness of the Repayment of Loan across the Different Sects of the Respondents

| | | | Sect | | | Total | Chi-square Test Results |
|-------------------------|-----------|-------|--------|---------|---------|--------|---|
| | | | Sunni | Mujahid | Jama'at | | |
| Promptness of Repayment | Regular | Count | 125 | 23 | 15 | 163 | $\chi^2 = 0.980$ d.f. = 2 $p = .622$ (Exact p-value) |
| | | % | 81.7% | 76.7% | 88.2% | 81.5% | |
| | Irregular | Count | 28 | 7 | 2 | 37 | |
| | | % | 18.3% | 23.3% | 11.8% | 18.5% | |
| Total | | Count | 153 | 30 | 17 | 200 | Cramer's V = .070 $p = .622$ |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that majority of respondents were repaying their debt regularly on time. Less than 20 percent of respondents said the reason they did not repay their loans on time was because they did not have enough income and hoped the government would write off the debt. Chi-square test results indicate that there were no statistically significant differences in the loan repayment accuracy across different sects of Muslims in Kerala, $\chi^2 (2) = 0.980$, $p = .622$. It can be inferred from

the results that Majority of people among Muslims regularly repaying their loan or debt irrespective of the difference in their sect.

4.6. Access to Insurance

Insurance is very crucial element to ensure financial resilience of a person in day today life and it enables both capital accumulation in one side and mitigates financial loss in other side. What this section intends to analyse is how many respondents have taken out a non-compulsory type of insurance of their choice.

4.6.1. Access to Insurance across the Sect of the Respondents

The details of access to non-compulsory insurance across the sects of Muslims are presented in Table 4.48.

Table 4.48 Insurance Possession Status across the Sect of the Respondents

| | | | Sect | | | Total | Chi-square Test Results |
|-----------------|-------|--------|--------|---------|---------|-------|---|
| | | | Sunni | Mujahid | Jama'at | | |
| Have Insurance? | Yes | Count | 144 | 34 | 21 | 199 | $\chi^2 = 0.400$ d.f. = 2 p = .819 Cramer's V = .028 p = .819 |
| | | % | 40.3% | 38.2% | 43.8% | 40.3% | |
| | No | Count | 213 | 55 | 27 | 295 | |
| | | % | 59.7% | 61.8% | 56.3% | 59.7% | |
| Total | Count | 357 | 89 | 48 | 494 | | |
| | % | 100.0% | 100.0% | 100.0% | 100.0% | | |

Source: Primary Survey

The table shows that majority of respondents did not take different types of non-compulsory insurance. Only less than half of the respondents were taken such types of insurance and indicates that Muslims were reluctant to buy insurance which was not compulsory. They think insurance claim amount was including interest accrued from the activities of the insurance company concerned. All interest related activities are prohibited to them by their religious principles. Chi-square test results indicate that there were no statistically significant differences in the status of access to non-compulsory insurance across different sects of Muslims in Kerala, $\chi^2 (2) = 0.400$, p

= .819. It can be inferred from the results that the proportions of people who have access to non-compulsory insurance were more or less similar among Muslims irrespective of the differences in sect.

4.6.2. Type of Insurance Policies Possessed by Respondents

The details of types of insurance policies possessed by the respondents across different sects are presented in Table 4.49.

Table 4.49 Type of Insurance Policies Possessed across Different Sects

| | | | Sect | | | Total | Chi-square Test Results |
|--------------------------------------|-------------------|--------|--------|---------|---------|-------|---|
| | | | Sunni | Mujahid | Jama'at | | |
| Type of Insurance Policies Possessed | Life Insurance | Count | 67 | 20 | 7 | 94 | $\chi^2 = 18.718$ d.f. = 6 p = .007 (Exact p - value) Cramer's V = .217 p = .007 |
| | | % | 46.5% | 58.8% | 33.3% | 47.2% | |
| | Health Insurance | Count | 63 | 8 | 14 | 85 | |
| | | % | 43.8% | 23.5% | 66.7% | 42.7% | |
| | General Insurance | Count | 7 | 6 | 0 | 13 | |
| | | % | 4.9% | 17.6% | 0.0% | 6.5% | |
| | Others | Count | 7 | 0 | 0 | 7 | |
| | | % | 4.9% | 0.0% | 0.0% | 3.5% | |
| Total | Count | 144 | 34 | 21 | 199 | | |
| | % | 100.0% | 100.0% | 100.0% | 100.0% | | |

Source: Primary Survey

The table shows that life insurance policy was the most widely purchased non-compulsory insurance product across different sects of Muslims, followed by the health insurance policy. Only few percent of the Muslims were purchased general insurance like, insurance against theft, natural calamity and lose of property. Among the policy holders majority of people belong to *Sunni* and *Mujahid* sects were purchased life insurance, while majority of *Jama'at* sect were purchased health insurance policy. Only Sunni sect has purchased other type of insurance like, crop insurance, business insurance etcetera. Chi-square test results indicate that there were statistically significant differences in the proportion people who purchased different types of insurance policies across different sects of Muslims in Kerala, $\chi^2(6) = 18.718$, $p = .007$. It can be inferred from the results that the major type of

insurance possessed by the people across different sects of Muslims was different in Kerala.

4.7. Extent of Financial Inclusion among Muslims in Kerala

Financial Inclusion means a situation in which a community or an individual is able to access and effectively use the financial services available to them in an affordable form in a timely and appropriate manner in relation with their living conditions. The access of financial services is only a key to the wide arena of financial transactions and it could be attained through branch penetration and improved technology (Demirgüç-Kunt, 2018). The effective use and affordability of financial services is determined by the socio, cultural and economic aspects of the society or of a person. In fact, regional differences in financial infrastructure and socio-economic conditions vary the financial inclusion in different regions. Moreover, previous research has found that even religious reasons affect the financial inclusion of an individual or a community (Demirgüç-Kunt, 2018, Ghosh, 2020).

Kerala is one of the leading states in India in terms of availability of financial institutions, services and allied facilities. Moreover, the socio-cultural and economic background of the state is better than other states. Therefore, it can be said without any doubt that in a state like Kerala, banking services are widely available to all sections of the society in general. In fact, the improvements in bank branches, bank accounts and related facilities have accelerated financial inclusion; the poor performance of Muslim concentrated districts of Kerala in financial inclusion (CRISIL an S&P Global Company, 2018) signifies the importance of measuring the extent of financial inclusion among Muslim households in Kerala. Although a lot of studies here have measured financial inclusion in various ways, most of the indices have been based on supply side aspects financial services. Very few authors have attempted to assess financial inclusion using both supply side and the demand side (Honohan, 2008, Kunt et al., 2018), but the indices based on primary data are not so common. Since most of these were focused on depth and breadth of banking system and services, it is not possible to show a comprehensive picture of financial inclusion with these indices. Therefore, to examine the extent of financial inclusion among Muslim households this study used primary survey data related to the access

and use of financial services by Muslim households as demand side indicators of financial inclusion.

The present financial inclusion index calculated on the basis of the ownership method (Global Findex, 2018, FAS, 2019) of both access and use parameters of financial inclusion. The access dimension includes ownership of bank account, ATM card and non compulsory insurance policy as parameters (CRISIL an S&P Global Company, 2018). The use dimension includes status of savings in banks and the loan availed from bank as parameters. These parameters have different levels of influence on financial inclusion (Sarma, 2008, Honohan, 2008 and Chattopadhyay, 2011). Therefore, in this index each and every parameter has assigned a weighted of score disproportionately to indicate the importance of each item in determining the degree of financial inclusion (Sarma, 2008, Honohan, 2008, Amidžić et al., 2014, Park & Mercado, 2015). The dimensions and parameters used to measure the degree of financial inclusion among Muslim households are given in Table 4.50.

Table 4.50 Dimensions and Parameters used to measure Financial Inclusion

| Dimensions | Parameters | Significance | Interpretation | Weighted Score |
|-------------------|------------------------|--|---------------------------|-----------------------|
| Access | Have Bank Account | Measures the access to branch banking and banking services | 'Yes' indicates Inclusion | 30 |
| | | | 'No' indicates Exclusion | |
| | Have ATM Card | Measures the access to branchless banking services | 'Yes' indicates Inclusion | 15 |
| | | | 'No' indicates Exclusion | |
| | Have Insurance Policy | Measures the access to insurance | 'Yes' indicates Inclusion | 20 |
| | | | 'No' indicates Exclusion | |
| Use | Do Save in Bank | Measures the deliberate use of banking services | 'Yes' indicates Inclusion | 20 |
| | | | 'No' indicates Exclusion | |
| | Availed Loan from Bank | Measures the deliberate use of banking services | 'Yes' indicates Inclusion | 15 |
| | | | 'No' indicates Exclusion | |

The weight of each parameter was considered as the share of that parameter in the degree of financial inclusion of a person and the total weights of all parameters were treated as the financial inclusion score, which were 100 (CRISIL an S&P Global Company, 2018). The ownership of bank account has the highest weighted score among the parameters because it is the key to access other types of financial services. The second highest scores given to the bank saving and insurance policy due to both of them are very crucial elements of financial resilience of a person and which are only an optional not compulsory activities to a person concerned. But taking a loan from the bank is not an active banking sometimes it may be passive due to the compulsion of an emergency situation and it may leads to the indebtedness of a person. Ownership of ATM card is also an optional facility to enter into the realm of financial transactions and which has weighted score of 15 in the financial inclusion index. Following formula was used to calculate the Financial Inclusion Index (FII) among Muslim household.

$$FII = \sum_{i=1}^5 P_i W_i$$

Where,

P_i = Parameters of access and use dimensions of financial services 1 to 5

W_i = Respective weights of each parameter of financial services 1 to 5

The financial inclusion score ranges between 0 and 100 (CRISIL an S&P Global Company, 2018), where the lowest score '0' represents fully financially excluded households and the maximum score '100' represents fully financially included households.

4.7.1. Degree of Financial Inclusion among Muslim Households

The degrees of financial inclusion among Muslims categorised on the basis of the average score of financial inclusion secured by the sample households and the details are presented in Table 4.51.

Table 4.51 Distribution of Financial Inclusion Index among the Respondents

| Sl. No. | FII (%) | Frequency | Percentage | Cumulative Percentage | Degree of Financial Inclusion |
|---------|----------|-----------|------------|-----------------------|-------------------------------|
| 1 | 0 - 20 | 23 | 4.7 | 4.7 | Severely Excluded |
| 2 | 20 - 40 | 41 | 8.3 | 13 | Highly Excluded |
| 3 | 40 - 60 | 156 | 31.6 | 44.5 | Moderately Included |
| 4 | 60 - 80 | 147 | 29.8 | 74.3 | Highly Included |
| 5 | 80 - 100 | 127 | 25.7 | 100 | Fully Included |
| | Total | 494 | 100 | | |

Source: Primary Survey Data

The table shows that majority of households were in a state of high or complete financial inclusion according to the financial inclusion index. Around one third of the households were only moderately included and 13 percent of the households were still in a state of high or severe exclusion. It can be deduced from the table that more than 50 percent of the sample households among Muslims were highly or fully financially included. Figure 4.25 shows the distribution of financial inclusion index among the respondents more clearly.

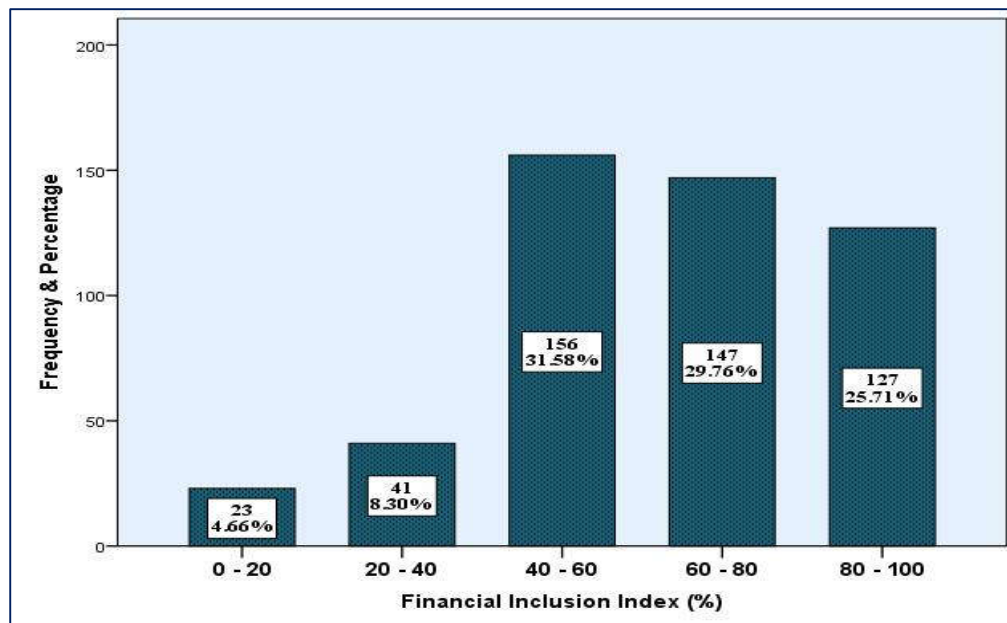
Figure 4.14 Distribution of Financial Inclusion Index among the Respondents

Figure 4.14 shows the differences in the proportion of people belong to each category of financial inclusion index. It is very clear that majority of households were concentrated between the financial inclusion score of 40 and 100.

4.7.2. Financial Inclusion Index across the Sects of Muslims in Kerala

The summary descriptive statistics of the financial inclusion index across different sects of Muslims is given in Table 4.52.

Table 4.52 Summary Descriptive Statistics of the Financial Inclusion Index across the Sects of Muslims in Kerala

| Sl. No. | Sect | Mean* | S. D. | Maximum | Skewness | Kurtosis | N | One -Way ANOVA Results | |
|---------|---------|-------|-------|---------|----------|----------|-----|------------------------|----------|
| 1 | Sunni | 58.24 | 23.06 | 100 | -0.39 | 0.21 | 357 | F - Value | 0.434 |
| 2 | Mujahid | 56.35 | 18.86 | 100 | 0.07 | 0.98 | 89 | df | (2, 491) |
| 3 | Jama'at | 59.90 | 22.94 | 100 | -0.72 | 1.20 | 48 | p -value | .648 |
| | Total | 58.06 | 22.32 | 100 | -0.36 | 0.37 | 494 | | |

Note: * Arithmetic mean of the financial inclusion index (%)

Source: Primary Survey

The table shows that the mean financial inclusion index score was 58.06 and which indicate only a moderate level of financial inclusion among Muslim households. Similarly, among Muslims, Comparatively *Mujahid* and *Jama'at* sects were in a position of low and high degree of financial inclusion respectively. But the differences in the degree of financial inclusion across sects of Muslims were not significant. The one-way ANOVA results reported in Table 4.52 indicate that there was no statistically significant differences in the degree of financial inclusion across different sects of Muslims in Kerala, $F(2, 491) = 0.434$, $p = .648$. It can be inferred from the results that Muslims in Kerala have only a moderate status in the degree of financial inclusion irrespective of their sect –wise differences.

The details in the sample descriptions exhibit that majority of respondents were opened bank account recently within 10 years and they got a good proximity with banking transactions as part of several welfare schemes implemented by State and Central governments. Due to the integration of social security measures and

subsidies with the bank account of beneficiaries, it was mandatory to open a bank account to get the benefits of different welfare schemes of State and Central governments. Therefore, Muslims also opened bank account even the interest related banking services are forbidden to them as per their religious principles. Moreover, they reported that majority of households were opened the bank account due to the compulsion and major type of compulsion was to receive benefits of various government schemes. But in the case of credit availed or indebtedness of respondents, the details of loan across different income groups show that respondents who availed or approach bank credit was higher in the low income group than high income group.

From the field experience and the interview with the respondents, it can be concluded that majority of respondents among low income groups were reluctant to approach bank for credit due to their guilty consciousness related to interest dealings, but they have no other sources of adequate credit and no sufficient past savings to meet an emergency related to their life cycle events. Therefore, people belong to low income groups among Muslims depend on bank to avail timely and adequate amount of credit they need. Also in the case of savings, Muslims try to keep their savings more in other forms than save at banks due to the presence of interest in the conventional banking services. Therefore, saving was not determined by the level of monthly household income of the respondents.

4.7.3. Pattern of Distribution of the Financial Inclusion Index across different Sects

The pattern of distribution of the financial inclusion index across different sects of Muslims is given in Table 4.53.

Table 4.53 Pattern of Distribution of the Financial Inclusion Index across different Sects of Muslims

| | | | Sect | | | Total | Chi-square Test Results |
|-------------------------------|----------|-------|--------|---------|---------|--------|--|
| | | | Sunni | Mujahid | Jama'at | | |
| Financial Inclusion Index (%) | 0 - 20 | Count | 18 | 2 | 3 | 23 | $\chi^2 = 14.410$ d.f. = 8 p = .072 Cramer's V = .121 p = .072 |
| | | % | 5.0% | 2.2% | 6.3% | 4.7% | |
| | 20 - 40 | Count | 35 | 5 | 1 | 41 | |
| | | % | 9.8% | 5.6% | 2.1% | 8.3% | |
| | 40 - 60 | Count | 103 | 39 | 14 | 156 | |
| | | % | 28.9% | 43.8% | 29.2% | 31.6% | |
| | 60 - 80 | Count | 102 | 27 | 18 | 147 | |
| | | % | 28.6% | 30.3% | 37.5% | 29.8% | |
| | 80 - 100 | Count | 99 | 16 | 12 | 127 | |
| | | % | 27.7% | 18.0% | 25.0% | 25.7% | |
| | Total | Count | 357 | 89 | 48 | 494 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that majority of respondents both from *Sunni* and *Mujahid* sects were belong to the category of financial inclusion score 40-60, but that of *Jama'at* sect were belong to the category financial inclusion score 60-80. But an overall analysis disclose that majority of people across different sects of Muslims were secured a good financial inclusion score above 60. Chi-square test results indicate that there was no statistically significant differences in the degree of financial inclusion across different sects of Muslims in Kerala, $\chi^2 (8) = 14.410$, $p = .072$. It can be inferred from the results that the degree of financial inclusion across different sects of Muslims almost same in Kerala.

4.7.4. Pattern of Distribution of the Financial Inclusion Index across the Place of Residence of Muslims in Kerala

The pattern of distribution of financial inclusion index across the place of residence of the respondents is presented in Table 4.54.

Table 4.54 Pattern of Distribution of the Financial Inclusion Index across the Place of Residence of Muslims in Kerala

| | | | Place of Residence | | Total | Chi-square Test Results |
|-------------------------------|----------|-------|--------------------|--------|--------|--|
| | | | Rural | Urban | | |
| Financial Inclusion Index (%) | 0 - 20 | Count | 18 | 5 | 23 | $\chi^2 = 6.727$ d.f. = 4 p = .151 |
| | | % | 5.0% | 3.6% | 4.7% | |
| | 20 - 40 | Count | 34 | 7 | 41 | |
| | | % | 9.5% | 5.1% | 8.3% | |
| | 40 - 60 | Count | 119 | 37 | 156 | |
| | | % | 33.3% | 27.0% | 31.6% | |
| | 60 - 80 | Count | 101 | 46 | 147 | Cramer's V = .117 p = .151 |
| | | % | 28.3% | 33.6% | 29.8% | |
| | 80 - 100 | Count | 85 | 42 | 127 | |
| | | % | 23.8% | 30.7% | 25.7% | |
| | Total | Count | 357 | 137 | 494 | |
| | | % | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that more than half of the respondents were secured financial inclusion score above 60 irrespective of the differences in the place of residence. Majority of the rural people were belonging to the category of 40-60 in the financial inclusion index and majority of the urban people were belonging to the category of 60-80 in the financial inclusion index. Chi-square test results indicate that there were no statistically significant association between the degree of financial inclusion and the place of residence of Muslims in Kerala, $\chi^2 (4) = 6.727$, $p = .151$.

4.8. Conclusion

This analysis shows that majority of Muslims households have access to bank accounts and they were compelled to open it because having a bank account was a mandatory requirement to receive the benefits of different social security measures and subsidies implemented by governments in recent times. Though Muslims have access to banking facilities, they were reluctant to approach the bank for availing credit and to deposit their savings. They avoid interest dealings in their

savings and borrowings, but the number of people who borrowed from bank was more than the number of people who saved at bank. Similarly the penetration of non-mandatory insurance was very low among Muslims. This result was coincide with the findings of Demirguc-Kunt et al (2013), related to the contradictory nature of saving and borrowing of Muslims. But this analysis found that the contradictory nature of saving and borrowing was visible only among the poor and lower middle income group of Muslims and there was no such contradiction among the upper middle income and high income group of Muslims. Therefore, the presence of interest in the financial transactions, which are prohibited to Muslims according to their religious principles, keeps Muslims in a situation of voluntary exclusion related to some financial products that are only optional to them. But during the emergency situation it was inevitable to approach banks for availing credit especially for the low income people due to lack of other sources of credit compared to high income groups among Muslims. As a result, it can be concluded form these analysis that Muslims on an average, irrespective of the sects, were only moderately included to the arena of formal financial services in Kerala. But more than half of them were highly or fully financially included.

CHAPTER-5

UTILIZATION OF BANKING SERVICES ACROSS DIFFERENT SECTS OF MUSLIMS

5.1. Introduction

Utilization of banking services refers to the usage of various banking services in daily life of a person. It can be measured on the basis of frequency of bank visits, frequency of ATM use, frequency of number of transactions, nature of maintenance of account, type of accounts, facilities availed in terms of ATM and internet banking, loan taken by credit card or through branch, domestic or international money transfers, making deposits, savings, utilization of other utility services provided by banks etc. (Sanghvi et al., 2017). Utilization of banking services of a person is the reflection of his attitude towards banking, awareness about banking services and his ability to perform various banking services. The attitude, awareness and ability are dynamic factors which evolving with the availability of opportunity to interact with banking facilities.

Definitely, the attitude of a person towards banking transactions is a crucial element which determines the degree of financial inclusiveness and utilization of banking services by them. Attitude towards banking has multidimensional aspects which reflect the socio, cultural and economic background of a person. It has an important role in the access and use of financial services from the demand side. Positive attitudes towards banking will create double effect of financial services; one is the improvement in financial resilience of the person itself and the other is the mobilisation of saving and encouraging productive activities of the account holders which are required for the development of a society. It will lead to higher banking awareness and thereby better utilization of banking services. The literature in this field found that the interrelation between banking awareness or literacy and

utilization of banking services was self-perpetuating in nature and encourages financial inclusion (NISM report-2015, NSFE).

Utilization of banking services is considered as an important determinant of financial inclusion of a person or a society. Opening of a deposit or transaction account at a bank or other financial institutions is considered as the initial step of formal financial inclusion because it facilitates the making and receiving payments as well as encourages savings (Demirguc-Kunt, Klapper, & Singer, 2017). Therefore, banking habits or frequency of utilization of banking services among the poor people are an indicator of financial inclusion. But, if the accessibility of the banks and other financial institutions are limited to the vulnerable sections of the society, either due to different structural or behavioural reasons, mere expansion of branches and other financial institutions cannot facilitate financial inclusion on their own (Karanth, 2018). Moreover, the available literatures unfold that the religious affiliation of a person has a significant influence on his utilization of financial services. Especially, Muslims think that the utilization of conventional banking is a serious challenge due to the various roles performed by the banks in their life that may deter the economic integration of Muslims (Brekke, 2018).

5.2. Attitude of Muslims towards the Banking in Kerala

The analysis of attitude of Muslims towards banking services was useful to understand the approaches of Muslims towards the conventional banking services and thereby towards the various bank-led financial inclusion initiatives have been implemented by the Central and State governments. Positive attitude of a person or society towards banking is considered as the potentiality of the development of banking services in a region in which they live. It is found that the development of financial infrastructure increases the opportunity and availability of financial services. As far as the bank is concerned, a favourable attitude of the local people towards banking is essential for their branch penetration activities. To understand

the attitude of Muslims towards banking habit four statements highlighting the importance of banking services in the life of a person were used.

The attitude of the Muslims towards banking was measured using a set of five-point Likert scale statements shown in Table 5.1. The responses on the Likert scale statements were measured on five points labelled as: “Strongly disagree”, “Disagree”, “Neither agree nor disagree (Neutral)”, “Agree”, and “Strongly Agree”, and these responses were coded as 0, 1, 2, 3, and 4, respectively. This attitude measurement scale consisting of 4 items was found reliable as per the Cronbach’s alpha ($\alpha = .761$).

This ordinal variable was converted into a continuous variable by calculating the banking attitude index for conducting parametric tests to draw accurate inferences from the data. The summary of the responses of the sample respondents are given in Table 5.1.

Table 5.1 Attitude of the Respondents towards the Banking

| Sl. No. | Items measuring the attitude of the Muslims towards banking | | Responses of the Muslims | | | | | Total | Mean | SD | Banking Attitude Index (%) |
|--------------------------------------|---|-------|--------------------------|----------|---------|-------|----------------|-------|------|-------|----------------------------|
| | | | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | | | | |
| 1 | Banking is essential to meet future contingencies | Count | 3 | 8 | 85 | 247 | 151 | 494 | 3.08 | 0.769 | 77.07 |
| | | % | 0.6 | 1.6 | 17.2 | 50.0 | 30.6 | 100 | | | |
| 2 | Banking is essential in daily life / my business | Count | 4 | 38 | 77 | 228 | 147 | 494 | 2.96 | 0.913 | 74.09 |
| | | % | 0.8 | 7.7 | 15.6 | 46.2 | 29.8 | 100 | | | |
| 3 | Bank is the safe mode of financial transactions | Count | 28 | 47 | 142 | 178 | 99 | 494 | 2.55 | 1.087 | 63.82 |
| | | % | 5.7 | 9.5 | 28.7 | 36.0 | 20.0 | 100 | | | |
| 4 | I prefer bank as medium for financial transactions | Count | 25 | 89 | 118 | 167 | 95 | 494 | 2.44 | 1.139 | 61.03 |
| | | % | 5.1 | 18.0 | 23.9 | 33.8 | 19.2 | 100 | | | |
| | Overall Attitude | Count | 60 | 182 | 422 | 820 | 492 | 1976 | 2.76 | 0.754 | 69.00 |
| | | % | 3.0 | 9.2 | 21.4 | 41.5 | 24.9 | 100 | | | |
| Cronbach's alpha (α) = .761 | | | | | | | | | | | |

Source: Primary Survey

The table shows that the variations in the level of attitude of Muslims on different aspects of banking with the help of the Banking Attitude Index. Among the four statements, which highlighting the importance of banking services, the statement indicates the essentiality of banking to meet future contingency have the highest score in attitude index. While, the statement which indicates bank as a medium of financial transactions have only a lowest score in the attitude index compared to other statements. The mean value of the responses against the first two statements shows more than 75 percent of respondents had a highly positive attitude but the proportion of respondents had positive attitude towards the last two statements was lower than the overall attitude of Muslims towards banking. Even though, it is apparent from the table that nearly two-third of the respondents in the sample had favourable attitude towards banking.

One-sample t test was conducted to evaluate whether the mean score for the four items reflecting attitude of the Muslims towards banking was significantly different from 2, which is the mean value for neutral position. The details of the test results are presented in Table 5.2.

Table 5.2 One-sample t- test Results for Testing the Attitude of Muslims in Kerala towards Banking

| Sl. No. | Items measuring the attitude of the Muslims towards banking | Hypothesized Value = 2 | | | | | |
|---------|---|------------------------|-----|---------|-----------------|---|-------|
| | | t | df | p-value | Mean Difference | 95% Confidence Interval of the Difference | |
| | | | | | | Lower | Upper |
| 1 | Banking is essential to meet future contingencies | 31.30 | 493 | <.001 | 1.08 | 1.02 | 1.15 |
| 2 | Banking is essential in daily life / my business | 23.45 | 493 | <.001 | 0.96 | 0.88 | 1.04 |
| 3 | Bank is the safe mode of financial transactions | 11.30 | 493 | <.001 | 0.55 | 0.46 | 0.65 |
| 4 | I prefer bank as medium for financial transactions | 8.61 | 493 | <.001 | 0.44 | 0.34 | 0.54 |
| | Overall Attitude | 22.40 | 493 | <.001 | 0.76 | 0.69 | 0.83 |

Source: Primary Survey

The test results indicated that the population mean was significantly different from 2, $t(493) = 22.40, p < .001$. The sample mean of 2.76 (SD = 0.754) indicates that the Muslim people in Kerala, on average, had a favourable and positive attitude towards banking. The test results for all the four indicators of the attitude towards banking also gave the same conclusion (see Table 5.2).

5.2.1. Attitude of different Sects of Muslims towards Banking in Kerala

The attitude of respondents across different sects of Muslims towards banking is presented in table 5.3.

Table 5.3 Attitude of different Sects of Muslims in Kerala the towards Banking

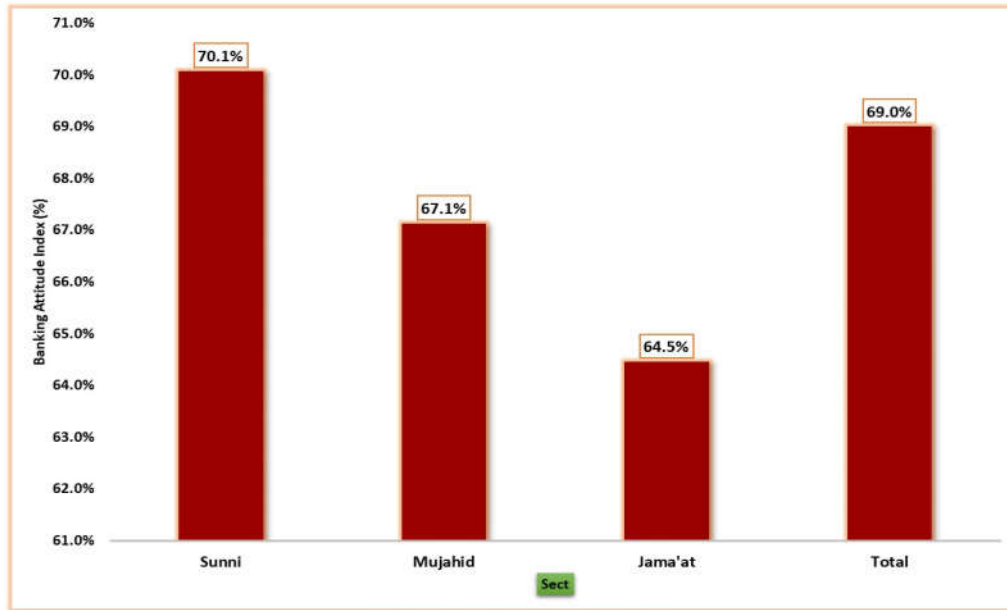
| Sl. No. | Sect | Mean | S.D. | Minimum | Maximum | N | One -Way ANOVA Results | |
|---------|---------|-------|-------|---------|---------|-----|------------------------|----------|
| 1 | Sunni | 70.08 | 18.66 | 25.0 | 100.0 | 357 | F - Value | 2.432 |
| 2 | Mujahid | 67.13 | 21.62 | 6.3 | 100.0 | 89 | df | (2, 491) |
| 3 | Jama'at | 64.45 | 13.35 | 43.8 | 87.5 | 48 | p -value | .089 |
| | Total | 69.00 | 18.85 | 6.3 | 100.0 | 494 | | |

Source: Primary Survey

The table reveals that there was a favourable positive attitude towards banking across different sects of Muslims and which has only small variations across them. The highest average attitude was among *Sunni* sect, while the lowest average attitude was among *Jama'at* sect among Muslims. One-way ANOVA test was performed to examine whether there was any significant difference in the attitude towards banking across different sects of Muslims. Test results indicate that there was no statistically significant difference in the attitude towards banking across different sects of Muslims in Kerala, $F(2, 491) = 2.432, p = .089$. It can be inferred from the results that the attitude towards banking across different sects of Muslims were same in Kerala. The responses of the sample households towards different statements indicating the importance of banking reveal that Muslims consider banking services are important in their life.

Figure 5.1 clearly exhibits the degree of difference in the attitude towards banking across different sects of Muslims in Kerala. It is apparent from the figure that the difference in the banking attitude across different sects of Muslims was not significant.

Figure 5.1 Attitude of different Sects of Muslims in Kerala towards Banking



Source: Primary Survey

5.2.2. Attitude towards Banking and Educational Status of the Respondents

Educational standards have significant impact in shaping the banking attitude of a person. The nature of attitude of respondents with different educational qualifications towards banking is given in Table 5.4.

The table shows that majority of respondents have favorable and positive attitude towards banking with 60-80 attitude index score irrespective of the differences in their educational attainment. The average attitude index of graduates was highest among the respondents and followed by the people have only primary education, who were the old age persons among the sample respondents. The average attitude index of banking was lowest for the respondents have only upper primary level education and majority of them were women. Chi-square test results indicate that there was statistically significant association between level of education and degree of attitude towards banking among Muslims in Kerala, $\chi^2 (20) = 34.077$, $p = .026$. It can be inferred from the results that the level of education affects the attitude towards banking among Muslims in Kerala.

Table 5.4 Attitude towards Banking and Educational Status of the Respondents

| | | | Educational Qualification | | | | | | Total | Chi-square Test Results |
|----------------------------|----------|-------|---------------------------|---------------|-------------|--------------------------------|------------|-------------------------|--------|---|
| | | | Lower Primary | Upper Primary | High School | Higher Secondary or Equivalent | Graduation | Post-Graduation & Above | | |
| Banking Attitude Index (%) | 0 - 20 | Count | 0 | 0 | 1 | 2 | 0 | 0 | 3 | $\chi^2 = 34.077$ d.f. = 20 p = .026 Cramer's V = .131 p = .026 |
| | | % | 0.0% | 0.0% | 0.5% | 2.2% | 0.0% | 0.0% | 0.6% | |
| | 20 - 40 | Count | 2 | 1 | 12 | 5 | 5 | 3 | 28 | |
| | | % | 8.0% | 1.5% | 5.5% | 5.6% | 8.3% | 8.3% | 5.7% | |
| | 40 - 60 | Count | 5 | 26 | 42 | 27 | 5 | 8 | 113 | |
| | | % | 20.0% | 38.8% | 19.4% | 30.3% | 8.3% | 22.2% | 22.9% | |
| | 60 - 80 | Count | 13 | 24 | 90 | 30 | 26 | 10 | 193 | |
| | | % | 52.0% | 35.8% | 41.5% | 33.7% | 43.3% | 27.8% | 39.1% | |
| | 80 - 100 | Count | 5 | 16 | 72 | 25 | 24 | 15 | 157 | |
| | | % | 20.0% | 23.9% | 33.2% | 28.1% | 40.0% | 41.7% | 31.8% | |
| | Total | Count | 25 | 67 | 217 | 89 | 60 | 36 | 494 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

5.3. Awareness about Various Banking Services among Muslims in Kerala

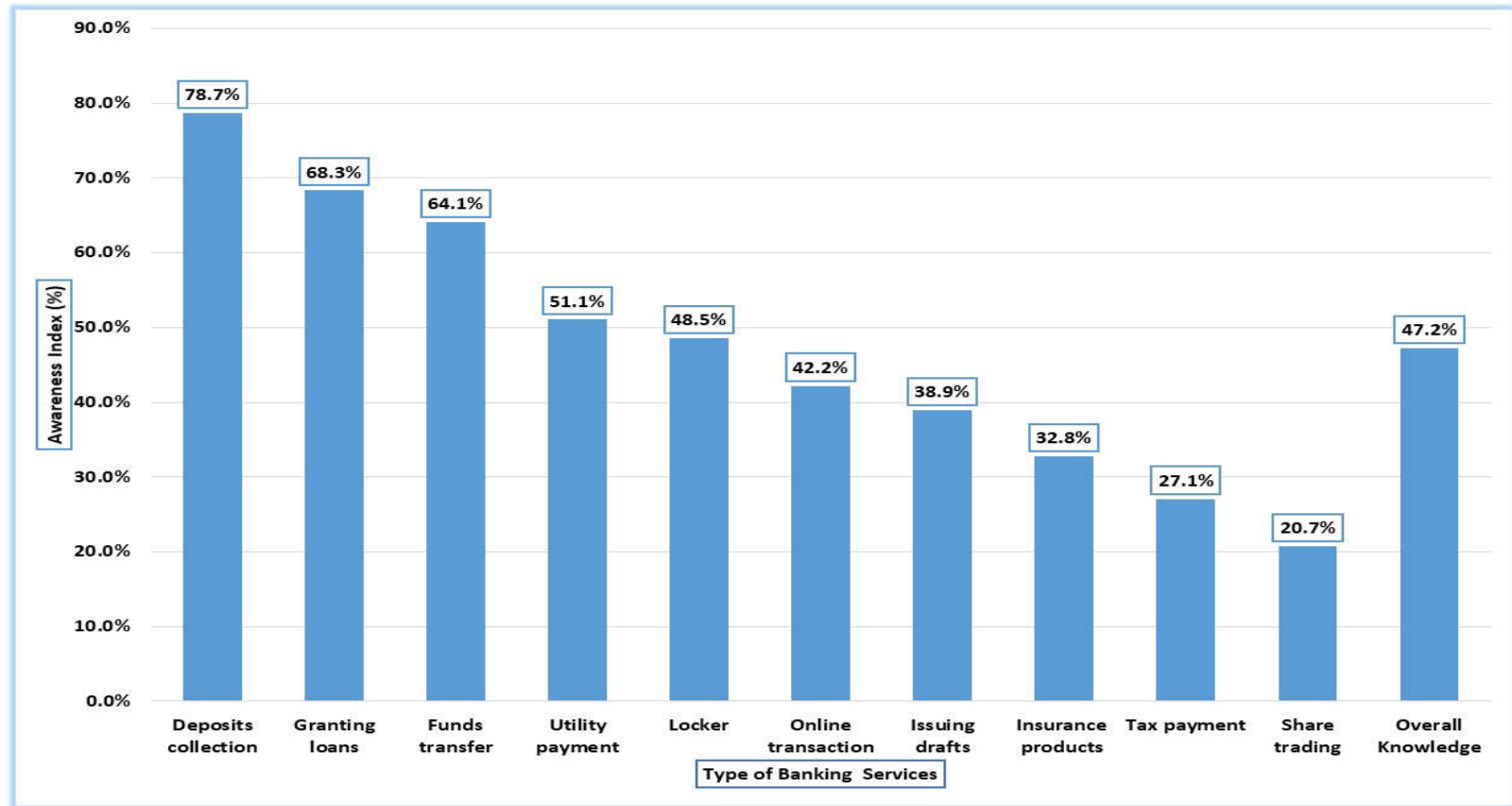
Awareness about various banking services is an important factor which will positively influence the banking habit and financial inclusion of a person. The awareness about banking services includes the knowledge about the importance, process of particular banking service and the requirements for availing the banking service.

The level of awareness about various banking services among Muslims was measured using a set of five-point Likert scale statements. The responses on the Likert scale statements were measured on five points labelled as: “Fully Aware”, “Almost Aware”, “Partly Aware”, “At Least Aware”, and “Unaware”, and these responses were coded as 4, 3, 2, 1, and 0, respectively. This ordinal variable was converted into a continuous variable by calculating an awareness index for conducting parametric tests to draw accurate inferences from the data.

5.3.1. Level of Awareness about Various Banking Services among Muslims

The details of level of awareness among Muslims about various banking services are depicted in the Figure 5.2.

Figure 5.2 Level of Awareness about Different Banking Services among Muslims in Kerala



Source: Primary Survey

The figure shows that the overall awareness index value of respondents in various banking services were below 50 and it indicates their level of financial literacy. Muslim households were more aware of deposit collection service among various services provided by their bank, while at the same time they were less aware of stock trading through banks. Generally, they were more aware about the primary services of banks than other services. The figure also highlights that among Muslims the level of awareness was different on various types of banking services provided by their bank.

5.3.2 Distribution Pattern of the Level of Awareness about Various Banking Services

The distribution pattern of the level of awareness about various banking services among Muslims are presented in Table 5.5.

Table 5.5 Distribution Pattern of the Level of Awareness about Various Banking Services among Muslims in Kerala

| Sl. No. | Awareness Level (%) | Frequency | Percentage | Cumulative Percent |
|---------|---------------------|-----------|------------|--------------------|
| 1 | 0 - 20 | 73 | 14.8 | 14.8 |
| 2 | 20 - 40 | 129 | 26.1 | 40.9 |
| 3 | 40 - 60 | 132 | 26.7 | 67.6 |
| 4 | 60 - 80 | 90 | 18.2 | 85.8 |
| 5 | 80 - 100 | 70 | 14.2 | 100 |
| | Total | 494 | 100 | |

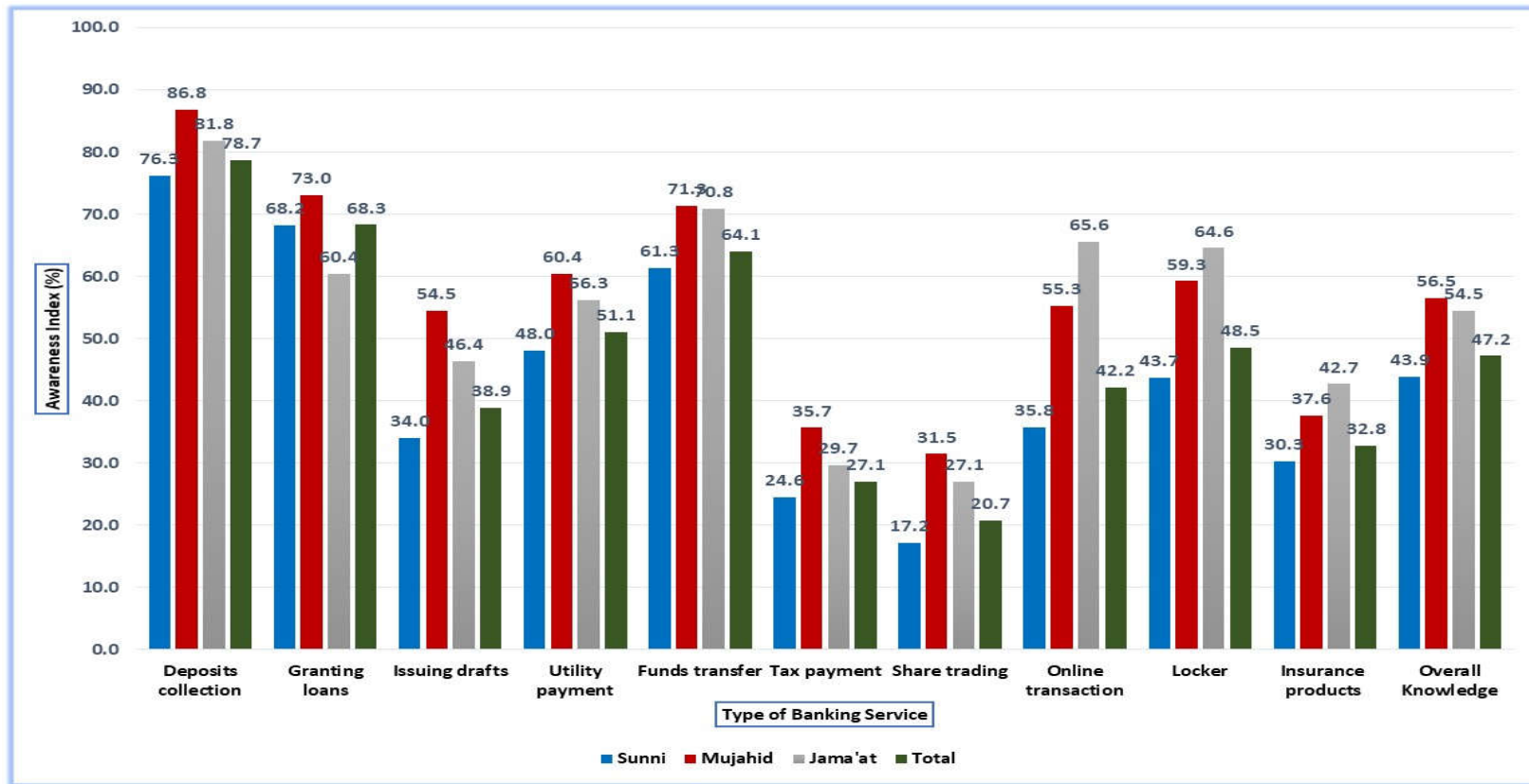
Source: Primary Survey

The table shows that more than two-third of respondents have the overall awareness about banking services below 60 and only a few percent of respondents have high level awareness about banking services. More than half of the respondents have level of awareness between 20 and 60. Nearly 15 percent of respondents were unaware or have only a least awareness about banking services. Nearly one-third of the respondents were highly aware (>60) about various banking services.

5.3.3. Level of Awareness about Various Banking Services among Different Sects of Muslims

The details of the level of awareness about banking services across different sects of Muslims depicted in Figure 5.3.

Figure 5.3 Level of Awareness about Various Banking Services among Different Sects of Muslims in Kerala



Source: Primary Survey

The figure shows that *Mujahid* sect were highly aware about majority of banking services than other sects of Muslims, while about the online transaction, locker facility and insurance products *Jama'at* sect were highly aware than other sects of Muslims. But Sunni sect of Muslims was lagged behind other sects in the awareness about all types of banking services listed in the table. The level of awareness across different sects of Muslims was high on the services like deposit collection, granting loans and fund transfer compared to their level of awareness in other banking services. In the online banking transactions *Jama'at* sect was more aware than other sects of Muslims.

5.3.4. Difference in the Level of Awareness about Various Banking Services among Different Sects of Muslims in Kerala

The differences in the level of awareness about various banking services across different sects of Muslims in Kerala are presented in Table 5.6. The table shows that the level of awareness about various banking services across different sects of Muslims was different on different banking services. Separate One-way ANOVA tests were conducted to examine whether there was any significant difference in the level of awareness about various banking services across different sects of Muslims.

One-way ANOVA test results of every banking services, those are listed in the table, indicate that there were statistically significant difference in the level of awareness about the listed banking services, except the awareness about granting loans, across different sects of Muslims in Kerala. More specifically it can be seen from the table that the awareness about the primary banking services like deposit and fund transfer shows statistically significant difference across different sects of Muslims in Kerala, $F(2, 491) = 5.556, p = .004$ and $F(2, 491) = 4.470, p = .012$ respectively. It can be inferred from the results that there was significant difference in the awareness even about the primary banking services across different sects of Muslims in Kerala. The test results also shows that there was statistically significant difference in the awareness about online banking transaction across different sects of Muslims in Kerala, $F(2, 491) = 19.199, p < .001$. It can also be deduced from this results that there was significant difference in the awareness about the online banking transactions across different sects of Muslims in Kerala.

Table 5.6 Level of Awareness about Various Banking Services among Different Sects of Muslims in Kerala

| Sl. No. | Type of Banking Services | Sect | | | | | | | | | Total | | | One-way ANOVA Results | | |
|-------------------|--------------------------|-------|------|-----|---------|------|----|---------|------|----|-------|------|-----|-----------------------|-----------|-----------|
| | | Sunni | | | Mujahid | | | Jama'at | | | Mean* | S.D. | N | df | F - Value | p - value |
| | | Mean* | S.D. | N | Mean* | S.D. | N | Mean* | S.D. | N | | | | | | |
| 1 | Deposits collection | 76.3 | 28.8 | 357 | 86.8 | 21.0 | 89 | 81.8 | 28.1 | 48 | 78.7 | 27.8 | 494 | (2, 491) | 5.556 | .004 |
| 2 | Granting loans | 68.2 | 30.7 | 357 | 73.0 | 28.3 | 89 | 60.4 | 33.4 | 48 | 68.3 | 30.6 | 494 | (2, 491) | 2.670 | .070 |
| 3 | Issuing drafts | 34.0 | 37.5 | 357 | 54.5 | 36.3 | 89 | 46.4 | 40.3 | 48 | 38.9 | 38.4 | 494 | (2, 491) | 11.600 | <.001 |
| 4 | Utility payment | 48.0 | 36.2 | 357 | 60.4 | 30.6 | 89 | 56.3 | 34.8 | 48 | 51.1 | 35.4 | 494 | (2, 491) | 4.980 | .007 |
| 5 | Funds transfer | 61.3 | 33.6 | 357 | 71.3 | 28.6 | 89 | 70.8 | 33.2 | 48 | 64.1 | 32.9 | 494 | (2, 491) | 4.470 | .012 |
| 6 | Tax payment | 24.6 | 33.6 | 357 | 35.7 | 38.2 | 89 | 29.7 | 35.2 | 48 | 27.1 | 34.8 | 494 | (2, 491) | 3.812 | .023 |
| 7 | Share trading | 17.2 | 31.2 | 357 | 31.5 | 35.9 | 89 | 27.1 | 33.0 | 48 | 20.7 | 32.7 | 494 | (2, 491) | 7.963 | <.001 |
| 8 | Online transaction | 35.8 | 39.0 | 357 | 55.3 | 36.6 | 89 | 65.6 | 36.3 | 48 | 42.2 | 39.7 | 494 | (2, 491) | 19.199 | <.001 |
| 9 | Locker | 43.7 | 39.2 | 357 | 59.3 | 35.6 | 89 | 64.6 | 38.2 | 48 | 48.5 | 39.3 | 494 | (2, 491) | 10.436 | <.001 |
| 10 | Insurance products | 30.3 | 38.0 | 357 | 37.6 | 37.3 | 89 | 42.7 | 40.6 | 48 | 32.8 | 38.3 | 494 | (2, 491) | 3.137 | .044 |
| Overall Awareness | | 43.9 | 26.1 | 357 | 56.5 | 24.6 | 89 | 54.5 | 24.5 | 48 | 47.2 | 26.2 | 494 | (2, 491) | 10.683 | <.001 |

Note: *Arithmetic mean of the level of awareness (%)

Source: Primary Survey

But the test results indicate that, in the awareness level about granting loan, there was no statistically significant difference across different sects of Muslims in Kerala, $F(2, 491) = 2.670, p = .070$. It can be concluded that, in an emergency situation people belongs to different sects of Muslims had taken loans from bank or approached bank for credit, therefore, the awareness about granting loan was same across different sects of Muslims in Kerala.

Consequently, there was statistically significant difference in the overall awareness about the banking services across different sects of Muslims in Kerala, $F(2,491) = 10.68, p <.001$. It can be inferred that the level of awareness about various banking services among Muslims, irrespective of their sect, was different in Kerala.

A multiple comparison test (based Tukey HSD) was employed to find out which sects are most different in their level of awareness about banking services in Kerala. The multiple comparison test results are presented in Table 5.7.

Table 5.7 Multiple Comparisons Test Results (Tukey HSD) of Awareness across Different Sects of Muslims in Kerala

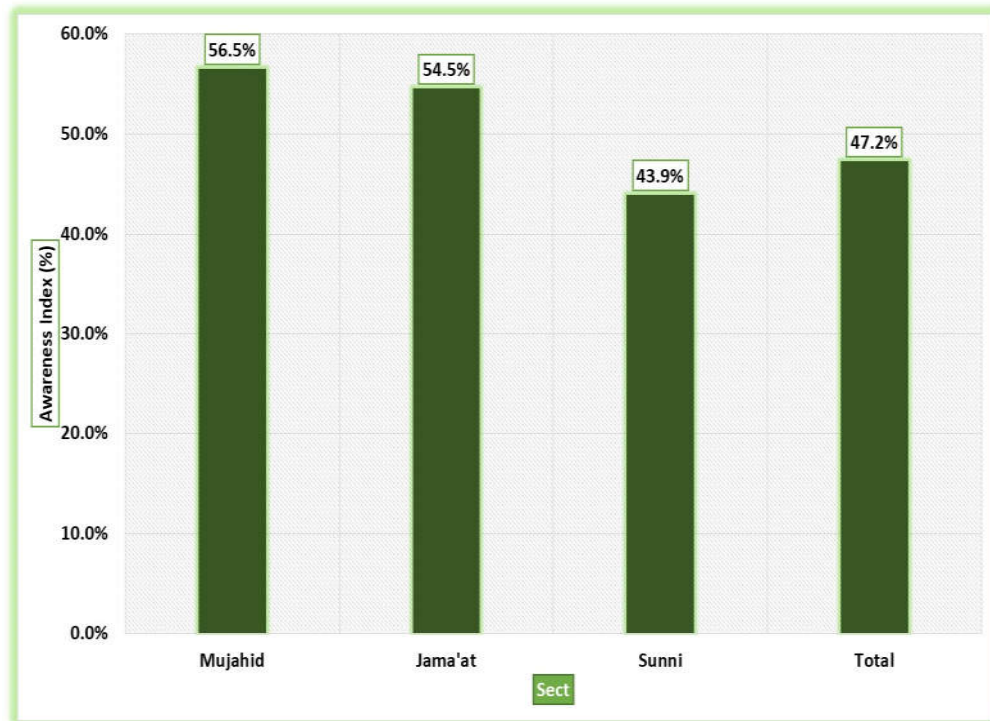
| Sl. No. | (I) Sect | (J) Sect | Mean Difference (I-J) | Std. Error | p - value | 95% Confidence Interval | |
|--|----------|----------|-----------------------|------------|-----------|-------------------------|-------------|
| | | | | | | Lower Bound | Upper Bound |
| 1 | Sunni | Mujahid | -12.602* | 3.05 | <.001 | -19.77 | -5.44 |
| | | Jama'at | -10.589* | 3.95 | .021 | -19.89 | -1.29 |
| 2 | Mujahid | Sunni | 12.602* | 3.05 | <.001 | 5.44 | 19.77 |
| | | Jama'at | 2.014 | 4.61 | .900 | -8.82 | 12.84 |
| 3 | Jama'at | Sunni | 10.589* | 3.95 | .021 | 1.29 | 19.89 |
| | | Mujahid | -2.014 | 4.61 | .900 | -12.84 | 8.82 |
| *. The mean difference is significant at the 0.05 level. | | | | | | | |

The test results presented in the table indicate that the overall level of awareness about the banking services of the *Sunni* sect was significantly lower than that of the other two sects of Muslims; however, there was no significant difference in the banking service awareness level of the *Mujahid* and *Jama 'at* people in Kerala. It can be deduced from the field experience that the awareness about

5.3.4. Overall Awareness about Banking Services among Different Sects of Muslims

The overall awareness about banking services across different sects of Muslims is depicted in Figure 5.4.

Figure 5.4 Level of awareness about Banking Services among Different Sects of Muslims in Kerala



In the overall awareness about the banking services *Mujahid* sect was highly aware about banking services and *Sunni* sect was least aware about banking services among Muslims.

5.3.5. Distribution Pattern of the Level of Overall Awareness about Banking Services across different Sects

The nature of distribution of the level of overall awareness about banking services across different sects of Muslims is presented Table 5.8.

Table 5.8 Distribution Pattern of the Level of Awareness about Various Banking Services across different Sects of Muslims in Kerala

| | | Sect | | | | Total | Chi-square Test Results | |
|--------------------------------|----------|-------|---------|---------|--------|--------|--|--------|
| | | Sunni | Mujahid | Jama'at | | | | |
| Banking Services Awareness (%) | 0 - 20 | Count | 61 | 6 | 6 | 73 | $\chi^2 = 42.320$ d.f. = 8 p < .001 Cramer's V = .207 p < .001 | |
| | | % | 17.1% | 6.7% | 12.5% | 14.8% | | |
| | 20 - 40 | Count | 107 | 20 | 2 | 129 | | |
| | | % | 30.0% | 22.5% | 4.2% | 26.1% | | |
| | 40 - 60 | Count | 94 | 18 | 20 | 132 | | |
| | | % | 26.3% | 20.2% | 41.7% | 26.7% | | |
| | 60 - 80 | Count | 47 | 31 | 12 | 90 | | |
| | | % | 13.2% | 34.8% | 25.0% | 18.2% | | |
| | 80 - 100 | Count | 48 | 14 | 8 | 70 | | |
| | | % | 13.4% | 15.7% | 16.7% | 14.2% | | |
| | Total | | Count | Count | 89 | 48 | | 494 |
| | | | % | % | 100.0% | 100.0% | | 100.0% |

Source: Primary Survey

The table shows that majority of respondents belong to Sunni sect have the level of awareness of 20-40 out of 100 about the banking services and more than two third of them have awareness about banking services below 60. While, majority of respondents belong to *Mujahid* sect have the level of awareness of 60-80 and more than half of them have an awareness about banking services above 60. Majority of respondents belong to *Jama'at* sect have the level of awareness of 40-60 and more than 80 percent of them have awareness above 40. The table apparently exhibits the differences in the level of awareness of different sects of Muslims about banking services. Chi-square test results indicate that there was statistically significant difference in the level of awareness about banking services across different sects of Muslims in Kerala, $\chi^2 (8) = 42.320$, $p < .001$. It can be inferred from the results that Muslims belong to different sects have different level of awareness on the banking services in Kerala. This difference in the level of awareness about banking services can be attributed to the differences in the level of education and nature of occupation of the people belong to different sects of Muslims in Kerala.

5.4. Ability to Perform Various Types of Banking Transactions

Ability to perform banking services is an important element which determining the banking habit of a person. The ability to perform a particular

banking service is depends on the level of awareness about the banking service, level of education and their banking experience. The level of ability to perform various banking services among Muslims was measured using a set of five-point Likert scale statements. The responses on the Likert scale statements were measured on five points labelled as: “Fully Aware”, “Almost Aware”, “Partly Aware”, “At Least Aware”, and “Unaware”, and these responses were coded as 4, 3, 2, 1, and 0, respectively. This ordinal variable was converted into a continuous variable by calculating an ability index for conducting parametric tests to draw accurate inferences from the data. The distribution of level of ability to perform various banking transactions among Muslims is given Table 5.9.

Table 5.9 Distribution Pattern of the Ability to Perform Banking Transactions

| Sl. No. | Ability Level (%) | Frequency | Percentage | Cumulative Percentage |
|---------|-------------------|-----------|------------|-----------------------|
| 1 | 0 - 20 | 113 | 22.9 | 22.9 |
| 2 | 20 - 40 | 65 | 13.2 | 36.0 |
| 3 | 40 - 60 | 99 | 20.0 | 56.1 |
| 4 | 60 - 80 | 82 | 16.6 | 72.7 |
| 5 | 80 - 100 | 135 | 27.3 | 100.0 |
| | Total | 494 | 100 | |

Source: Primary Survey

The table shows that majority of respondents belong to 80-100 percent level of ability to perform banking transactions and more than 40 percent of respondent have above 60 percent ability to perform banking transactions. While, more than a one third of the respondents have ability to perform the banking transactions only below 40 percent. Even though, nearly two third of respondents have reasonable ability to perform various banking services among Muslims was a good sign of improvement of utilization of banking services among the community.

5.4.1. Level of Ability to Perform Various Types of Banking Transactions across Different Sects of Muslims in Kerala

The details about the level of ability to perform various types of banking transactions among different sects of Muslims are presented in Table 5.10.

Table 5.10 Level of Ability to Perform Various Types of Banking Transactions among Different Sects of Muslims in Kerala

| Sl. No. | Type of Banking Transactions | Sect | | | | | | | | | Total | | | One-way ANOVA Results | | |
|------------------------------|-------------------------------|-------|------|-----|---------|------|----|---------|------|----|-------|------|-----|-----------------------|----------|----------|
| | | Sunni | | | Mujahid | | | Jama'at | | | Mean* | S.D. | N | df | F -Value | p -value |
| | | Mean* | S.D. | N | Mean* | S.D. | N | Mean* | S.D. | N | | | | | | |
| 1 | Branch Transactions | 69.1 | 31.9 | 357 | 80.1 | 21.4 | 89 | 78.6 | 26.8 | 48 | 72.0 | 30.1 | 494 | (2, 491) | 6.108 | .002 |
| 2 | ATM Transactions | 55.9 | 41.0 | 357 | 82.0 | 29.4 | 89 | 80.7 | 29.3 | 48 | 63.0 | 39.8 | 494 | (2, 491) | 22.435 | <.001 |
| 3 | Internet Banking Transactions | 33.6 | 38.5 | 357 | 47.2 | 39.2 | 89 | 49.5 | 36.3 | 48 | 37.6 | 38.9 | 494 | (2, 491) | 6.996 | .001 |
| 4 | Mobile Banking Transactions | 34.0 | 39.9 | 357 | 49.7 | 39.1 | 89 | 52.6 | 36.9 | 48 | 38.6 | 40.1 | 494 | (2, 491) | 9.003 | <.001 |
| Overall Banking Transactions | | 48.1 | 32.7 | 357 | 64.7 | 26.6 | 89 | 65.4 | 28.1 | 48 | 52.8 | 32.1 | 494 | (2, 491) | 14.318 | <.001 |

Note: *Arithmetic mean of the ability of the transactions (%)

Source: Primary Survey

The table shows that the level of ability to perform various banking transactions across different sects of Muslims was different in different banking transactions. The respondents belong to Sunni sect has more ability in performing branch transactions, while both *Mujahid* and *Jamaát* sects have more ability in performing ATM transactions compared to other banking transactions they performed. The respondents across different sects of Muslims have less ability in Internet banking transactions than other banking transactions. In the branch transactions and the transactions using ATM cards respondents belong to *Mujahid* sect has high ability than other sects of Muslims. But in the case of online transactions or technology banking the respondents belong to *Jamaát* sect has high ability than other sects of Muslims.

Separate One-way ANOVA tests were conducted to examine whether there was any significant difference in the level of ability to perform different types of banking transactions across different sects of Muslims. One-way ANOVA test results related to the banking transaction, those are listed in the table; indicate that there were statistically significant differences in the level of ability to perform all the listed banking transactions across different sects of Muslims in Kerala.

To be more specific, it can be seen from the table that there was statistically significant difference in the ability to perform branch and ATM transactions across different sects of Muslims in Kerala, $F(2, 491) = 6.108$, $p = .002$ and $F(2, 491) = 22.435$, $p < .001$ respectively. It can be inferred from the results that the ability of Muslims in performing banking transactions at branch and at ATM were different across different sects in Kerala. The test results also indicate that there was statistically significant difference in the ability to perform online banking transaction like Internet banking and Mobile banking across different sects of Muslims in Kerala, $F(2, 491) = 6.996$, $p = .001$ and $F(2, 491) = 9.003$, $p < .001$. It can also be deduced from this results that there was significant difference in the ability to do online banking transactions across different sects of Muslims in Kerala. Consequently, there was significant difference in the overall ability to perform the banking transactions across different sects of Muslims in Kerala, $F(2,491) = 14.318$,

$p < .001$. It can be inferred from the results that the level of ability to perform various types of banking transactions were different across different sects of Muslims in Kerala.

A multiple comparison test (based Tukey HSD) was employed to find out which sects are most different in their level of ability to perform various types of banking services in Kerala. The test results are presented in Table 5.11.

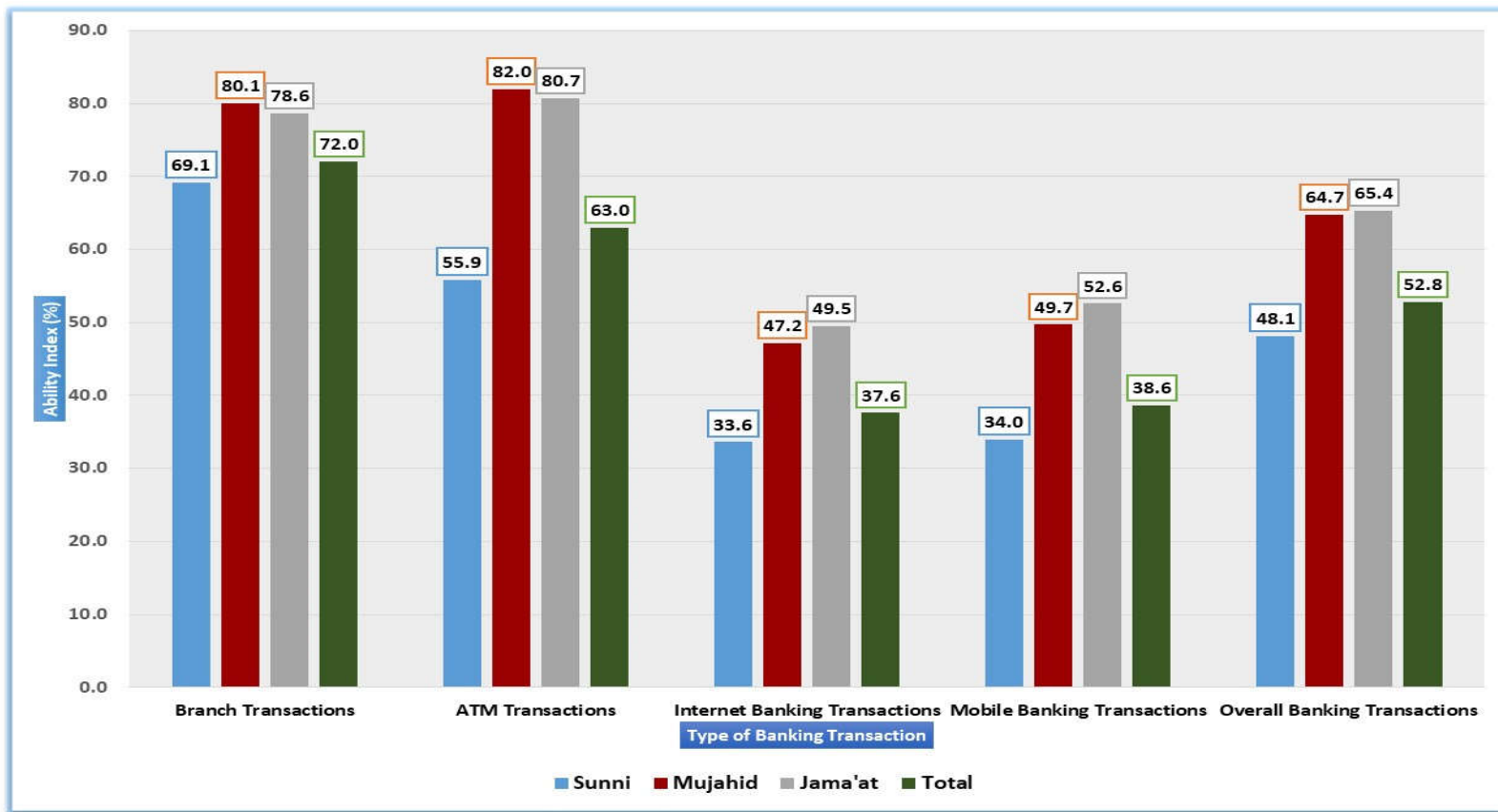
Table 5.11 Multiple Comparisons Test Results (Tukey HSD) of Ability to Perform Various Types of Banking Transactions across Different Sects of Muslims

| Sl. No. | (I) Sect | (J) Sect | Mean Difference (I-J) | Std. Error | p - value | 95% Confidence Interval | |
|---------|----------|----------|-----------------------|------------|-----------|-------------------------|-------------|
| | | | | | | Lower Bound | Upper Bound |
| 1 | Sunni | Mujahid | -16.603* | 3.71 | <.001 | -25.32 | -7.89 |
| | | Jama'at | -17.220* | 4.81 | .001 | -28.53 | -5.92 |
| 2 | Mujahid | Sunni | 16.603* | 3.71 | <.001 | 7.89 | 25.32 |
| | | Jama'at | -0.617 | 5.60 | .993 | -13.79 | 12.55 |
| 3 | Jama'at | Sunni | 17.220* | 4.81 | .001 | 5.92 | 28.53 |
| | | Mujahid | 0.617 | 5.60 | .993 | -12.55 | 13.79 |

*. The mean difference is significant at the 0.05 level.

The test results presented in the table indicate that the overall level of ability to perform various types of banking transactions of the *Sunni* sect was significantly lower than that of the other two sects of Muslims; however, there was no significant difference in the overall level of ability to perform various types of banking transactions of the *Mujahid* and *Jama'at* people in Kerala. This difference in the level of ability of *Sunni* sect to perform various banking services was due to their level of education and the nature of employment they engaged. The differences in the ability to perform various types of banking transactions across different sects of Muslims in Kerala depicted in the Figure 5.5. The figure clearly exhibits that the *Sunni* sect was lagged behind other sects of Muslims in the ability to perform all type of banking transactions.

Figure 5.5 Level of Ability to Perform Various Types of Banking Transactions among Different Sects of Muslims in Kerala



Source: Primary Survey

5.4.2. Distribution of the Level of Ability to Perform Various Banking Transactions across Different Sects

The details of pattern of distribution of the level of ability to perform various type of banking of banking transactions are given in Table 5.12.

Table 5.12 Pattern of Distribution of the Level of Ability to Perform Various Banking Transactions across Different Sects of Muslims in Kerala

| | | | Sect | | | Total | Chi-square Test Results |
|---------------------------------|----------|-------|--------|---------|---------|--------|--|
| | | | Sunni | Mujahid | Jama'at | | |
| Banking Transaction Ability (%) | 0 - 20 | Count | 102 | 7 | 4 | 113 | $\chi^2 = 55.866$ d.f. = 8 p < .001 Cramer's V = .338 p < .001 |
| | | % | 28.6% | 7.9% | 8.3% | 22.9% | |
| | 20 - 40 | Count | 55 | 5 | 5 | 65 | |
| | | % | 15.4% | 5.6% | 10.4% | 13.2% | |
| | 40 - 60 | Count | 66 | 28 | 5 | 99 | |
| | | % | 18.5% | 31.5% | 10.4% | 20.0% | |
| | 60 - 80 | Count | 49 | 14 | 19 | 82 | |
| | | % | 13.7% | 15.7% | 39.6% | 16.6% | |
| | 80 - 100 | Count | 85 | 35 | 15 | 135 | |
| | | % | 23.8% | 39.3% | 31.3% | 27.3% | |
| | Total | Count | Count | 89 | 48 | 494 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that majority of respondents have 80-100 percent ability to perform various types of banking transactions and more than 40 percent of the respondents have high ability to perform banking transactions above 60 percent. However, the fact that nearly one-third of respondents has less than 40 percent ability to do banking transactions could adversely affect the development of banking habit among them. But the details of banking transaction ability across different sects of Muslims highlight that the majority of respondents belong to *Sunni* sect have only less than 20 percent ability to perform various banking services. Majority of respondents from *Mujahid* sect have more than 80 percent ability to do banking

transactions and that of *Jama'at* sect have more than 60 percent ability to do banking transactions.

Moreover, the proportion of people has ability to perform various banking transactions above 60 percent was high in *Jama'at* sect, followed by *Mujahid* sect and least belong to Sunni sect. Chi-square test results indicate that there was statistically significant difference in the ability to perform various types of banking transactions across different sects of Muslims in Kerala, $\chi^2 (8) = 55.866, p < .001$. It can be inferred from the result that the ability to perform various banking transactions across different sects of Muslims were different in Kerala.

5.4.3. Banking Transaction Help Requirement across the Sect of the Respondents

The details of respondents who sought help of others to do banking transactions are given in Table 5.13.

Table 5.13 Banking Transaction Help Requirement across the Sect of the Respondents

| | | | Sect | | | Total | Chi-square Test Results |
|--------------------------------------|-----|-------|--------|---------|---------|--------|--|
| | | | Sunni | Mujahid | Jama'at | | |
| Banking Transaction Help Requirement | Yes | Count | 136 | 13 | 5 | 154 | $\chi^2 = 30.687$ d.f. = 2 $p < .001$ Cramer's V = .256 $p < .001$ |
| | | % | 40.2% | 14.9% | 11.1% | 32.8% | |
| | No | Count | 202 | 74 | 40 | 316 | |
| | | % | 59.8% | 85.1% | 88.9% | 67.2% | |
| Total | | Count | 338 | 87 | 45 | 470 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that majority of respondents do not need any help of others to do banking transactions but nearly one-third of respondents cannot do bank transactions without the help of others. Moreover, the proportion of people who require the assistance from others to do banking transactions was high in Sunni sect and was lowest in the *Jama'at* sect. Chi-square test results indicate that there was statistically significant difference in the proportion of people who required help

from others to do banking transactions across different sects of Muslims in Kerala, $\chi^2 (2) = 30.687, p < .001$. It can be inferred from the results that there was differences in the proportion of people who sought help from others to do banking transactions among Muslims in Kerala.

5.4.4. Banking Transaction Ability and Awareness about bank services.

The banking transaction ability of a person depends on his level of awareness about banking services provided by his bank. In fact, the banking transaction ability has multidimensional aspects as its determinants; the extent of awareness about banking services is a very crucial element among them. The proper awareness about banking services always encourage fruitful use of banking and develop banking transaction ability of a person. The level of education and nature of employment also influence their banking transaction ability. Therefore, this section examines the association between the level of awareness and level of ability to perform banking transactions among Muslims.

The details of association between the level of awareness and level of ability to perform banking transactions among Muslims are presented in Table 5.14.

Table 5.14 Banking Transaction Ability and Awareness

| | | Banking Services Awareness | | | | | Total | Chi-square Test Results | |
|-------------------------------------|----------|----------------------------|---------|---------|---------|----------|-------|-------------------------|--|
| | | 0 - 20 | 20 - 40 | 40 - 60 | 60 - 80 | 80 - 100 | | | |
| Overall Banking Transaction Ability | 0 - 20 | Count | 54 | 38 | 15 | 6 | 0 | 113 | $\chi^2 = 294.746$ d.f. = 16 p < .001 Cramer's V = .386 p < .001 |
| | | % | 74.0% | 29.5% | 11.4% | 6.7% | 0.0% | 22.9% | |
| | 20 - 40 | Count | 13 | 25 | 19 | 2 | 6 | 65 | |
| | | % | 17.8% | 19.4% | 14.4% | 2.2% | 8.6% | 13.2% | |
| | 40 - 60 | Count | 6 | 36 | 37 | 15 | 5 | 99 | |
| | | % | 8.2% | 27.9% | 28.0% | 16.7% | 7.1% | 20.0% | |
| | 60 - 80 | Count | 0 | 20 | 26 | 31 | 5 | 82 | |
| | | % | 0.0% | 15.5% | 19.7% | 34.4% | 7.1% | 16.6% | |
| | 80 - 100 | Count | 0 | 10 | 35 | 36 | 54 | 135 | |
| | | % | 0.0% | 7.8% | 26.5% | 40.0% | 77.1% | 27.3% | |
| | Total | Count | Count | 129 | 132 | 90 | 70 | 494 | |
| | | 100% | 100% | 100% | 100% | 100% | 100% | 100% | |

Source: Primary Survey

The table shows that majority of people, who have the level of awareness below 20 percent, have the banking transaction ability only below 20 percent and majority of the people belong to the category of 80-100 percent awareness about banking services also have 80-100 percent ability to do banking transactions. The leading diagonal values in the table indicate that there was a positive relation between the level of awareness about banking services and level of banking transaction ability among Muslims. Chi-square test results indicate that there was statistically significant association between the level of awareness about banking services and level of banking transaction ability among Muslims in Kerala, $\chi^2 (16) = 294.746$, $p < .001$. It can be inferred from the results that the level of awareness of Muslims about banking services influences their level of ability to perform various banking transactions in Kerala.

5.5. Utilization of Banking Services of Muslims in Kerala

Utilization of banking services is the frequency of using various banking services in day to day business of life of a person. The intensity of utilisation of banking services in day to day life reflects the extent of banking habit of a person or a society. The extent of the utilization of banking services depends on the opportunity to perform banking transactions, the availability of other sources of finance and use of informal sources of finance. In fact, the utilization of banking services is influenced by the banking attitude, awareness about banking services and ability to perform banking transactions; the religious factors sometimes limit the utilization banking services of a person or a society.

The utilization of banking services by Muslims was measured using a set of ten Semantic differential scale statements. The responses on the statements were measured on five points between two extreme items as: “Always” and “Never”, and these responses were coded as 4, 3, 2, 1, and 0, respectively.

This ordinal variable was converted into a continuous variable by calculating the banking service utilization index for conducting parametric tests to draw accurate inferences from the data. The summary of the responses of the sample respondents are given in Table 5.15.

5.5.1. Utilization Score of Different Banking Services among the Respondents

The details of the degree of utilization of different banking services by the respondents are presented in Table 5.15.

Table 5.15 Summary Statistics of the Utilization Score of Different Banking Services among the Respondents

| Sl. No. | Type of Banking Transaction | Mean | S.D. | Median | Skewness | Kurtosis | N |
|---------|--------------------------------|------|------|--------|----------|----------|-----|
| 1 | Cash Withdrawal from Bank | 3.00 | 1.20 | 3.0 | -0.97 | -0.14 | 469 |
| 2 | ATM Transactions | 2.66 | 1.63 | 4.0 | -0.74 | -1.12 | 469 |
| 3 | Fund Transfer | 1.72 | 1.65 | 1.0 | 0.32 | -1.53 | 469 |
| 4 | Internet Banking | 1.30 | 1.73 | 0.0 | 0.71 | -1.33 | 469 |
| 5 | Depositing in Account | 0.99 | 1.54 | 0.0 | 1.15 | -0.42 | 469 |
| 6 | Utility Bill Payments | 0.96 | 1.56 | 0.0 | 1.19 | -0.36 | 469 |
| 7 | Taking Mini Statements | 0.83 | 1.41 | 0.0 | 1.39 | 0.32 | 469 |
| 8 | Credit/Debit Card Transactions | 0.32 | 1.00 | 0.0 | 3.05 | 7.85 | 469 |
| 9 | Locker | 0.25 | 0.73 | 0.0 | 2.92 | 7.77 | 469 |
| 10 | Security Trading through Bank | 0.10 | 0.59 | 0.0 | 5.86 | 33.34 | 469 |
| | Overall Frequency of Bank Use | 1.21 | 0.83 | 1.0 | 0.55 | -0.72 | 469 |

Source: Primary Survey

The table shows that the mean score of overall utilization of banking services (banking habit) by the respondents was only 1.21 out of 4. The most frequently used banking service was the cash withdrawal from the bank and the least frequently used banking service was the security trading through the bank. Generally the services related to transaction banking, 1 to 4 items in the list, were used most frequently than other banking services. Moreover, the median value of majority of banking services were zero because more than half of the respondents did not use these services yet since they opened their bank account. The transaction banking like cash withdrawal from bank and form ATMs, fund transfer were the main banking service

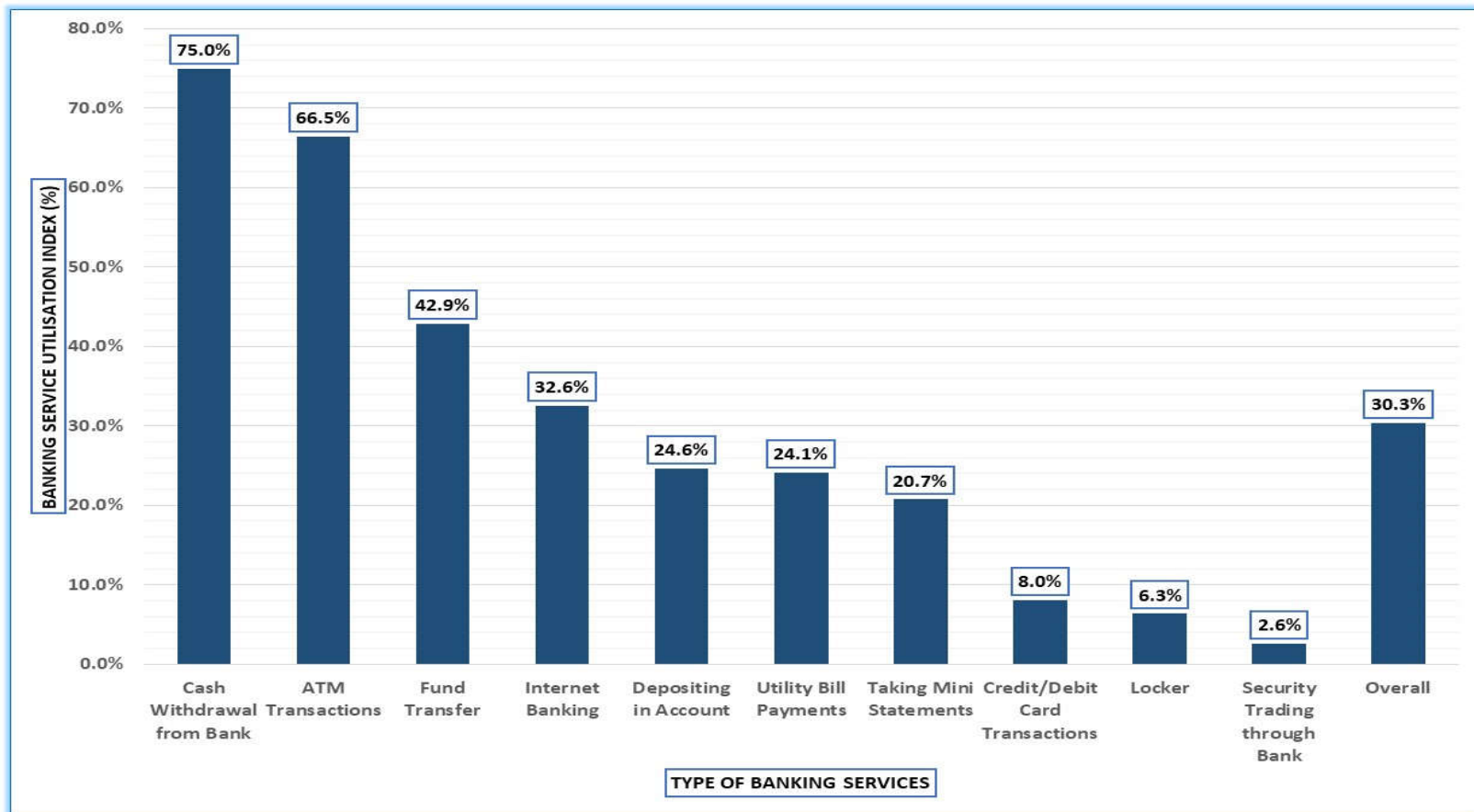
used by the respondents due to majority of them opened bank account for receiving government transfers in connection with the social welfare schemes and they withdraw the amount credited to their bank account immediately and majority of them did not utilise other banking services due to insufficient income. According to the religious principles followed by Muslims, the interest related banking services are prohibited to them. So they were often trying to avoid using certain banking services that are directly related to interest like, credit, deposit etcetera, if other means are available.

5.5.2. Utilization of Different Banking Services of the Respondents

The utilization of different banking services indicates the banking preferences of respondents related to their ordinary business of life. The utilization index of different banking services by the respondents is depicted in Figure 5.6.

The figure shows that the preferences of banking services of the respondents on the basis of the utilisation index of different banking services and the value of the indices indicates that how intensely a particular banking service utilize them. It is very clear from the figure that the cash withdrawal from bank and ATM transactions related to transaction banking were the most common utilized banking services by the respondents. The score of overall banking service utilisation index reveals that the overall utilization of banking services of Muslims was very low. However, the fact that the utilization of the banking services like money transfer and withdrawal shows the peculiarity of utilization transaction banking services than primary banking services of Muslims in Kerala. Therefore, it can be concluded from the peculiar pattern of utilization of banking services was the reflection of their preferences towards the conventional banking services. Moreover, the utilization of transaction banking services cannot be considered as a productive banking transaction and which may not ensure the financial resilience to Muslims in their future.

Figure 5.6 Index of Utilization of Different Banking Services among the Respondents



Source: Primary Survey

5.5.3. Distribution Pattern of the Utilization of Banking Services

The details of distribution pattern of the habit of banking services utilization among Muslims in Kerala are presented in Table 5.16.

Table 5.16 Distribution Pattern of the Utilization of Banking Services of Muslims in Kerala

| Sl. No. | Banking Service Utilisation Level (%) | Frequency | Percentage | Cumulative Percentage |
|---------|---------------------------------------|-----------|------------|-----------------------|
| 1 | 0 - 20 | 167 | 35.6 | 35.6 |
| 2 | 20 - 40 | 147 | 31.3 | 67.0 |
| 3 | 40 - 60 | 96 | 20.5 | 87.4 |
| 4 | 60 - 80 | 54 | 11.5 | 98.9 |
| 5 | 80 - 100 | 5 | 1.1 | 100.0 |
| | Total | 469 | 100.0 | |

Source: Primary Survey

The table shows that majority of respondents were utilized the banking services very low, which was below 20 percent, in their day to day business of life. More than two third of the respondents utilized various banking services below 40 percent. Only a few percent of the respondents utilized various banking services above 60 percent. Therefore, it can be deduced from the table that majority of Muslims keep a lower utilization of banking services in their ordinary business of life. The result shows that Muslims were trying to keeps a distance from the conventional banking services in their life due to the presence of interest.

5.5.4. Utilization of Banking Services across Different Sects of Muslims in Kerala

The details of the intensity of utilization of different banking services across sects of Muslims in Kerala are given in Table 5.17. The table shows that there were significant differences in the intensity of utilization of different banking services across sects of Muslims in Kerala. The overall utilisation of banking services was high among *Jama'at* sect and low among *Sunni* sect of Muslims. *Sunni* sect lagged behind other sects of Muslims in the utilization of all types of banking services.

Table 5.17 Utilization of Various Banking Services across Sects of Muslims in Kerala

| Sl. No. | Type of Banking Services | Sect | | | | | | | | | Total | | | Kruskal-Wallis H Test Results | | |
|---------------------|--------------------------------|-------|------|-----|---------|------|----|---------|------|----|-------|------|-----|-------------------------------|----|---------|
| | | Sunni | | | Mujahid | | | Jama'at | | | Mean* | S.D. | N | χ^2 | df | p-value |
| | | Mean* | S.D. | N | Mean* | S.D. | N | Mean* | S.D. | N | | | | | | |
| 1 | Cash Withdrawal from Bank | 72.2 | 31.4 | 339 | 82.6 | 26.0 | 86 | 81.8 | 23.1 | 44 | 75.0 | 30.1 | 469 | 8.808 | 2 | .012 |
| 2 | ATM Transactions | 61.9 | 42.2 | 339 | 79.9 | 32.7 | 86 | 75.0 | 35.8 | 44 | 66.5 | 40.7 | 469 | 13.577 | 2 | .001 |
| 3 | Fund Transfer | 38.1 | 41.6 | 339 | 54.4 | 37.4 | 86 | 58.0 | 37.3 | 44 | 42.9 | 41.2 | 469 | 19.494 | 2 | <.001 |
| 4 | Internet Banking | 28.4 | 42.1 | 339 | 42.7 | 46.3 | 86 | 44.9 | 41.6 | 44 | 32.6 | 43.3 | 469 | 12.326 | 2 | .002 |
| 5 | Depositing in Account | 23.4 | 38.7 | 339 | 21.8 | 35.1 | 86 | 39.8 | 41.5 | 44 | 24.6 | 38.6 | 469 | 10.169 | 2 | .006 |
| 6 | Utility Bill Payments | 22.1 | 38.7 | 339 | 24.7 | 36.9 | 86 | 38.6 | 43.6 | 44 | 24.1 | 39.1 | 469 | 11.253 | 2 | .004 |
| 7 | Taking Mini Statements | 17.2 | 32.8 | 339 | 33.1 | 39.7 | 86 | 23.9 | 38.9 | 44 | 20.7 | 35.2 | 469 | 14.809 | 2 | .001 |
| 8 | Credit/Debit Card Transactions | 5.2 | 19.5 | 339 | 11.3 | 29.4 | 86 | 23.9 | 42.4 | 44 | 8.0 | 25.1 | 469 | 14.882 | 2 | .001 |
| 9 | Locker | 4.7 | 16.5 | 339 | 9.3 | 20.7 | 86 | 13.1 | 23.2 | 44 | 6.3 | 18.2 | 469 | 18.237 | 2 | <.001 |
| 10 | Security Trading through Bank | 1.8 | 12.3 | 339 | 0.9 | 8.1 | 86 | 11.9 | 30.7 | 44 | 2.6 | 14.8 | 469 | 17.511 | 2 | <.001 |
| Overall Utilisation | | 27.5 | 20.1 | 339 | 36.1 | 18.6 | 86 | 41.1 | 22.9 | 44 | 30.3 | 20.6 | 469 | 25.740 | 2 | <.001 |

Note: *Arithmetic mean of the level of utilization index (%)

Source: Primary Survey

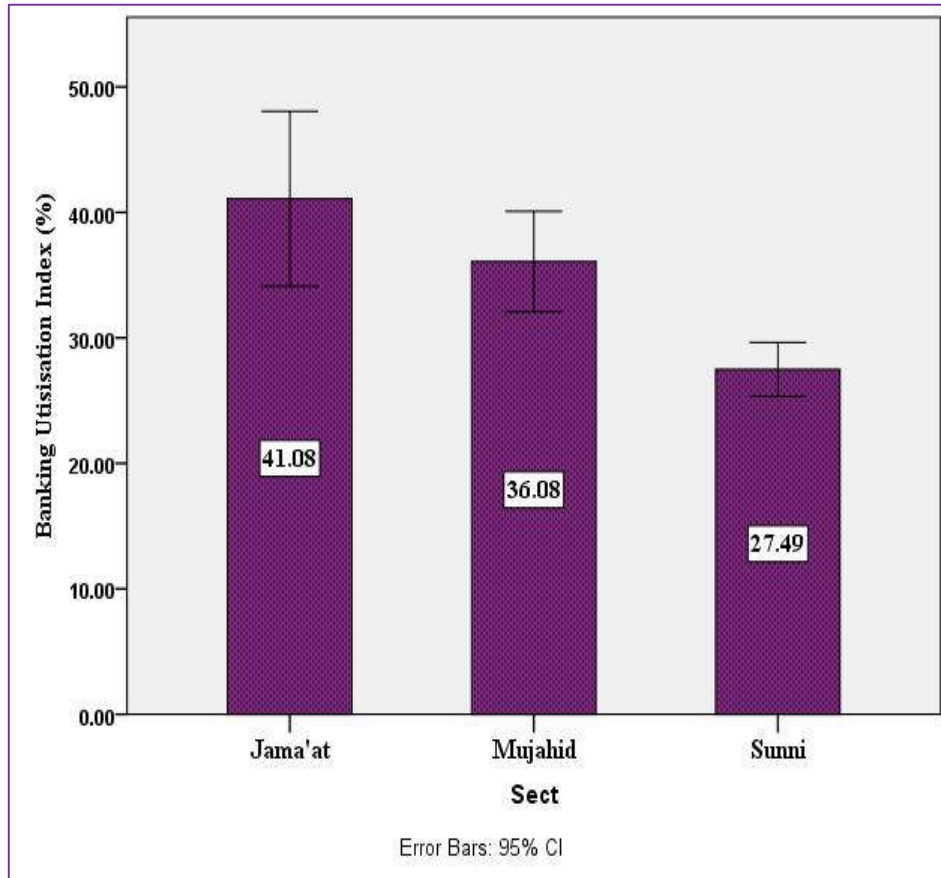
The utilization of certain banking services like, cash withdrawal from bank, ATM transactions and taking mini statement of account of *Mujahid* sect was high compared to other sects of Muslims. Therefore, *Mujahid* sect were using banking services mainly for transaction purpose and the utilization of other banking services was lower than that of *Jama'at* sect.

The Kruskal-Wallis test was conducted to examine the differences in the utilization of banking services across different sects of Muslims in Kerala. The tests results indicate that there were statistically significant differences in the overall utilization of banking services across different sects of Muslims in Kerala, $\chi^2 (2) = 25.740$, $p < .001$. It can be inferred from the results that the utilization of banking services across different sects of Muslims was different in Kerala. To be more specific, there were statistically significant differences in the utilization of cash withdrawal from bank, ATM transactions and fund transfer from one bank to other bank across different sects of Muslims in Kerala, $\chi^2 (2) = 8.808$, $p = .012$, $\chi^2 (2) = 13.577$, $p = .001$ and $\chi^2 (2) = 19.494$, $p < .001$ respectively. It can be inferred from the results that the utilization of transaction banking was different across different sects of Muslims in Kerala.

The table also shows that there was statistically significant difference in the utilization of productive banking services like, deposit in account, utility bill payments, credit card transactions and security trading through bank, across different sects of Muslims in Kerala, $\chi^2 (2) = 10.169$, $p = .006$, $\chi^2 (2) = 11.253$, $p = .004$, $\chi^2 (2) = 14.882$, $p = .001$ and $\chi^2 (2) = 17.511$, $p < .001$ respectively. It can be inferred from the results that the utilization of bank services for productive purposes was different across different sects of Muslims in Kerala. There was statistically significant difference in the utilization of internet banking across different sects of Muslims in Kerala, $\chi^2 (2) = 12.326$, $p = .002$. It can be inferred from the results that the utilization of modern banking was also less and different among Muslims in Kerala. It can be concluded from the results that there were significant variations in the utilization of bank services across different sects and also the overall utilization of bank services among Muslims were very low.

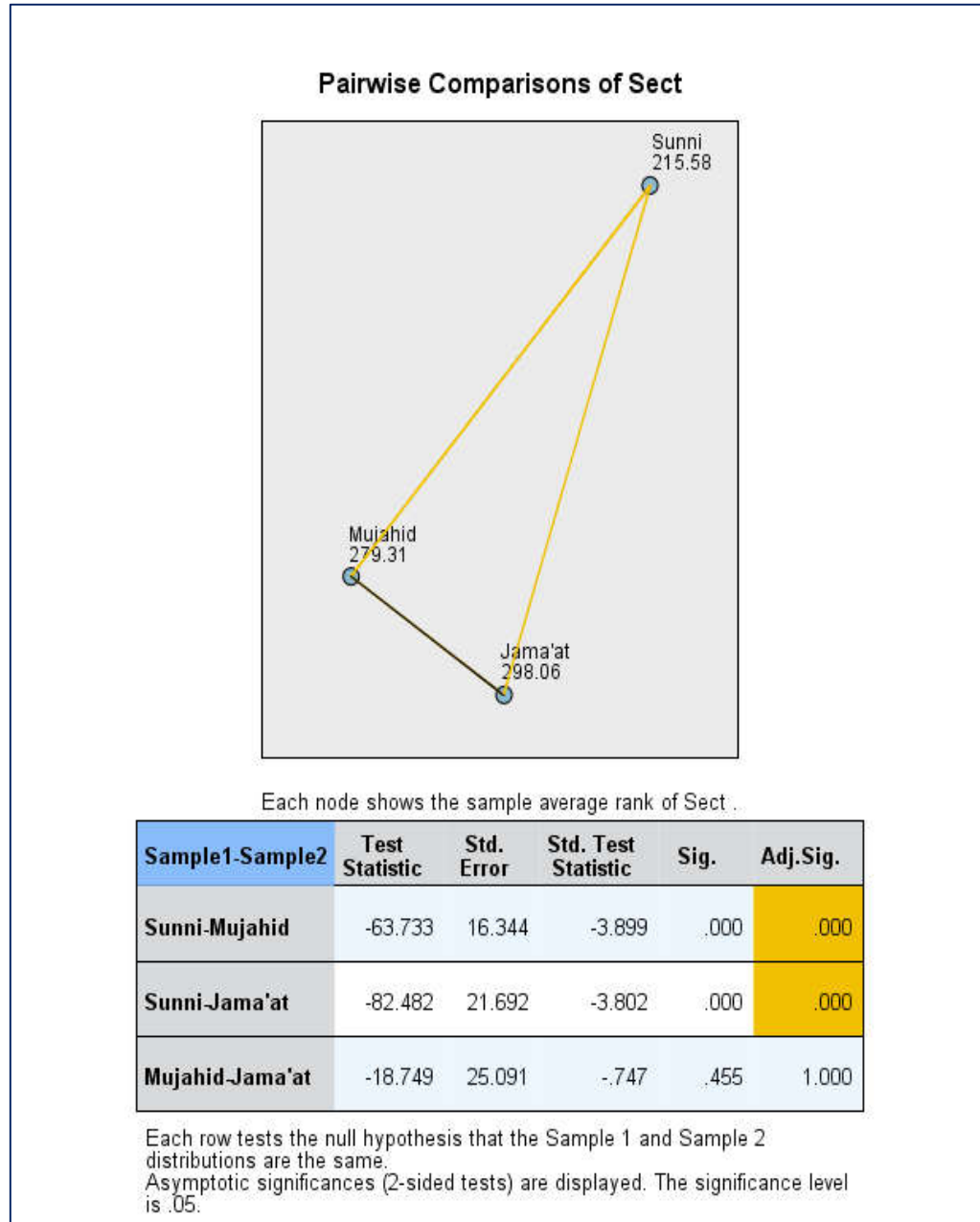
The overall utilization of banking services across different sects of Muslims is depicted in following Figure 5.7.

Figure 5.7 Overall Utilization of Banking Services across Different Sects of Muslims in Kerala



The subsequent pair wise comparison analysis (see Figure 5.8) indicates that the utilization of bank services of the *Sunni* sect was significantly different from that of both *Mujahid* and *Jama'at* sects of Muslims in Kerala. To be more specific, the utilization of bank services of the *Sunni* sect was lower than that of both *Mujahid* and *Jama'at* sects of Muslims in Kerala. While, there was no significant difference in the utilization of bank services between the *Mujahid* and *Jama'at* sects in Kerala. It may be due to the difference in the educational attainment, employment profile and income status of *Sunni* sect from that of both *Mujahid* and *Jama'at* sects of Muslims in Kerala.

Figure 5.8 Pair-wise Comparison of Utilization of Banking Services across Different Sects of Muslims in Kerala



5.5.5. Pattern of Distribution of the Utilization of Banking Services across different Sects of Muslims in Kerala

The details of the pattern of distribution of the banking services utilization across different sects of Muslims in Kerala are presented in Table 5.18.

Table 5.18 Pattern of Distribution of the Banking Services Utilization across different Sects of Muslims in Kerala

| | | | Sect | | | Total | Chi-square Test Results |
|----------------------------------|----------|-------|--------|---------|---------|--------|---|
| | | | Sunni | Mujahid | Jama'at | | |
| Banking Services Utilization (%) | 0 - 20 | Count | 142 | 15 | 10 | 167 | $\chi^2 = 41.592$ d.f. = 8 p < .001 (Exact p - value) Cramer's V = .211 p < .001 |
| | | % | 41.9% | 17.4% | 22.7% | 35.6% | |
| | 20 - 40 | Count | 103 | 34 | 10 | 147 | |
| | | % | 30.4% | 39.5% | 22.7% | 31.3% | |
| | 40 - 60 | Count | 58 | 25 | 13 | 96 | |
| | | % | 17.1% | 29.1% | 29.5% | 20.5% | |
| | 60 - 80 | Count | 34 | 12 | 8 | 54 | |
| | | % | 10.0% | 14.0% | 18.2% | 11.5% | |
| | 80 - 100 | Count | 2 | 0 | 3 | 5 | |
| | | % | 0.6% | 0.0% | 6.8% | 1.1% | |
| | Total | Count | 339 | 86 | 44 | 469 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that the distribution of utilization of banking services across different sects of Muslims was different in Kerala. The banking habit of *Sunni* sect was below 20 percent and that of majority of both *Mujahid* and *Jama'at* sect were below 40 percent and below 60 percent respectively. The proportion of people have high banking habit was more in *Jama'at* sect and less in *Sunni* sect of Muslims in Kerala. Chi-square test results indicate that there were both vertical and horizontal differences in the distribution of the banking habit across different sects of Muslims in Kerala, $\chi^2 (8) = 41.592$, $p < .001$. It can be inferred from the results that the distribution banking habit was vertically and horizontally different across different sects of Muslims in Kerala.

5.6. Informal Sources of Financial Transactions of the Respondents

The practice of informal financial transactions will reduce the dependence on formal banking services. In the rural area of the sample districts the presence of the informal financial practices like Kuri, Kurikkallyanam, collective distribution of 'Zakat' of *Mujahid* and *Jama'at* sects and practice of interest free aid and loan to the

vulnerable households of 'Mahallu' and religious organisations have tremendous influence on the utilization of banking services of Muslims. 'Kuri' is a practice of collecting certain amount of money from the individuals at regular interval and giving the lump sum amount collected to a person on the basis of lot taken by the organiser weekly or monthly. Each person must pay their 'Kuri cash' regularly up to the completion of a particular lump sum amount which will avail at the time of their turn. The amount availed from the 'Kuri' sometimes may be sufficient to satisfy the requirement of small funds of the persons.

'Kurikkallyanam' (or 'Payattu') is a colloquial name given to the practice of collecting cash from the neighbours, friends and family at the occasion of marriage, housewarming of a financially weak person to satisfy their special needs in a short period of time. Actually, it is form of micro financing system those practiced in the villages of Malabar region but in modern times the structure and nature of this function were changed drastically. The invited persons would attend the function and contribute some amount of cash as their mite. The amount contributed by each person to be paid return by the receiver double or at least the same amount at the time the donor conduct such a function. The pooled amount from this function then utilises by the receiver and it may be a large amount of funds enough or more to satisfy their needs in a short span of time. Moreover, the 'Kurikkallyanam' encourages social harmony and a good system of helping weaker persons in rural area.

'Zakat' is the obligatory practice of giving to the poor a portion of the income and wealth of a Muslim who is above a certain threshold. Among Muslims, there are differing opinions as to whether each person who gives 'Zakat' as part of this practice should find those who deserve it directly or collect it from those responsible for giving 'Zakat' and give it to those who deserve it through a committee assigned to it. *Mujahid* and *Jama'at* sects were being practised 'Zakat' as per the second opinion and they utilise the pooled 'Zakat' amount to assist the weaker persons to meet their necessities. The availability of this fund also influences the utilization of banking services of weaker people among Muslims, especially,

among *Mujahid* and *Jama'at* sects. Moreover, the system of interest free credit and financial aid existing among *Jama'at* sect of Muslims is also sufficient to meet the necessity of the weaker people in rural Kerala.

5.6.1. Respondents having ‘Kuri’ across Different Sects of Muslims

The details of the possession of ‘Kuri’ by the respondents across different sects of Muslims are given in Table 5.19.

Table 5.19 Possession of Informal Kuri across Different Sect of Muslims

| | | | Sect | | | Total | Chi-square Test Results |
|---------------------|-------|--------|--------|---------|---------|-------|--|
| | | | Sunni | Mujahid | Jama'at | | |
| Have Informal Kuri? | Yes | Count | 117 | 42 | 30 | 189 | $\chi^2 = 19.495$ d.f. = 2 $p < .001$ Cramer's V = .199 $p < .001$ |
| | | % | 32.8% | 47.2% | 62.5% | 38.3% | |
| | No | Count | 240 | 47 | 18 | 305 | |
| | | % | 67.2% | 52.8% | 37.5% | 61.7% | |
| Total | Count | 357 | 89 | 48 | 494 | | |
| | % | 100.0% | 100.0% | 100.0% | 100.0% | | |

Source: Primary Survey

The table shows that majority of respondents had no informal ‘Kuri’ and more than one third of respondents have informal ‘Kuri’ to meet their financial needs. The proportion of the respondents has informal ‘Kuri’ was more among *Jama'at* sect compared to other sects of Muslims. Chi-square test results indicate that there was statistically significant difference in the proportion of persons having informal ‘Kuri’ across different sects of Muslims in Kerala, $\chi^2 (2) = 19.495$, $p < .001$. It can be inferred from the results that the proportion of people has informal ‘Kuri’ was different across different sects of Muslims in Kerala.

5.6.1.1. Sufficiency of ‘Kuri’ Amount

The details of the sufficiency of ‘Kuri’ amount to meet the financial needs of respondents presented in Table 5.20.

Table 5.20 Sufficiency of Kuri Amount across Different Sect of Muslims

| | | | Sect | | | Total | Chi-square Test Results |
|----------------------------|--------------|-------|--------|---------|---------|--------|--|
| | | | Sunni | Mujahid | Jama'at | | |
| Sufficiency of Kuri Amount | Sufficient | Count | 106 | 35 | 30 | 171 | $\chi^2 = 5.647$ d.f. = 2 p = .065 |
| | | % | 90.6% | 83.3% | 100.0% | 90.5% | |
| | Insufficient | Count | 11 | 7 | 0 | 18 | |
| | | % | 9.4% | 16.7% | 0.0% | 9.5% | |
| Total | | Count | 117 | 42 | 30 | 189 | Cramer's V = .173 p = .065 |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that majority of respondents invariably across different sects of Muslims who were participating in 'Kuri' opined that the amount received from it was sufficient to meet their needs. Chi-square test results indicate that there was no statistically significant differences in the opinion about the sufficiency of 'Kuri' to meet financial needs across different sects of Muslims in Kerala, $\chi^2 (2) = 5.647$, $p = .065$. It can be inferred from the results that majority of Muslims, irrespective of their sect, recognise the sufficiency of 'Kuri' to meet their financial needs in Kerala.

5.6.2. Conduct or Participate in 'Kurikallyanam'

The details of respondents who were participated or conducted the 'Kurikallyanam' to meet their financial needs are presented in Table 5.21.

Table 5.21 Conduct or Participate in 'Kurikallyanam' among different Sect of the Respondents

| | | | Sect | | | Total | Chi-square Test Results |
|--|-----|-------|--------|---------|---------|--------|--|
| | | | Sunni | Mujahid | Jama'at | | |
| Conduct or Participate in Kurikallyanam? | Yes | Count | 194 | 60 | 33 | 287 | $\chi^2 = 7.480$ d.f. = 2 p = .024 |
| | | % | 54.3% | 67.4% | 68.8% | 58.1% | |
| | No | Count | 163 | 29 | 15 | 207 | |
| | | % | 45.7% | 32.6% | 31.3% | 41.9% | |
| Total | | Count | 357 | 89 | 48 | 494 | Cramer's V = .123 p = .024 |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that majority of respondents were participated in or conducted the ‘Kurikallyanam’ to meet their financial needs. The proportion of respondents were conducted or participated in ‘Kurikallyanam’ was more among the Jama’at sect and less among Sunni sect compared to other sects of Muslims. Chi-square test results indicate that there was statistically significant difference in the proportion of people who conducted or participate in the ‘Kurikallyanam’ across different sects of Muslims in Kerala, $\chi^2 (2) = 7.480, p = .024$. It can be inferred from the results that the proportion of people who participated or conducted the ‘Kurikallyanam’ was different across different sects of Muslims in Kerala.

5.6.2.1. Sufficiency of ‘Kurikallyanam’ Amount

The details of the opinion about the sufficiency of the amount received from ‘Kurikallyanam’ across different sects of Muslims are presented in Table 5.23.

Table 5.22 Sufficiency of Kurikallyanam Amount across Different Sect of the Respondents

| | | | Sect | | | Total |
|-------------------------------------|--------------|-------|--|---------|---------------------------------|--------|
| | | | Sunni | Mujahid | Jama'at | |
| Sufficiency of Kurikallyanam Amount | Sufficient | Count | 151 | 45 | 31 | 227 |
| | | % | 77.8% | 75.0% | 93.9% | 79.1% |
| | Insufficient | Count | 43 | 15 | 2 | 60 |
| | | % | 22.2% | 25.0% | 6.1% | 20.9% |
| Total | | Count | 194 | 60 | 33 | 287 |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% |
| Chi-square Test Results | | | $\chi^2 = 5.192, d.f. = 2$ $p = .075$ | | Cramer's V = .135 $p = .075$ | |

Source: Primary Survey

The table shows that majority of respondents who were conducted or participated in the ‘Kurikallyanam’ opined, invariably across different sects of Muslims, that the amount received from it was sufficient to meet their financial emergency. Chi-square test results indicate that there was no statistically significant difference in the opinion about the sufficiency of the amount received from

‘Kurikallyanam’ across different sects of Muslims in Kerala, $\chi^2 (2) = 5.192$, $p = .075$. It can be inferred from the results that majority of Muslims in Kerala have the opinion that the amount received from ‘Kurikallyanam’ was sufficient to meet their financial emergency.

5.6.3. Prevalence of Informal Borrowings among Respondents

The details of the prevalence of the informal borrowing among Muslim households are presented in Table 5.23.

Table 5.23 Prevalence of Informal Borrowings among different Sect of the Respondents

| | | | Sect | | | Total | Chi-square Test Results |
|---------------------|-------|--------|--------|---------|---------|-------|---|
| | | | Sunni | Mujahid | Jama'at | | |
| Have informal debt? | Yes | Count | 102 | 23 | 11 | 136 | $\chi^2 = 0.833$ d.f. = 2 $p = .659$ Cramer's V = .041 $p = .659$ |
| | | % | 28.6% | 25.8% | 22.9% | 27.5% | |
| | No | Count | 255 | 66 | 37 | 358 | |
| | | % | 71.4% | 74.2% | 77.1% | 72.5% | |
| Total | Count | 357 | 89 | 48 | 494 | | |
| | % | 100.0% | 100.0% | 100.0% | 100.0% | | |

Source: Primary Survey

The table shows that majority of respondents invariably across different sects of Muslims did not borrowed money from informal sources to meet their financial needs. Only less than one third of respondents had borrowed from informal sources of finance and which reflects that the degree of prevalence of informal borrowing among Muslims was very low. Chi-square test results indicate that there was no statistically significant difference in the proportion of people, who depends on informal sources of borrowing across different sects of Muslims in Kerala, $\chi^2 (2) = 0.833$, $p = .659$. It can be inferred from the results that the proportion of Muslims who borrowed from informal sources of finance was low and similar across different sects of Muslims in Kerala.

5.6.3.1. Sources of Informal Borrowings

The details of different prevailing sources of informal borrowing which among Muslims are presented in Table 5.24.

Table 5.24 Sources of Informal Borrowings among different Sect of the Respondents

| | | | Sect | | | Total | Chi-square Test Results |
|--------------------------|-----------------------|-------|--------|---------|---------|--------|--|
| | | | Sunni | Mujahid | Jama'at | | |
| Sources of Informal Debt | Friends and Relatives | Count | 242 | 63 | 37 | 342 | $\chi^2 = 1.968$ d.f. = 2 p = .430 (Exact p - value) Cramer's V = .074 p = .430 |
| | | % | 94.9% | 95.5% | 100.0% | 95.5% | |
| | Money Lenders | Count | 13 | 3 | 0 | 16 | |
| | | % | 5.1% | 4.5% | 0.0% | 4.5% | |
| Total | | Count | 255 | 66 | 37 | 358 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that more than 95 percent of respondents, who borrowed from informal sources, were borrowed money from their Friends and their Family members. Only a few percent of respondents borrowed money from Money lenders and which reflects their reluctance to approach the interest-based sources of borrowing. Chi-square test results indicate that there was no statistically significant difference in the sources of informal borrowing across different sects of Muslims in Kerala, $\chi^2 (2) = 1.968$, p = .430. It can be inferred from the results that majority of households, those depends on informal borrowing, were depends on their friends and family as an important source of informal borrowing invariably across different sects of Muslims in Kerala.

5.7. Conclusion.

This analysis shows that majority of households have favourable and positive attitude towards banking invariably across different sects of Muslim in Kerala. It was found that the level of education positively affects the attitude of Muslims towards banking in Kerala. While the level of awareness about various banking

services among them was different and the overall awareness was below average and it indicates that their level of financial literacy was very low. Nearly two third of respondents have reasonable ability to perform various banking services among Muslims and it was a good sign of potential banking habit among the community. There was a positive relation between the level of awareness about banking services and level of banking transaction ability among Muslims. The analysis found that cash withdrawal was the main banking service used by the respondents because majority of them opened bank account only for receiving the benefits of the bank linked government transfers (DBTS) in connection with the social welfare schemes. Though there were significant variations in the utilization of banking services across different sects, the overall utilization were very low. Majority of Muslim households recognised that the prevalence of informal financial practices like 'Kuri', 'Kurikallyanam' and collective appropriation of 'Zakat', religious ritual, were sufficiently influence their banking habit up to a good extent. It can be concluded from the entire analysis of this chapter that the utilization of banking services of *Sunni* sect could adversely affects the penetration of banking services in Muslim concentrated area in Kerala, since they are the largest sect and constitutes more than two-third of Muslim population in Kerala.

CHAPTER-6

INFLUENCE OF ADHERENCE TO RELIGIOUS RULES ON FINANCIAL INCLUSION OF MUSLIMS IN KERALA

6.1. Introduction

Religious affiliation influences the socio-cultural and economic life of an individual. The attitude towards religious principles and adherence to them in personal life of a person indicate the intensity of his submissiveness of religious principles. Religion and other elements of human existence such as politics, culture and ethics cannot always be separated. Available literature revealed that the adherence to religion as a crucial element of ethics, culture, and politics (Sedmak, 2019). Religious beliefs can have a significant impact on individual financial choices which affect their economic outcomes (Khan, 2010). Religiosity of a region has pronounced influence on risk-taking of banks and they consider religion as an important determinant of financial behaviour of the local people (Adhikari & Agrawal, 2016). It is also found that the religiosity of a region in which the bank operates significantly influences the business behaviour of the bank (Chircop et al., 2017). Moreover, the religious principles and customs prohibits borrowing from and saving at conventional banks which dealing with interest (Karlan et al., 2017).

The researchers found that Muslim communities all over the world are financially excluded mainly due to their adherence to religious rules ('Sharia' rules), because Islam prohibits interest (Riba) which is widely practiced in conventional banking and financial operations. Though they have basic bank accounts, such as savings account, still they are either excluded or are at bottom of the ladder of the conventional financial market (Sain et al., 2018). Muslims felt guilty in using conventional banking and that the absence of an Islamic alternative was the real problem. Therefore, the religious norms against conventional banking possibly cause for financial exclusion of Muslims (Brekke, 2018).

The details of financial inclusion and utilization of banking services of Muslims in Kerala, discussed in the previous chapters, show that the presence of interest in the conventional banking services deter Muslims to use the saving and credit products of the banks. Also the proportion of Muslims who saved at bank or borrowed from bank was small and they made their savings idle in the form of land, cash and gold. Therefore, this chapter intends to analyse the intensity of adherence to ‘Sharia’ rules among Muslims and at what extent the adherence to ‘Sharia’ rules influences the financial inclusion and utilization of banking services of them in Kerala.

6.2. Intensity of Adherence to ‘Sharia’ Rules in the Financial Transactions of the Respondents

The intensity of adherence to ‘Sharia’ rules of Muslims was analyzed on the basis of 12 statements which reflect their approach to ‘Sharia’ rules in financial practices in day to day life. The responses of each statement were measured using a set of five-point Likert scale statements listed in Table 5.1. The responses of the Likert scale statements were measured on five points labelled as: “Strongly disagree”, “Disagree”, “Neutral”, “Agree”, and “Strongly Agree”, and these responses were coded as 0, 1, 2, 3, and 4, respectively. The details of responses of Muslims towards the statements related to the adherence to ‘Sharia’ rules in financial transactions are shown in Table 6.1. Later, this ordinal variable was converted into a continuous variable by calculating an index of adherence to ‘Sharia’ rules for conducting parametric tests to draw accurate inferences from the data.

The table shows that the scale was found reliable as per Cronbach’s alpha coefficient ($\alpha = .883$). The descriptive statistics of the responses from the sample show that more than half of the respondents (57.4 percent) follow ‘Sharia’ principles in their financial behaviour. The responses also shows that nearly one-fourth of the sample households were neutral to follow the ‘Sharia’ rules in their financial transactions. The table was arranged in a descending order of intensity of adherence to ‘Sharia’ rules on various financial transactions. The adherence to ‘Sharia’ rules was high in the preference towards interest free finance and that was low in buying insurance policies.

Table 6.1. Intensity of Adherence to ‘Sharia’ Rules in the Financial Transactions of the Respondents

| Sl. No. | Items indicating the adherence to ‘Sharia’ rules | | Responses | | | | | Total | Mean | SD | Adherence Index (%) |
|---------|---|-------|-------------------|----------|---------|-------|----------------|-------|------|------|---------------------|
| | | | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | | | | |
| 1 | I always prefer interest free finance | Count | 6 | 22 | 48 | 165 | 253 | 494 | 3.29 | 0.90 | 82.24 |
| | | % | 1.2 | 4.5 | 9.7 | 33.4 | 51.2 | 100 | | | |
| 2 | I reduce use of banking services due to guilty consciousness on interest dealings | Count | 3 | 17 | 74 | 188 | 212 | 494 | 3.19 | 0.86 | 79.81 |
| | | % | 0.6 | 3.4 | 15.0 | 38.1 | 42.9 | 100 | | | |
| 3 | I always follow ‘Sharia’ rules in all transactions | Count | 1 | 14 | 92 | 217 | 170 | 494 | 3.10 | 0.81 | 77.38 |
| | | % | 0.2 | 2.8 | 18.6 | 43.9 | 34.4 | 100 | | | |
| 4 | Religious believes discourage me to use banking | Count | 7 | 41 | 118 | 178 | 150 | 494 | 2.86 | 0.99 | 71.41 |
| | | % | 1.4 | 8.3 | 23.9 | 36.0 | 30.4 | 100 | | | |
| 5 | I follow ‘Sharia’ rules in making income | Count | 8 | 37 | 161 | 279 | 9 | 494 | 2.49 | 0.73 | 62.35 |
| | | % | 1.6 | 7.5 | 32.6 | 56.5 | 1.8 | 100 | | | |
| 6 | I follow ‘Sharia’ rules in job/business selection | Count | 9 | 54 | 152 | 273 | 6 | 494 | 2.43 | 0.77 | 60.78 |
| | | % | 1.8 | 10.9 | 30.8 | 55.3 | 1.2 | 100 | | | |
| 7 | Informal transactions are easier than banking | Count | 34 | 90 | 142 | 137 | 91 | 494 | 2.33 | 1.17 | 58.15 |
| | | % | 6.9 | 18.2 | 28.7 | 27.7 | 18.4 | 100 | | | |
| 8 | I follow ‘Sharia’ rules in savings | Count | 34 | 74 | 135 | 243 | 8 | 494 | 2.24 | 0.96 | 55.92 |
| | | % | 6.9 | 15.0 | 27.3 | 49.2 | 1.6 | 100 | | | |
| 9 | I follow ‘Sharia’ rules in share market activities | Count | 29 | 93 | 135 | 233 | 4 | 494 | 2.18 | 0.95 | 54.55 |
| | | % | 5.9 | 18.8 | 27.3 | 47.2 | 0.8 | 100 | | | |
| 10 | I follow ‘Sharia’ rules in borrowings | Count | 28 | 116 | 129 | 217 | 4 | 494 | 2.11 | 0.96 | 52.68 |
| | | % | 5.7 | 23.5 | 26.1 | 43.9 | 0.8 | 100 | | | |
| 11 | I follow ‘Sharia’ rules in all types of interest dealings | Count | 31 | 113 | 153 | 193 | 4 | 494 | 2.05 | 0.95 | 51.32 |
| | | % | 6.3 | 22.9 | 31.0 | 39.1 | 0.8 | 100 | | | |
| 12 | I follow ‘Sharia’ rules in buying insurance policy | Count | 53 | 136 | 132 | 169 | 4 | 494 | 1.87 | 1.03 | 46.71 |
| | | % | 10.7 | 27.5 | 26.7 | 34.2 | 0.8 | 100 | | | |
| Overall | | Count | 243 | 807 | 1471 | 2492 | 915 | 5928 | 2.51 | 0.62 | 62.77 |
| | | % | 4.1 | 13.6 | 24.8 | 42.0 | 15.4 | 100 | | | |

Cronbach’s alpha (α) = .883

Source: Primary Survey

One-sample t test was performed to test whether the mean of the summated score for the 12 items reflecting the adherence to ‘Sharia’ rules in financial transactions of the Muslims was significantly different from 2, which is the mean value for neutral situation, and the results are presented in Table 6.2.

Table 6.2. One-sample t- test Results for testing the Adherence to ‘Sharia’ Rules in the Financial Transactions of Muslims in Kerala

| Sl. No. | Items indicating the adherence to ‘Sharia’ rules | Test Value = 2 | | | | | |
|---------|---|----------------|-----|-----------|-----------------|---|-------|
| | | t | df | p - value | Mean Difference | 95% Confidence Interval of the Difference | |
| | | | | | | Lower | Upper |
| 1 | I always prefer interest free finance | 31.75 | 493 | <.001 | 1.29 | 1.21 | 1.37 |
| 2 | I reduce use of banking services due to guilty consciousness on interest dealings | 30.89 | 493 | <.001 | 1.19 | 1.12 | 1.27 |
| 3 | I always follow ‘Sharia’ rules in all transactions | 30.09 | 493 | <.001 | 1.10 | 1.02 | 1.17 |
| 4 | Religious believes discourage me to use banking | 19.19 | 493 | <.001 | 0.86 | 0.77 | 0.94 |
| 5 | I follow ‘Sharia’ rules in making income | 15.02 | 493 | <.001 | 0.49 | 0.43 | 0.56 |
| 6 | I follow ‘Sharia’ rules in job/business selection | 12.39 | 493 | <.001 | 0.43 | 0.36 | 0.50 |
| 7 | Informal transactions are easier than banking | 6.19 | 493 | <.001 | 0.33 | 0.22 | 0.43 |
| 8 | I follow ‘Sharia’ rules in savings | 5.47 | 493 | <.001 | 0.24 | 0.15 | 0.32 |
| 9 | I follow ‘Sharia’ rules in share market activities | 4.28 | 493 | <.001 | 0.18 | 0.10 | 0.27 |
| 10 | I follow ‘Sharia’ rules in borrowings | 2.48 | 493 | .013 | 0.11 | 0.02 | 0.19 |
| 11 | I follow ‘Sharia’ rules in all types of interest dealings | 1.23 | 493 | .219 | 0.05 | -0.03 | 0.14 |
| 12 | I follow ‘Sharia’ rules in buying insurance policy | -2.84 | 493 | .005 | -0.13 | -0.22 | -0.04 |
| | Overall | 18.45 | 493 | <.001 | 0.51 | 0.46 | 0.57 |

The test results shown in the table indicate that the population mean score was significantly higher than 2, $t(493) = 18.45, p < .001$. The sample mean ($M=2.51, SD= 0.62$) indicates that the Muslims in Kerala, on average, have a favourable attitude in following ‘Sharia’ rules in their financial transactions. The test results for all items except the last two indicators of the adherence to ‘Sharia’ rules listed in the

table also gave the same conclusion (see Table 6.2). It clearly suggests that the Muslims in Kerala follow Sharia rules in most of the aspects except in all types of interest dealings and the purchase of insurance policies.

6.2.1. Adherence to ‘Sharia’ Rules in the Financial Transactions across Different Sects

The details of intensity of adherence to ‘Sharia’ rules across different sects of Muslims are given in Table 6.3.

Table 6.3. Summary Statistics of the Adherence to ‘Sharia’ Rules Index across different Sects of Muslims in Kerala

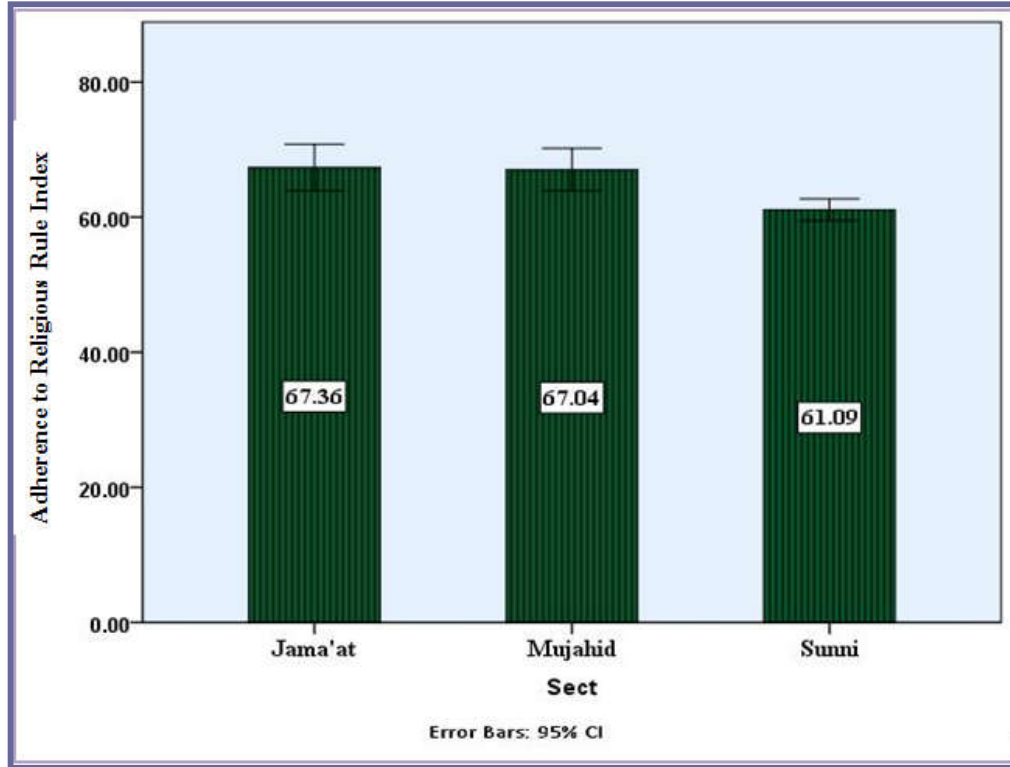
| Sl. No. | Sect | Mean | S.D. | Median | Minimum | Maximum | Skewness | Kurtosis | N |
|-----------------------------|---------|--------------------------------------|-------|--------|---------|---------|----------|----------|-----|
| 1 | Sunni | 61.1 | 15.62 | 64.6 | 4.2 | 85.4 | -0.69 | -0.19 | 357 |
| 2 | Mujahid | 67.0 | 14.93 | 68.8 | 16.7 | 100.0 | -0.69 | 2.17 | 89 |
| 3 | Jama'at | 67.4 | 11.87 | 70.8 | 31.3 | 81.3 | -1.28 | 1.99 | 48 |
| | Total | 62.8 | 15.39 | 66.7 | 4.2 | 100.0 | -0.73 | 0.30 | 494 |
| Kruskal Wallis Test Results | | $\chi^2 = 0.837, d.f. = 2, p = .658$ | | | | | | | |

Source: Primary Survey

The table shows that there was a slight difference in the mean value of the index of adherence to ‘Sharia’ rules in financial transactions across different sects of Muslims and all of them have adherence to ‘Sharia’ rules score above 60 percent. The adherence to ‘Sharia’ rules of *Sunni* sect was lower than that of other sects of Muslims and the adherence to ‘Sharia’ rules of both *Mujahid* and *Jamaát* sects was more or less similar. Kruskal Wallis Test Results indicate that there was no statistically significant difference in the intensity of adherence to ‘Sharia’ rules across different sects of Muslims in Kerala, $\chi^2 (2) = 0.837, p = .658$. It can be inferred from the results that the adherence to ‘Sharia’ rules of Muslims in financial transactions are same across different sects.

The position of different sects of Muslims in the intensity of adherence to ‘Sharia’ rules Index is depicted in Figure 6.1.

Figure 6.1 Adherence to Religious Rules Index across different Sects of Muslims in Kerala



6.2.2. Distribution of the Index of Adherence to ‘Sharia’ Rules among Muslims in Kerala

The pattern of distribution of the index of adherence to ‘Sharia’ rules among Muslims is given in Table 6.4.

Table 6.4 Distribution of Adherence to Religious Rules Index among Muslims

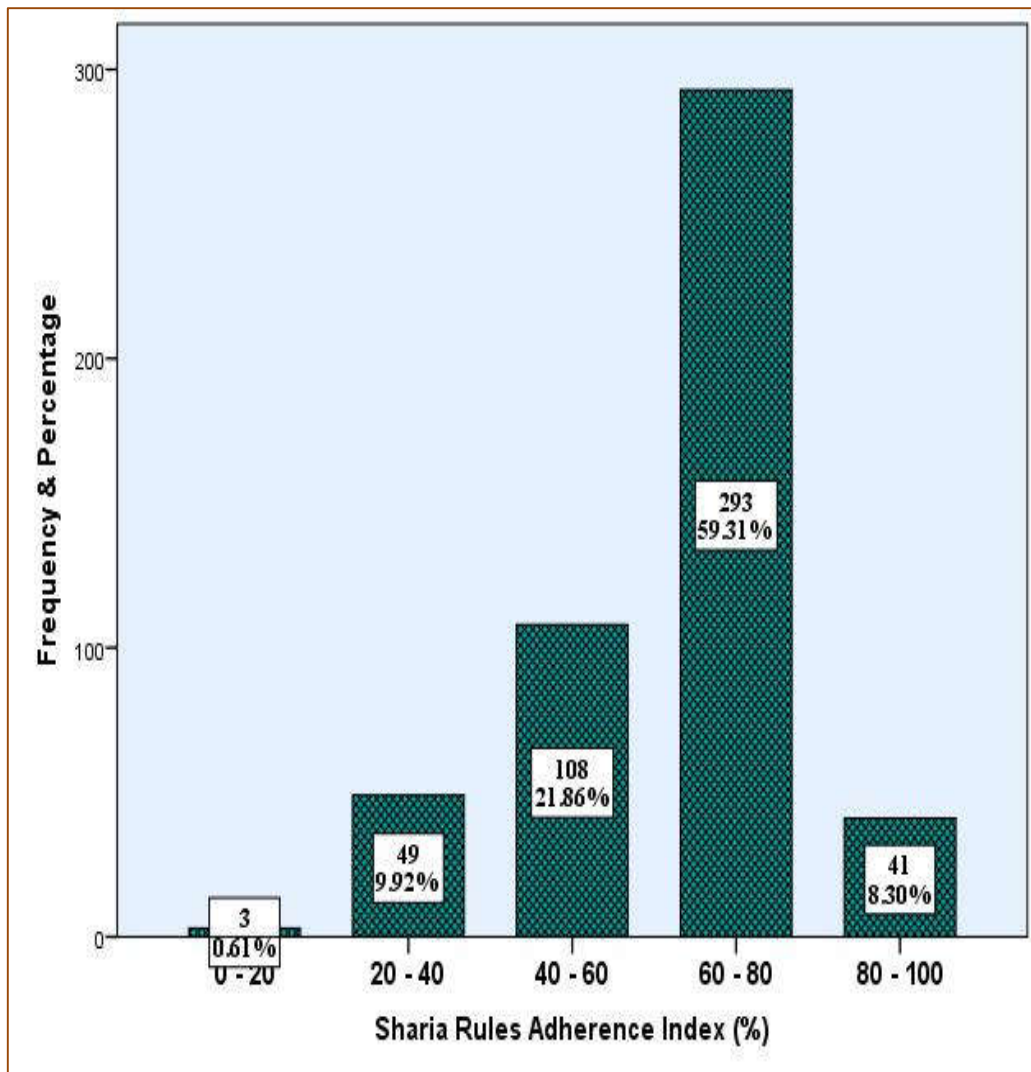
| Sl. No. | Sharia Rule Adherence Index (%) | Frequency | Percentage | Cumulative Percentage |
|---------|---------------------------------|-----------|------------|-----------------------|
| 1 | 0 - 20 | 3 | 0.6 | 0.6 |
| 2 | 20 - 40 | 49 | 9.9 | 10.5 |
| 3 | 40 - 60 | 108 | 21.9 | 32.4 |
| 4 | 60 - 80 | 293 | 59.3 | 91.7 |
| 5 | 80 - 100 | 41 | 8.3 | 100 |
| | Total | 469 | 100 | |

Source: Primary Survey

The table shows that majority of Muslims have high percent of intensity of adherence to ‘Sharia’ rules in financial transactions. More than two-third of respondents shows an intensity of adherence to ‘Sharia’ rules in their financial transactions above 60 percent. It indicates that majority of Muslims keep to follow the ‘Sharia’ principles in their financial transactions.

The pattern of distribution of adherence to ‘Sharia’ rules index among Muslims is depicted in Figure 6.2.

Figure 6.2 Distribution of the Index of Adherence to ‘Sharia’ Rules among Muslims in Kerala



6.2.3. Distribution of the Index of Adherence to ‘Sharia’ Rules across different Sects of Muslims

The pattern of distribution of the index of adherence to ‘Sharia’ rules across different sects of Muslims is given in Table 6.5.

Table 6.5. Pattern of Distribution of the Index of Adherence to ‘Sharia’ Rules across different Sects of Muslims in Kerala

| | | Sect | | | | Total | Chi-square Test Results |
|---------------------------------|----------|-------|---------|---------|--------|--------|---|
| | | Sunni | Mujahid | Jama'at | | | |
| Sharia Rule Adherence Index (%) | 0 - 20 | Count | 1 | 2 | 0 | 3 | $\chi^2 = 22.887$ d.f. = 8 p = .006 (Exact p – value) Cramer’s V = .152 p = .006 |
| | | % | 0.3% | 2.2% | 0.0% | 0.6% | |
| | 20 - 40 | Count | 46 | 1 | 2 | 49 | |
| | | % | 12.9% | 1.1% | 4.2% | 9.9% | |
| | 40 - 60 | Count | 83 | 16 | 9 | 108 | |
| | | % | 23.2% | 18.0% | 18.8% | 21.9% | |
| | 60 - 80 | Count | 203 | 59 | 31 | 293 | |
| | | % | 56.9% | 66.3% | 64.6% | 59.3% | |
| | 80 - 100 | Count | 24 | 11 | 6 | 41 | |
| | | % | 6.7% | 12.4% | 12.5% | 8.3% | |
| | Total | Count | 357 | 89 | 48 | 494 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that majority of respondents of all sects have adherence to ‘Sharia’ rules above 60 percent. But the proportion of respondents have high intensity of adherence to ‘Sharia’ rules in financial transactions was less among *Sunni* sect and that was more among *Mujahid* sect compared to other sects of Muslims. Chi-square test results indicate that there were statistically significant differences in the pattern of distribution of the index of adherence to ‘Sharia’ rules in financial transactions across different sects of Muslims in Kerala, $\chi^2 (8) = 22.887, p = .006$. It can be inferred from the results that the intensity of adherence to ‘Sharia’ rules across different sects of Muslims in their financial transactions was different in Kerala.

6.3. Impact of Adherence to ‘Sharia’ Rules on Financial Transactions

This section of the chapter examines up to what extent the intensity of adherence to ‘Sharia’ rules of Muslims reflects in their financial transactions. The financial transactions include banking attitude, banking awareness, use of primary banking services like saving and credit, banking habit, appropriation of interest from savings and use of insurance products.

6.3.2. Intensity of Adherence to ‘Sharia’ Rules and Bank Savings among Muslims

The details of the impact of intensity of adherence to ‘Sharia’ rules on bank savings of Muslims are presented in Table 6.6.

Table 6.6. Intensity of Adherence to ‘Sharia’ Rules and Bank Savings among Muslims

| | | | Adherence to ‘Sharia’ rules Index (%) | | | | | Total |
|-------------------------|-----|-------|---|---------|---------|---------|----------|-------|
| | | | 0 - 20 | 20 - 40 | 40 - 60 | 60 - 80 | 80 - 100 | |
| Savings in the Bank | Yes | Count | 1 | 25 | 42 | 49 | 5 | 122 |
| | | % | 33.3% | 51.0% | 39.3% | 17.6% | 12.2% | 25.5% |
| | No | Count | 2 | 24 | 65 | 229 | 36 | 356 |
| | | % | 66.7% | 49.0% | 60.7% | 82.4% | 87.8% | 74.5% |
| Total | | Count | 3 | 49 | 107 | 278 | 41 | 478 |
| | | % | 100% | 100% | 100% | 100% | 100% | 100% |
| Chi-square Test Results | | | $\chi^2 = 40.417$, d.f. = 4, $p < .001$ (Exact p-value) Cramer’s V = .291, $p < .001$ (Exact p-value) | | | | | |

Source: Primary Survey

The table shows that the respondents who have intensity of adherence to ‘Sharia’ rules between 20 and 40 percent save more at bank than other category of intensity of adherence to ‘Sharia’ rules. While the proportion of Muslims who saved in the bank diminishing as the intensity of adherence to ‘Sharia’ rules increases. But the people have low intensity of adherence to ‘Sharia’ rules also did not saved at bank due to insufficient income. It indicates that the intensity of adherence to ‘Sharia’ rules negatively affect the bank saving habit of Muslims. Chi-square test

results indicate that there was statistically significant association between the intensity of adherence to ‘Sharia’ rules and bank savings among Muslims in Kerala, $\chi^2 (4) = 40.417, p < .001$. It can be inferred from the results that the intensity of adherence to ‘Sharia’ rules of Muslims adversely affects the bank saving of them in Kerala. This result is coincide with the findings of Demirguc-Kunt et al (2013) that the saving habit of Muslims influenced by the demand side pressure due to religious considerations and also add a new fact to the existing body of knowledge that it may be subject to change depending upon the intensity of religious beliefs.

6.3.3. Bank Loan Status and the Intensity of Adherence to ‘Sharia’ Rules

The details of the impact of intensity of adherence to ‘Sharia’ rules on bank loans of Muslims are presented in Table 6.7.

Table 6.7. Bank Loan Status and the Intensity of Adherence to ‘Sharia’ Rules

| | | | Religious Affiliation Index (%) | | | | | Total |
|-------------------------|-----|-------|--|---------|---------|---------|----------|-------|
| | | | 0 - 20 | 20 - 40 | 40 - 60 | 60 - 80 | 80 - 100 | |
| Taken loan from Bank | Yes | Count | 3 | 26 | 60 | 68 | 5 | 162 |
| | | % | 100.0% | 53.1% | 55.6% | 23.2% | 12.2% | 32.8% |
| | No | Count | 0 | 23 | 48 | 225 | 36 | 332 |
| | | % | 0.0% | 46.9% | 44.4% | 76.8% | 87.8% | 67.2% |
| Total | | Count | 3 | 49 | 107 | 278 | 41 | 478 |
| | | % | 100% | 100% | 100% | 100% | 100% | 100% |
| Chi-square Test Results | | | $\chi^2 = 60.778, d.f. = 4, p < .001$ (Exact p-value) Cramer’s V = .351, $p < .001$ (Exact p-value) | | | | | |

Source: Primary Survey

The table shows that the more people with less intensity of adherence to ‘Sharia’ rules have taken loan from banks and people with higher intensity of adherence to ‘Sharia’ rules have lower rates of bank loans among Muslims. Chi-square test results indicate that there was statistically significant association between the intensity of adherence to ‘Sharia’ rules and bank loan status of Muslims in Kerala, $\chi^2 (4) = 60.778, p < .001$. It can be inferred from the results that the intensity of adherence to ‘Sharia’ rules of Muslims adversely affect their use of bank loans in

Kerala. This result is justifying the ‘urgency’ hypothesis formed by Demirguc-Kunt et al (2013) in their study that the borrowing from the bank by Muslims was inevitable due to the urgency of the situation.

6.3.4. Influence of Adherence to ‘Sharia’ Rules on Buying Insurance Policies across the Sects

The details of influence of adherence to ‘Sharia’ rules on buying insurance policies across different sects of Muslims are presented in Table 6.8.

Table 6.8. Influence of Adherence to ‘Sharia’ Rules on Buying Insurance Policies across the Sect of the Respondents

| | | | Sect | | | Total | Chi-square Test Results |
|--|-----|-------|--------|---------|---------|--------|--|
| | | | Sunni | Mujahid | Jama'at | | |
| Does religious beliefs discourage taking insurance policies? | Yes | Count | 139 | 48 | 37 | 224 | $\chi^2 = 28.076$ d.f. = 2 $p < .001$ Cramer's V = .238 $p < .001$ |
| | | % | 38.9% | 53.9% | 77.1% | 45.3% | |
| | No | Count | 218 | 41 | 11 | 270 | |
| | | % | 61.1% | 46.1% | 22.9% | 54.7% | |
| Total | | Count | 357 | 89 | 48 | 494 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that although adherence to ‘Sharia’ rules or belief was not a barrier for majority of respondents to buy an insurance policy, religious belief among *Mujahid* and *Jama'at* sects was a barrier to buying an insurance policy. But religious beliefs did not discourage majority of *Sunni* people from buying insurance policies. Chi-square test results indicate that there was statistically significant difference in the influence of religious beliefs on buying insurance policies across different sects of Muslims in Kerala, $\chi^2 (2) = 28.076, p < .001$. It can be inferred from the results that the degree to which religious beliefs discourage the purchase of insurance policies varies across different sects of Muslims in Kerala.

6.5. The Factors Influencing the Financial Inclusion of Muslims in Kerala

A multiple linear regression analysis has been carried out to understand the factors influencing the financial inclusion of Muslims in Kerala. The linear regression model specified and estimated:

$$Y_i = \alpha + \sum_{i=1}^7 \beta_i X_i + \sum_{i=1}^{11} \gamma_i D_i + \varepsilon_i$$

Where, α is intercept, β s are the slope coefficients for continuous (quantitative) explanatory variables, γ s are the coefficients of dummy independent variables, and ε is the stochastic error term. The details of the construction of the variables are explained in Table 6.9. The Financial Inclusion Index was taken as the dependent variable and seven continuous variables and eleven dummy variables were used as the independent variables in the model. These explanatory variables are included to measure the influence of seven quantitative and eleven qualitative factors on the financial inclusion of the Muslims in Kerala.

Table 6.9: Description of the Variables Used in the Regression Model

| Sl. No. | Variables used in the Regression Model | Variable Description |
|---------|--|---|
| 1 | Y (Financial Inclusion Index) | It is the dependent variable in the model. It is a composite index generated from five important items manifesting various aspects of the financial inclusion. |
| 2 | X1(Age) | The age of the respondents in years. |
| 3 | X2 (Income) | The monthly household income in rupees. |
| 4 | X3 (Banking Awareness) | It is a composite index, which is constructed by combining the awareness of the respondents with respect to 10 important aspects of banking services. |
| 5 | X4 (Adherence to 'Sharia' rules) | It is an index computed from 12 Likert Scale items manifesting the adherence of the respondents to the Sharia rules in financial transactions [Cronbach's Alpha (α) = .883]. |
| 6 | X5 (Attitude towards Banking) | It is also an index generated from four Likert scale items that measure the attitude of the respondents towards banking [Cronbach's Alpha (α) = .761]. |
| 7 | X6 (Banking | It is an index generated from four items, which |

| | | |
|----|---|---|
| | Ability) | measure level of ability of the respondents to perform various types of banking transactions. |
| 8 | X7 (Distance to the Bank) | It measures the distance (in KM) from the residence of the respondent to the nearest bank where he has account. |
| 9 | D1 (Location) | It is a dummy variable taking value 1 if the residence of the respondent is located in urban areas and 0 otherwise. |
| 10 | D2 (Gender) | A dummy variable taking value 1 if the respondent is male and 0 otherwise. |
| 11 | D3 (Sunni) | A dummy variable taking value 1 if the sect of the respondent is Sunni and 0 otherwise. |
| 12 | D4 (Mujahid) | A dummy variable taking value 1 if the sect of the respondent is Mujahid and 0 otherwise. |
| 13 | D5 (Education) | A dummy variable taking value 1 if the highest education of the respondent is Plus-two/PDC and above and 0 otherwise. |
| 14 | D6 (Self-employed) | A dummy variable taking value 1 if the respondent is self-employed and 0 otherwise. |
| 15 | D7 (Salaried) | A dummy variable taking value 1 if the respondent is salaried employee and 0 otherwise. |
| 16 | D8 (Casual Work) | A dummy variable taking value 1 if the respondent is casual wage labourer and 0 otherwise. |
| 17 | D9 (NRI) | A dummy variable taking value 1 if the respondent is working abroad and 0 otherwise. |
| 18 | D10 (Marital Status) | A dummy variable taking value 1 if the respondent is married and 0 otherwise. |
| 19 | D11 (Availability of Interest Free Finance) | A dummy variable taking value 1 if interest-free finance is available to the respondent and 0 otherwise. |

The model adequacy tests were conducted and the results are presented in Table 6.10. The Ramsey's *Regression Specification Error Test* (RESET) shows that the model specification is adequate, $F(2, 473) = 1.555, p = .212$. The *Jarque-Bera (JB) test* revealed that distribution of the error terms was not significantly different from the normal distribution, $\chi^2(2) = 0.579712, p = .7484$. The *variance inflation factor (VIF)* indicated that there was no serious multicollinearity among the regressors (the VIF for all the explanatory variables were less the cut-off value of 10 and the average VIF was 1.83).

Table 6.10: Regression Model Adequacy Test Results

| Sl. No | Type of test | Name of the Test | Null hypothesis (H0) | Test statistic | p-value | Conclusion |
|--------|--------------------------------|------------------|--------------------------------|-----------------------|---------|---|
| 1 | Test for Specification | Ramsey's RESET | Specification is adequate | $F(2, 473) = 1.555$ | .212 | No Specification Bias |
| 2 | Test for Heteroscedasticity | White's test | Heteroscedasticity not present | $LM = 278.884$ | <.001 | Heteroscedasticity Problem is Present |
| 3 | Test for Normality of Residual | Chi-square test | Error is normally distributed | $\chi^2(2) = 0.57971$ | .7484 | No Non-normality in the Distribution of the Error |

However, the presence of heteroscedasticity can be noticed from the *White's test* results, $LM = 278.884$, $p < .001$. In the presence heteroscedasticity problem in the estimated model, *heteroscedasticity-robust standard errors* have been used for the significance testing of the estimated regression coefficients. Therefore, valid inferences can be drawn from the estimated model as it was found adequate as per the important model adequacy tests and resultant adjustments.

The model was estimated using the ordinary least square method (OLS). The estimated regression results are presented in Table 6.11. The results reported in Table 6.11 indicate that the model as a whole is statistically significant, $F(18, 475) = 29.404$, $p < .001$. The goodness of fit of the model was reasonable as indicated by the coefficient of determination ($R^2 = .503$); and this R^2 value was statistically significant as per the F-test reported above. The estimated regression model presented in Table 6.11 indicates that five out of the seven quantitative variables and four out of the eleven qualitative variables¹ had statistically significant influence on financial inclusion of Muslims in Kerala. But the remaining quantitative and qualitative variables included in the model had no statistically significant influence on the on the financial inclusion of the Muslims in Kerala.

¹ The last two dummy variables measure the influence of a qualitative factor viz., the sect of the respondent here two dummy variables were included to measure three types of sects of Muslims: Sunni, Mujahid, and Jama'at.

Table 6.11. Multiple Linear Regression Results on the Factors Influencing the Financial Inclusion of Muslims in Kerala

Method: Ordinary Least Squares (OLS)

Dependent Variable: Financial Inclusion Index (%)

| Sl. No. | Regressors | Unstandardized Coefficients | | Standardized Coefficients | t - ratio | p - value | Significance@ | Collinearity Statistics | Model Summary Statistics |
|---------|----------------------------------|-----------------------------|-------------|---------------------------|-----------|-----------|---------------|-------------------------|---|
| | | B | Std. Error# | Beta | | | | VIF | |
| 1 | (Constant) | 40.763 | 7.837 | -- | 5.20 | <.001 | *** | -- | R2 = .503 Adj. R2 = .485 F (18, 475) = 29.404, p < .001 S.E. of regression = 16.028 AIC = 4161.571 BIC = 4241.419 |
| 2 | X1(Age) | 0.121 | 0.101 | 0.050 | 1.20 | .230 | ns | 1.46 | |
| 3 | X2 (Income) | 2.025E-07 | 0.000 | 0.000 | 0.00 | .996 | ns | 2.06 | |
| 4 | X3 (Banking Awareness) | 0.217 | 0.042 | 0.255 | 5.18 | <.001 | *** | 2.66 | |
| 5 | X4 (Adherence to 'Sharia' Rules) | -0.437 | 0.049 | -0.301 | -9.004 | <.001 | *** | 1.21 | |
| 6 | X5 (Attitude towards Banking) | 0.111 | 0.044 | 0.094 | 2.55 | .011 | ** | 1.31 | |
| 7 | X6 (Banking Ability) | 0.221 | 0.037 | 0.318 | 6.01 | <.001 | *** | 2.93 | |
| 8 | X7 (Distance to the Bank) | 0.748 | 0.268 | 0.104 | 2.80 | .005 | *** | 1.14 | |
| 9 | D1 (Location) | 2.444 | 1.630 | 0.049 | 1.50 | .134 | ns | 1.06 | |
| 10 | D2 (Gender) | -3.358 | 1.879 | -0.063 | -1.788 | .075 | * | 1.36 | |
| 11 | D3 (Sunni) | 0.426 | 2.786 | 0.009 | 0.15 | .879 | ns | 2.59 | |

| | | | | | | | | |
|----|---|--------|-------|--------|---------|-------|-----|------|
| 12 | D4 (Mujahid) | -4.363 | 3.029 | -0.075 | -1.440 | .151 | ns | 2.45 |
| 13 | D5 (Education) | -1.727 | 1.982 | -0.037 | -0.8715 | .384 | ns | 1.76 |
| 14 | D6 (Self-employed) | 0.015 | 2.336 | 0.000 | 0.01 | .995 | ns | 1.95 |
| 15 | D7 (Regular Salaried) | -4.152 | 2.777 | -0.084 | -1.495 | .136 | ns | 2.88 |
| 16 | D8 (Casual Work) | 3.217 | 2.335 | 0.066 | 1.38 | .169 | ns | 2.19 |
| 17 | D9 (NRI) | -9.266 | 2.280 | -0.164 | -4.065 | <.001 | *** | 1.42 |
| 18 | D10 (Marital Status) | 6.740 | 2.655 | 0.093 | 2.54 | 0.012 | ** | 1.26 |
| 19 | D11 (Availability of Interest Free Finance) | 8.088 | 1.796 | 0.164 | 4.502 | <.001 | *** | 1.19 |

Notes: # Heteroskedasticity-robust standard errors, variant HC1;

@ *** indicate significant at 01 percent level, ** indicate significant at 05 percent level, and 'ns' indicates not significant.

To be more specific, banking awareness, distance to the bank, attitude towards banking, banking ability, and adherence to 'Sharia' rules were the five quantitative variables, which had statistically significant effect on the financial inclusion of the Muslims in Kerala. The first four among these five variables had significant positive effect, whereas the last one had a significant negative effect on the financial inclusion of the Muslims in Kerala. These results indicate that, other things remaining constant, better banking service awareness, banking ability, favourable attitude towards banking and distance to the bank lead to more financial inclusion among the Muslims in Kerala. The statistically significant negative coefficient of the 'Adherence to 'Sharia' Rules' variable signifies that the adherence to the 'Shariah' rules had a negative influence on the financial inclusion among Muslims in Kerala.

The statistically significant coefficients of the four dummy variables namely, Gender, NRI, Marital status, Availability of interest free finance indicate that those variables had a significant influence on the financial inclusion of Muslims in Kerala. Among them the first two qualitative variables had significant negative effect, whereas the last two had a significant positive effect on the financial inclusion of the Muslims in Kerala. These results indicate that, other things remaining constant, Gender, NRI, Marital status, Availability of interest free finance also lead to more financial inclusion among the Muslims in Kerala.

The statistically non-significant coefficients of the remaining quantitative and qualitative variables included in the model suggest that the level of financial inclusion among Muslims in Kerala was not influenced by any of these variables. To be more specific, the age and household income had no influence on the financial inclusion among Muslims in Kerala. Similarly, the financial inclusion among Muslims in Kerala was not significantly different across: rural and urban areas, people having lower education and higher education, and different sects of Muslims. Moreover, the occupation had no significant influence on the level of the financial inclusion among Muslims in Kerala.

Thus the research hypothesis, which states that there is significant relationship between the level of financial inclusion of Muslims and their adherence to religious rules, tested its standing. Since the standardised coefficient of ‘adherence to ‘Sharia’ rule’ variable is -0.301 and shows that which is significant at 01 percent, the adherence to ‘Sharia’ rule exerts a negative influence on financial inclusion and predict 30 percent of the variations in the financial inclusion across different sects of Muslims, the research hypothesis was found correct. Thus the hypothesis was accepted.

It can be inferred from the above results that the banking awareness, banking ability and the ‘Adherence to ‘Sharia’ Rules’ were the most prominent factors among the factors which significantly determine the level of financial inclusion of Muslims in Kerala.

6.6. Conclusion

The above analysis shows that majority of Muslims in Kerala strictly following ‘Sharia’ rules in their financial transactions irrespective of their sects. The proportion of Muslims who saved in the bank and borrowed from the bank diminishing as the intensity of adherence to ‘Sharia’ rules increases. The religious beliefs also discourage them to purchase non-compulsory insurance policies, though which was varying across different sects of Muslims in Kerala. It was found that the intensity of religious affiliation was high among high income groups and that was lower among low income group of Muslims. The test results proved that the adherence to ‘Sharia’ rule had significant negative effect on the financial inclusion of Muslims in Kerala. Therefore, it can be concluded that the intensity of adherence to ‘Sharia’ rules has considerable impact on the level of financial inclusion of Muslims in Kerala.

CHAPTER-7

INFLUENCE OF ADHERENCE TO RELIGIOUS RULES ON UTILIZATION OF BANKING SERVICES OF MUSLIMS

7.1. Introduction

According to the religious (Sharia rules) principles followed by Muslims, the interest related banking services are prohibited to them and they are often trying to avoid the use of certain banking services that are directly related to interest like, credit, deposit etcetera, if other means are available. Therefore, majority of Muslims keep a habit of low utilization of banking services in their ordinary business of life. However, an important objective of this study is to examine the extent to which Muslim's adherence to religious rules influences their utilization of banking services. As part of this, it is necessary to examine how many people have reduced their utilization of banking services due to interest, how those who use banking services dealing with interest and which services are not being used due to interest.

7.2. Reasons for the Low Utilization of Banking Services across different Sects of Muslims in Kerala

The details of major reasons for the low banking habit by respondents across different sects of Muslims are presented in Table 7.1.

Table 7.1 Reasons for the Low Utilization of Banking Services across different Sects of Muslims in Kerala

| | | Sect | | | Total | Chi-square Test Results | | | | |
|-------------------------------------|-----------------------------|--------|---------|---------|-------------------------------|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | | Sunni | Mujahid | Jama'at | | | | | | |
| Reason for low frequency of banking | Insufficient income | Count | 67 | 7 | 4 | $\chi^2 = 20.775$ d.f. = 10 p = .056 (Exact p – value) | | | | |
| | | % | 30.0% | 14.9% | 21.1% | | 27.0% | | | |
| | Lack of financial literacy | Count | 10 | 0 | 0 | | Cramer's V = .211 p = .056 | | | |
| | | % | 4.5% | 0.0% | 0.0% | | | 3.5% | | |
| | Limited time and services | Count | 1 | 0 | 0 | | | Cramer's V = .211 p = .056 | | |
| | | % | 0.4% | 0.0% | 0.0% | | | | 0.3% | |
| | Difficulty in documentation | Count | 9 | 6 | 0 | | | | Cramer's V = .211 p = .056 | |
| | | % | 4.0% | 12.8% | 0.0% | | | | | 5.2% |
| | To avoid interest | Count | 128 | 28 | 13 | | | | | Cramer's V = .211 p = .056 |
| | | % | 57.4% | 59.6% | 68.4% | | | | | |
| Availability of other sources | Count | 8 | 6 | 2 | Cramer's V = .211 p = .056 | | | | | |
| | % | 3.6% | 12.8% | 10.5% | | 5.5% | | | | |
| Total | Count | 223 | 47 | 19 | | Cramer's V = .211 p = .056 | | | | |
| | % | 100.0% | 100.0% | 100.0% | | | 100.0% | | | |

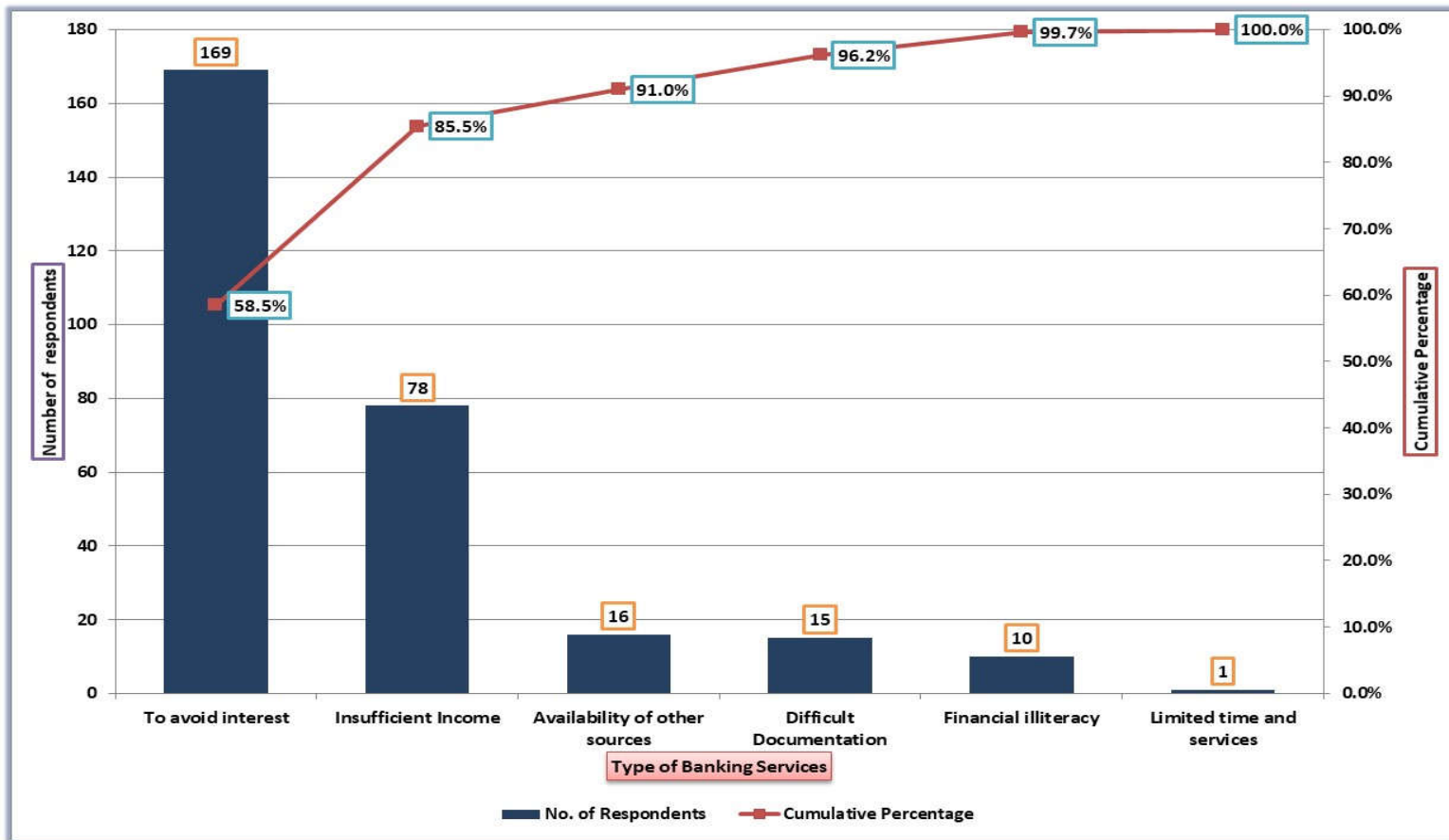
Source: Primary Survey

The table shows that majority of respondents had low banking services utilization habit and they were reluctant to use banking services because they avoid interest-related banking transactions. 27 percent of the respondents were reported insufficient income was the reason for low banking habit. Only few respondents reported the availability of other sources of finance, lack of time, suitable products and cumbersome documentation as reasons for reducing the utilization of banking services in their life.

Specifically, the percent of respondents who reduced the use of banking services to avoid interest dealings was high in *Jama'at* sect and that was low in *Sunni* sect compared to other sects of Muslims. The percent of respondents who reported insufficient income as a reason for low utilization of banking services was high in *Sunni* sect and low in *Mujahid* sect. Also the percent of respondents who reduced the utilization of banking services due to the availability of other sources of finance was more among *Mujahid* sect and that was low among *Sunni* sect. Only respondents belong to *Sunni* sect reported lack of financial literacy as a reason for low utilization of banking services. Chi-square test results indicate that there were no statistically significant differences in the reasons for low utilization of banking services across different sects of Muslims in Kerala, $\chi^2 (10) = 20.775$, $p = .056$. It can be inferred from the results that the reasons for low utilization of banking services were similar across different sects of Muslims in Kerala.

Figure 7.1 depicted the major reasons for low utilization of banking services among Muslims in Kerala in descending order of frequency.

Figure 7.1 Reasons for the Low Utilization of Banking Services among Muslims



Source: Primary Survey

The figure highlights that more than 85 percent of respondents were reduced the utilization of banking services due to the presence of interest and insufficient income.

7.3. Interest Receiving Status across the Sect of the Respondents

The intensity of adherence to ‘Sharia’ rules of a Muslim motivates him to abstain from interest and interest related transactions. So whether they receive interest from their savings or not reveals the intensity of their religious beliefs in financial transactions. Table 7.2 gives the details of how many people from different sects of Muslims were receiving interest from their savings.

Table 7.2. Interest Receiving Status across the Sect of the Respondents

| | | | Sect | | | Total | Chi-square Test Results |
|---|-------|--------|--------|---------|---------|-------|--|
| | | | Sunni | Mujahid | Jama'at | | |
| Do Receive Interest from banking transactions and from other savings? | Yes | Count | 67 | 9 | 2 | 78 | $\chi^2 = 10.727$ d.f. = 2 p = .005 Cramer's V = .154 p = .005 |
| | | % | 20.8% | 11.1% | 4.2% | 17.3% | |
| | No | Count | 255 | 72 | 46 | 373 | |
| | | % | 79.2% | 88.9% | 95.8% | 82.7% | |
| Total | Count | 322 | 81 | 48 | 451 | | |
| | % | 100.0% | 100.0% | 100.0% | 100.0% | | |

Source: Primary Survey

The table shows that more than 80 percent of respondents were not receiving interest from their savings. The proportion of people who did not receive interest from saving was more among *Jama'at* sect and that was less among *Sunni* sect compared to other sects of Muslims. Chi-square test results indicate that there was statistically significant difference in the proportion of people who receive interest from their savings across different sects of Muslims in Kerala, $\chi^2 (2) = 10.727, p = .005$. It can be inferred from the results that the interest receiving status across different sects of Muslims was different in Kerala.

7.3.1. Interest Receiving Status across Different Income group of Muslims

The details of interest receiving status across different income groups of Muslims are presented in Table 7.3.

Table 7.3. Interest Receiving Status across Different Income group of Muslims in Kerala

| | | | Household Income (Rs.) | | | | | Total | |
|---|-----|-------|---|---------------|---------------|---------------|---------------|-------|-------------|
| | | | Up to 10000 | 10001 - 20000 | 20001 - 30000 | 30001 - 40000 | 40001 - 50000 | | Above 50000 |
| Do Receive Interest from banking transactions and from other savings? | Yes | Count | 17 | 29 | 15 | 9 | 5 | 3 | 78 |
| | | % | 22.4% | 19.0% | 18.3% | 14.3% | 11.9% | 8.6% | 17.3% |
| | No | Count | 59 | 124 | 67 | 54 | 37 | 32 | 373 |
| | | % | 77.6% | 81.0% | 81.7% | 85.7% | 88.1% | 91.4% | 82.7% |
| Total | | Count | 76 | 153 | 82 | 63 | 42 | 35 | 451 |
| | | % | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Chi-square Test Results | | | $\chi^2 = 4.833, d.f. = 5, p = .437$ Cramer's V = .104, p = .437 | | | | | | |

Source: Primary Survey

The table shows that the proportion of people who did not receive interest from their savings increases as income increases. It indicates that the intensity of religious affiliation was high among high income groups and that was lower among low income group of Muslims. Chi-square test results indicate that there was no statistically significant association between the interest receiving status and income of Muslims in Kerala, $\chi^2 (5) = 4.833, p = .437$. It can be inferred from the results that the interest receiving status was same across different income groups of Muslims in Kerala.

7.3.2. Method of Appropriation of Interest from Savings across different Sects of Muslims

Usually Muslims, who does not receive interest from their savings (bank and non-bank), appropriate the interest abounds in their savings by different ways by which they get relief from the guilty consciousness of the interest dealings. This

study also witnessed such a behaviour of Muslims in appropriating interest abounds in their savings. The details of different ways by which the sample respondents appropriate the interest of their savings are presented in Table 7.4.

Table 7.4. Method of Appropriation of Interest from Savings across different Sects of Muslims

| | | | Sect | | | Total | Chi-square Test Results |
|-------------------------------------|-------------------------|-------|--------|---------|---------|--------|--|
| | | | Sunni | Mujahid | Jama'at | | |
| Method of appropriation of interest | Giving back to bank | Count | 87 | 10 | 10 | 107 | $\chi^2 = 29.174$ d.f. = 6 p < .001 Cramer's V = .198 p < .001 |
| | | % | 34.1% | 13.9% | 21.7% | 28.7% | |
| | Donate for charity | Count | 55 | 37 | 13 | 105 | |
| | | % | 21.6% | 51.4% | 28.3% | 28.2% | |
| | Donate for public needs | Count | 53 | 14 | 10 | 77 | |
| | | % | 20.8% | 19.4% | 21.7% | 20.6% | |
| | Others | Count | 60 | 11 | 13 | 84 | |
| | | % | 23.5% | 15.3% | 28.3% | 22.5% | |
| Total | | Count | 255 | 72 | 46 | 373 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that proportion of Muslims who appropriate the interest by giving back to the bank concerned and donate for charity was almost same. Above 75 percent of respondents, who did not receive interest for their own use, they appropriate the interest themselves to redress the grievances of poor people, donate to satisfy a public need and help the economically weak bank customers to pay interest on their debt rather than giving it back to the bank for doing some common programmes related to the local people. Majority of people among *Sunni* sect appropriate the interest by giving it back to the bank and majority of people among *Mujahid* and *Jama'at* sect were appropriate the interest themselves by donating to charity. Chi-square test results indicate that there were statistically significant differences in the ways of appropriation of interest across different sects of Muslims

in Kerala, $\chi^2 (6) = 29.174$, $p < .001$. It can be inferred from the results that the appropriation of interest varies across different sects of Muslims in Kerala.

The fact that Muslims refrain from using interest-related financial services signifies the need to analyze whether there are any interest-free financial transactions among them.

7.4. Availability of Interest Free Finance to different Sects of Muslims in Kerala

The availability of interest free finance influences the intensity of adherence to ‘Sharia’ rules of Muslims in borrowing from banks. Therefore, it was important to collect the information on the availability of interest free finance among the sample respondents to make inferences on their status of financial inclusion and banking habit, especially the utilization of bank credits of Muslims. This study identified that the ‘Mahallu Committee’, ‘Local units of state level organisations’, Friends, Family and Neighbours are the major sources of interest free finance across different sects of Muslims in Kerala. Among them the ‘Friends’, ‘Family’ and ‘Neighbours’ are categorised as ‘Others’ since which have no uniformity in the credit conditions. The details of availability of interest free finance across different sects of Muslims are presented in Table 7.5.

Table 7.5 Availability of Interest Free Finance to different Sects of Muslims in Kerala

| | | Sect | | | | Total | Chi-square Test Results |
|---|-----|-------|---------|---------|--------|--------|--|
| | | Sunni | Mujahid | Jama'at | | | |
| Do you have Availability of Interest Free Finance | Yes | Count | 241 | 69 | 42 | 352 | $\chi^2 = 10.343$ d.f. = 2 $p = .006$ Cramer's V = .145 $p = .006$ |
| | | % | 67.5% | 77.5% | 87.5% | 71.3% | |
| | No | Count | 116 | 20 | 6 | 142 | |
| | | % | 32.5% | 22.5% | 12.5% | 28.7% | |
| Total | | Count | 357 | 89 | 48 | 494 | |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% | |

Source: Primary Survey

The table shows that more than 70 percent of respondents have the availability of interest free finance from different sources at the time of financial crisis. Among them the availability of interest free finance was high among *Jama'at* sect and that was low among *Sunni* sect compared to other sects of Muslims. Chi-square test results indicate that there was difference in the availability of interest free finance across different sects of Muslims in Kerala, $\chi^2 (2) = 10.343$, $p = .006$. It can be inferred from the results that the availability of interest free finance varies across different sects of Muslims in Kerala.

7.4.1. Sources of Interest Free Finance to different Sects of Muslims in Kerala

The details of different sources of interest free finance available to different sects of Muslims are presented in Table 7.6.

Table 7.6. Sources of Interest Free Finance to different Sects of Muslims in Kerala

| | | | Sect | | | Total | Chi-square Test Results |
|----------------------------------|---------------------|--------|--------|---------|---------|-------|--|
| | | | Sunni | Mujahid | Jama'at | | |
| Sources of interest free finance | Mahallu Committee | Count | 25 | 18 | 6 | 49 | $\chi^2 = 87.433$ d.f. = 4 $p < .001$ Cramer's V = .352 $p < .001$ |
| | | % | 10.4% | 26.1% | 14.3% | 13.9% | |
| | Local Organisations | Count | 28 | 1 | 25 | 54 | |
| | | % | 11.6% | 1.4% | 59.5% | 15.3% | |
| | Others | Count | 188 | 50 | 11 | 249 | |
| | | % | 78.0% | 72.5% | 26.2% | 70.7% | |
| Total | Count | 241 | 69 | 42 | 352 | | |
| | % | 100.0% | 100.0% | 100.0% | 100.0% | | |

Source: Primary Survey

The table shows that the major source of interest free finance to majority of respondents across different sects, except *Jama'at* sect, was 'other' sources which include Friends, Family and Neighbours of the respondents and its presence was highest among *Sunni* sect compared to other sects of Muslims. The major source interest free finance among *Jama'at* sect was the local organisation, which is the local unit of their state level system of micro finance to the poor. The availability of interest free finance from the 'Mahallu Committee' was low among Muslims in Kerala, but it was more than 25 percent among *Mujahid* sect. Among *Mujahid* and *Jama'at* sects their 'Mahallu Committee' collecting the 'Zakat' amount from the

responsible persons and pooling it as a fund for helping poor households at the time of marriage of their children, construction of house, medical treatment, higher education of children etcetera. While there was no such ‘Zakat’(A part of income and Wealth) management among *Sunni* sect, but the ‘Mahallu Committee’ collecting ‘Sadaka’ (A voluntary contribution) from its members for helping the poor among them. Chi-square test results indicate that there was differences in the major sources of interest free finance across different sects of Muslims in Kerala, $\chi^2 (4) = 87.433$, $p < .001$. It can be inferred from the results that the major sources of interest free finance across different sects of Muslims was different.

7.5. Impact of Intensity of Adherence to ‘Sharia’ Rules on Banking Attitude, Awareness and Habit among Muslims

The impact of intensity of adherence to ‘Sharia’ rules of Muslims on their banking attitude, awareness about banking services and banking habit was examined with the help of Karl Pearson’s Coefficient of Correlation. The details of the nature of correlation between intensity of adherence to ‘Sharia’ rules and different aspects of banking are presented in Table 7.7.

Table 7.7. Correlations Matrix

| | | Banking Attitude Index (%) | Awareness Index (%) | Adherence to ‘Sharia’ Rules Index (%) | Index of Overall Utilisation |
|--|---------------------|-----------------------------------|----------------------------|--|-------------------------------------|
| Banking Attitude Index (%) | Pearson Correlation | 1 | | | |
| | p - value | | | | |
| | N | 494 | | | |
| Awareness Index (%) | Pearson Correlation | .281** | 1 | | |
| | p - value | <001 | | | |
| | N | 494 | 494 | | |
| Adherence to ‘Sharia’ Rules Index (%) | Pearson Correlation | -.264** | -.018 | 1 | |
| | p - value | <001 | .691 | | |
| | N | 494 | 494 | 494 | |
| Index of Banking Habit | Pearson Correlation | .293** | .643** | -.143** | 1 |
| | p - value | <001 | <001 | .001 | |
| | N | 494 | 494 | 494 | 494 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | | | |

Source: Primary Survey

The table shows that there was statistically significant negative correlation between the adherence to ‘Sharia’ rules and different aspects of banking among Muslims. But the influence was not so high and the value of correlation coefficient of adherence to ‘Sharia’ rules on banking attitude was comparatively high and that on banking awareness was very low. It can be inferred from the results that the intensity of adherence to ‘Sharia’ rules of Muslims adversely affect their banking attitude, awareness about banking services and banking habit in Kerala. Also to identify other socio-economic factors which affect the banking habits of Muslims and to know the level influence of adherence to ‘Sharia’ rules on their banking habits along with other socio-economic variables a multiple linear regression was conducted in the next section of this chapter.

7.6. The Factors Affecting the Utilization of Banking Services among Muslims in Kerala

A multiple linear regression analysis has been carried out to understand the factors influencing the intensity of banking service utilisation (Banking Habit) of the Muslims in Kerala. The following linear regression model was estimated for this purpose:

$$Y_i = \alpha + \sum_{i=1}^7 \beta_i X_i + \sum_{i=1}^{10} \gamma_i D_i + \varepsilon_i \quad \text{---- (1)}$$

Where, α is intercept, β s are the slope coefficients for continuous (quantitative) explanatory variables, γ s are the coefficients of dummy independent variables, and ε is the stochastic error term. The details of the construction of the variables are explained in Table 7.8. The Banking Services Utilisation Index was taken as the dependent variable and seven continuous variables and 10 dummy variables were used as the independent variables in the model. These explanatory variables are included to measure the influence of seven quantitative and ten qualitative factors on the intensity of banking service utilisation of the Muslims in Kerala.

Table 7.8: Description of the Variables Used in the Regression Model

| Sl. No. | Variables used in the Regression Model | Variable Description |
|---------|---|---|
| 1 | Y (Banking Service Utilization Index) | It is the dependent variable in the model. It is a composite index generated from 10 important items manifesting various aspects of the banking service utilisation. |
| 2 | X1(Age) | The age of the respondents in years. |
| 3 | X2 (Income) | The monthly household income in rupees. |
| 4 | X3 (Banking Awareness) | It is a composite index, which is constructed by combining the awareness of the respondents with respect to 10 import aspects of banking services. |
| 5 | X4 (Adherence to 'Sharia' Rule) | It is an index computed from 12 Likert Scale items manifesting the adherence of the respondents to the 'Sharia' rules in financial transactions [Cronbach's Alpha (α) = .883]. |
| 6 | X5 (Attitude towards Banking) | It is also an index generated from four Likert scale items that measure the attitude of the respondents towards banking [Cronbach's Alpha (α) = .761]. |
| 7 | X6 (Banking Ability) | It is an index generated from four items, which measure level of ability of the respondents to perform various types of banking transactions. |
| 8 | X7 (Distance to the Bank) | It measures the distance (in KM) from the residence of the respondent to the nearest bank where he has account. |
| 9 | D1 (Location) | It is a dummy variable taking value 1 if the residence of the respondent is located in urban areas and 0 otherwise. |
| 10 | D2 (Gender) | A dummy variable taking value 1 if the respondent is male and 0 otherwise. |
| 11 | D3 (Sunni) | A dummy variable taking value 1 if the sect of the respondent is Sunni and 0 otherwise. |
| 12 | D4 (Mujahid) | A dummy variable taking value 1 if the sect of the respondent is Mujahid and 0 otherwise. |
| 13 | D5 (Education) | A dummy variable taking value 1 if the highest education of the respondent is Plus-two/PDC and above and 0 otherwise. |
| 14 | D6 (Self-employed) | A dummy variable taking value 1 if the respondent is self-employed and 0 otherwise. |
| 15 | D7 (Salaried) | A dummy variable taking value 1 if the respondent is salaried employee and 0 otherwise. |
| 16 | D8 (Casual Work) | A dummy variable taking value 1 if the respondent is casual wage labourer and 0 otherwise. |
| 17 | D9 (NRI) | A dummy variable taking value 1 if the respondent is working abroad and 0 otherwise. |
| 18 | D10 (Availability of Interest Free Finance) | A dummy variable taking value 1 if interest-free finance is available to the respondent and 0 otherwise. |

The model adequacy tests were conducted and the results are presented in Table 7.9. The Ramsey's *Regression Specification Error Test* (RESET) shows that the model specification is adequate, $F(2, 474) = 0.563, p = .570$. The *Jarque-Bera (JB) test* revealed that distribution of the error terms was not significantly different

from the normal distribution, $\chi^2 (2) = 5.409$, $p = .067$. The *variance inflation factor (VIF)* indicated that there was no serious multicollinearity among the regressors (the VIF for all the explanatory variables were less the cut-off value of 10 and the average VIF was 1.84).

However, the presence of heteroskedasticity (see Table 7.9) can be noticed from the *White's test* results, $LM = 92.53$, $p = .003$. In the presence heteroskedasticity problem in the estimated model, *heteroskedasticity-robust standard errors* have been used for the significance testing of the estimated regression coefficients. Therefore, valid inferences can be drawn from the estimated model as it was found adequate as per the important model adequacy tests and resultant adjustments.

Table 7.9: Regression Model Adequacy Test Results

| Sl. No. | Type of test | Name of the Test | Null hypothesis (H0) | Test statistic | p-value | Conclusion |
|---------|--------------------------------|------------------|--------------------------------|----------------------|---------|---|
| 1 | Test for Specification | Ramsey's RESET | Specification is adequate | F (2, 474) = 0.563 | .570 | No Specification Bias |
| 2 | Test for Heteroscedasticity | White's test | Heteroscedasticity not present | LM = 314.461 | <.001 | Heteroscedasticity Problem is Present |
| 3 | Test for Normality of Residual | Chi-square test | Error is normally distributed | $\chi^2 (2) = 5.409$ | .067 | No Non-normality in the Distribution of the Error |

The model was estimated using the ordinary least square method (OLS). The estimated regression results are presented in Table 7.10. The results reported in Table 6.10 indicate that the model as a whole is statistically significant, $F (17, 476) = 83.95$, $p < .001$. The goodness of fit of the model was reasonable as indicated by the coefficient of determination ($R^2 = .679$); and this R^2 value was statistically significant as per the F-test reported above. The estimated regression model presented in Table 7.10 indicate that four out of the seven quantitative variables and only two out of the ten qualitative variables² had statistically significant influence on the banking service utilisation of the Muslims in Kerala. But the remaining quantitative and qualitative variables included in the model had no statistically significant influence on the on the banking service utilisation of the Muslims in Kerala.

² The last two dummy variables measure the influence of a qualitative factor viz., the sect of the respondent here two dummy variables were included to measure three types of sects of Muslims: Sunni, Mujahid, and Jama'at.

Table 7.10. Multiple Linear Regression Results on the Factors Influencing the Utilization of Banking Services among Muslims in Kerala

Method: Ordinary Least Squares (OLS)

Dependent Variable: Banking Services Utilisation Index (%)

| Sl. No. | Regressors | Unstandardized Coefficients | | Standardized Coefficients | t - ratio | p - value | Significance @ | Collinearity Statistics | Model Summary Statistics |
|---------|----------------------------------|-----------------------------|-------------|---------------------------|-----------|-----------|----------------|-------------------------|--|
| | | B | Std. Error# | Beta | | | | VIF | |
| 1 | (Constant) | 8.690 | 5.588 | -- | 1.56 | .121 | ns | -- | R2 = .679 Adj. R2 = .667 F (17, 476) = 83.945, p < .001 S.E. of regression = 12.234 AIC = 3893.745 BIC = 3969.391 |
| 2 | X1(Age) | 0.029 | 0.066 | 0.012 | 0.43 | .668 | ns | 1.46 | |
| 3 | X2 (Income) | 7.383E-05 | 4.493E-05 | 0.084 | 1.64 | .101 | ns | 2.03 | |
| 4 | X3 (Banking Awareness) | 0.103 | 0.035 | 0.127 | 2.96 | .003 | *** | 2.64 | |
| 5 | X4 (Adherence to 'Sharia' rules) | -0.129 | 0.040 | -0.093 | -3.251 | .001 | *** | 1.20 | |
| 6 | X5 (Attitude towards Banking) | 0.062 | 0.030 | 0.055 | 2.10 | .037 | ** | 1.31 | |
| 7 | X6 (Banking Ability) | 0.381 | 0.030 | 0.577 | 12.59 | <.001 | *** | 2.86 | |
| 8 | X7 (Distance to the Bank) | 0.059 | 0.200 | 0.009 | 0.30 | .767 | ns | 1.13 | |
| 9 | D1 (Location) | -1.716 | 1.292 | -0.036 | -1.328 | .185 | ns | 1.06 | |
| 10 | D2 (Gender) | 1.397 | 1.221 | 0.028 | 1.14 | .253 | ns | 1.23 | |
| 11 | D3 (Sunni) | -5.590 | 2.530 | -0.118 | -2.210 | .028 | ** | 2.58 | |

| | | | | | | | | |
|----|---|--------|-------|--------|--------|------|----|------|
| 12 | D4 (Mujahid) | -5.263 | 2.603 | -0.095 | -2.022 | .044 | ** | 2.43 |
| 13 | D5 (Education) | 1.800 | 1.686 | 0.041 | 1.07 | .286 | ns | 1.74 |
| 14 | D6 (Self-employed) | 0.183 | 1.649 | 0.004 | 0.11 | .912 | ns | 1.95 |
| 15 | D7 (Regular Salaried) | 2.932 | 2.305 | 0.063 | 1.27 | .204 | ns | 2.88 |
| 16 | D8 (Casual Work) | -2.165 | 1.434 | -0.047 | -1.510 | .132 | ns | 2.18 |
| 17 | D9 (NRI) | 1.117 | 1.933 | 0.021 | 0.58 | .564 | ns | 1.42 |
| 18 | D10 (Availability of Interest Free Finance) | -1.668 | 1.429 | -0.036 | -1.167 | .244 | ns | 1.19 |

Notes: # Heteroscedasticity-robust standard errors, variant HC1; @ *** indicate significant at 01 percent level, ** indicate significant at 05 percent level, * indicate significance 10 percent level and 'ns' indicates not significant.

To be more specific, banking awareness, attitude towards banking, banking ability, and religiosity were the four quantitative variables, which had statistically significant effect on the banking service utilisation of the Muslims in Kerala. The first three among these four variables had significant positive effect, whereas the last one had a significant negative effect on the banking service utilisation of the Muslims in Kerala. These results indicate that, other things remaining constant, better banking service awareness, ability and favourable attitude towards banking lead to more intensive utilisation of banking services among the Muslims in Kerala. The statistically significant negative coefficient of the 'Adherence to 'Sharia' rule' variable signifies that the adherence to the 'Sharia' rules had a negative influence on the utilisation of the banking services among Muslims in Kerala. Thus the Research Hypothesis, which states that the adherence to religious rules influences the utilization of banking services of Muslims, tested its standing. Since the regression coefficient of 'adherence to 'Sharia' rule' variable is -0.129 and shows that which is significant at 01 percent, the adherence to 'Sharia' rule exerts a negative influence on the utilization of banking services and predict around 13 percent of the variations in the the utilization of banking services across different sects of Muslims, the Research Hypothesis was found correct and accepted.

The statistically significant coefficients of the two dummy variables (*Sunni* and *Mujahid*) indicate that the sect of the Muslims had a significant influence on their utilisation of banking services and the sign and size of the coefficients indicate that the utilisation of banking services among the *Mujahid* and *Sunni* sects were lower than that of the reference category *Jama'at* sect and it was lowest among the *Sunni* sect of Muslims in Kerala. The statistically non-significant coefficients of the remaining quantitative and qualitative variables included in the model suggest that the intensity of the utilisation of the banking services among Muslims in Kerala was not influenced by any of these variables. To be more specific, the age, household income and distance to the nearest bank had no influence on the utilisation of the banking services among Muslims in Kerala. Similarly, the intensity of the utilisation of the banking services among Muslims in Kerala were not significantly different across: rural and urban areas, male and females, people having lower education and higher education, and people having access to interest free finance and not having access to interest-free finance. Moreover, the nature of employment

had no significant influence on the level of the utilisation of the banking services among Muslims in Kerala. It can be inferred from the above results that the banking awareness and banking ability were the most prominent factors among the factors which significantly determine the banking habit of Muslims in Kerala.

7.7. Expectations of different Sects of Muslims in Kerala for Improving their Utilization of Banking Services and Financial Inclusion

The analysis in previous chapters has shown that majority of respondents opened bank account to avail the benefits of various development and welfare schemes being implemented by the governments will bring a household within the scope of banking services. But the analysis reveals that Muslims, who were adherent to religious principles, try to keep distance from banking services and other financial transactions related to interest. Therefore, following table (Table 7.11) shows the desired changes that expected by Muslims in the banking sector, which improve their utilization of banking services, as part of the reforms implemented from time to time.

Table 7.11. Expectation of different Sects of Muslims in Kerala for Improving their Utilization of Banking Services and Financial Inclusion

| | | | Sect | | | Total |
|---------------------------------------|---|---|--------|---------|--|--------|
| | | | Sunni | Mujahid | Jama'at | |
| Expectations to Improve Banking Habit | No expectations | Count | 243 | 46 | 16 | 305 |
| | | % | 68.1% | 51.7% | 33.3% | 61.7% |
| | Expect interest free finance facility | Count | 77 | 32 | 30 | 139 |
| | | % | 21.6% | 36.0% | 62.5% | 28.1% |
| | Expect customer friendly services | Count | 18 | 6 | 2 | 26 |
| | | % | 5.0% | 6.7% | 4.2% | 5.3% |
| | Expect improved behaviour of bank officials | Count | 17 | 4 | 0 | 21 |
| | | % | 4.8% | 4.5% | 0.0% | 4.3% |
| | Expect more adequate products | Count | 2 | 1 | 0 | 3 |
| | | % | 0.6% | 1.1% | 0.0% | 0.6% |
| | Total | Count | 357 | 89 | 48 | 494 |
| | | % | 100.0% | 100.0% | 100.0% | 100.0% |
| Chi-square Test Results | | $\chi^2 = 41.076$, d.f. = 8 p <.001 (Exact p – value) | | | Cramer's V = .204 p <.001 (Exact p – value) | |

Source: Primary Survey

The table shows that majority of respondents did not expect more from the banking sector to improve their own banking habit because they think it is not practicable to include 'Shariah' compliant product in the existing banking services or to introduce separate interest free banks in a diversified nation like India. More than one-fourth of respondents expecting the introduction of interest free finance facilities from the banking sector. But majority of respondents belong to *Jama'at* sect were expecting introduction of interest free finance facilities both for entire Muslim community and for the poor among other religious groups also. Only a few respondents expect to improve the customer relations through adorable behaviour of bank officials and introduction of adequate products in the banking sector. Chi-square test results indicate that the expectations for adequate products and services in the banking sector to improve the utilization of banking services of Muslims was different across different sects of Muslims in Kerala, $\chi^2 (8) = 41.076$, $p < .001$ (Exact p – value). It can be inferred from the results that the expectations about banking sector across different sects of Muslims were different in Kerala.

In the analysis that has been done so far in this chapter and in previous chapters, the researcher has tried to analyze the importance and seriousness of observing religious principles among Muslims in their financial transactions and how it affects them in financial matters. But the extent to which religious beliefs adhere to various aspects of life of Muslims cannot be explained by mere quantitative fact analysis. This is because Muslims follow religious principles not only in religious matters but also in all spheres of life. Therefore, a Focus Group Discussion (hereafter FGD), a qualitative research tool, as stated in the methodology, is conducted to expose the fact that the extents to which Muslims, who follow religion as a way of life, follow the religious rules in their financial transactions. The following section presents the outcome of FGD in detail.

7.8. Focus Group Discussion

In this section, the researcher intends to provide a detailed narration of the FGD conducted to reveal the intensity of adherence to religious rules in financial

transactions and its impact on financial inclusion and banking habit among Muslim households.

7.8.1. Introduction

As indicated in the methodology of this study, it is essential to conduct a FGD to understand exactly how the adherence to religious principles among Muslims is reflected in their financial transactions and whether it affects their financial inclusion and banking habits. FGDs are an integral part of such studies, which cover a wide range of issues related to religious beliefs that are part of the privacy of Muslim's lives, as they provide more diverse and in-depth facts than that can be found through a quantitative research method. Moreover, since there are differences of opinion among the three dominant sects of Muslims in Kerala regarding the adoption of religious ideas in life, it will be helpful to understand how those differences are reflected in their financial inclusion and banking practices for more effective interventions among Muslims. In the present study, the researcher completed the process of FGD by conducting separate FGD for three different sects of Muslims. Questions about different types of financial transactions are often included in order to gain more clarity regarding some of the results that can be seen in the analysis of quantitative data.

Here are the main discussions that arose in each group regarding those questions.

7.8.2. FGD with Sunni sect of Muslims

Most of the Muslims in Kerala are the companions of 'Sunni Islam', who follow traditional 'Shafi' school of religious teachings and them popularly known as 'traditional Sunnis'. Sunni sect is the largest sect, which constitute more than 75 percent of total Muslim population in Kerala. This category of Muslims can be found in almost all the districts of Kerala. As the largest segment of Muslim population in Kerala, the economic character, financial habits and financial inclusion of *Sunnis* greatly influences the overall picture of the economic character, financial habits and financial inclusion of Muslims as a whole. Sunnis, who are educationally

and professionally backward than other Muslim communities in Kerala, have found employment mainly in the Gulf countries. Moreover, the fact that most of the natives are self-employed, wage labourers and employed in the private sector reveals their economic and social status. Therefore, Sunnis can be expected to respond to the relevant questions that arise in this discussion in a way that reflects their religious views as well as their socio-economic circumstances.

The very first relevant question asked by the researcher in this discussion, inviting answers that do not deviate from its intended objectives, is: are you able to live according to your religious principles in the current circumstances? The researcher posed this question, in recognition of the fact that Muslims are struggling to maintain a socio-economic life that adheres to the essence of the Islamic faith in modern world, to understand the extent of keeping adherence to the religious ideology in socio-economic life by Sunnis. Although many highlighted the difficulties they faced in this regard, some of them have been concerned about the loss of opportunity due to their professional stay away from the banking, liquor and lottery industries, which are forbidden to them professionally, their social isolation from others as part of honest business and their lack of conditions required to comply with religious law. In this, Yusuf's opinion was one that gives a comprehensive picture of the various situations they face in this regard:

“Every believer always wants to follow the way of life shown by Allah, the creator of the universe, through the Holy Qur'an and his messenger Prophet Muhammed (peace and blessings of Allah be upon him) through his own way of life. Despite some losses and hardships, everyone strives hard to follow Islamic law in all areas of life. However, in some unavoidable circumstances, many have had to deviate from Islamic law due to helplessness and lack of other means.”

This comment by Yusuf exposes to us the circumstances of how Muslims lead their lives in today's socio-economic situations. The important point that can be deduced from this comment is that Muslims are willing to fully comply with religious laws if a situation in their life suits them. Khader's comment underscored this fact:

“For a believer, no matter what the circumstances, they do not want to continue the way of life that deviates from the religious rules for a long time because they believe that deviation from the religious rules will lead to more difficulties in their lives. So either they will stay away from such situations or it will be limited only in accordance with the religious rules.”

The whole point of this argument is that a believer may try to observe religious precepts by imposing certain restrictions on his own way of life or by abstaining from what is not permissible to them. It is noteworthy that some who take religion too lightly have come forward to discuss the fact that it is difficult to live life in the current circumstances in full compliance with religious precepts. But Ashraf, who argued that:

“Some, who are ignorant of religious laws, often see their ignorance as a possibility of doing many things that are forbidden by religion.”

And reminds them that:

“They too will have to answer in the court of Allah, the almighty, tomorrow.”

Such arguments point to the need for a believer to be careful about obeying religious precepts throughout his life. This discussion, thus blaming their helplessness, witnessed the active involvement of all participants and the sharing of more experiences. The researcher put another question in front of them to prevent the discussion from slipping in another direction and to control the discussion and bring it closer to the goal of FGD that is: is it because there are no other alternatives, as you say, that many of you have opened bank accounts?

Muslims are forbidden to use the services of traditional banks, which provide interest-based services, based on the explanations given about interest in the *Holy Qur’an* and authentic *hadiths*. In addition, many studies have shown that Muslims are lagging behind in using interest based banking services. Therefore, it is hoped that the answers to this question will reveal the real circumstances that led to the

opening of bank accounts by Muslims in Kerala during the last 10 years. The responses were even harder but insightful. Ashraf says loudly that:

“Of course, we were forced to open a bank account, even though we knew it was forbidden, due to various mandatory circumstances.”

Many of the things he added also shed light on the main reasons behind Muslims opening bank accounts.

“It was only after the distribution of gas subsidies, various pensions and other government assistance through bank accounts that Muslims began to open bank accounts on a large scale.”

When intervened with the question ‘if so, have you used those bank accounts for any other purpose?’ their responses were examples of how they view banking services in their life. Ali said that:

“We do not do anything else as part of the bank account except to withdraw the subsidy, pension amount in the account when it reaches a certain threshold by going to the bank or using an ATM as we do not have the money or knowledge for it.”

But Mujeeb mentioned that:

“That bank account is what I now use to send money from the Gulf and transfer money for other purposes. However I have no interest in depositing in the bank or taking a loan from the bank. Because such activities are more conducive to bank interest, I have to answer to Allah, the almighty, for it”.

Ummer has very different opinion that:

“It is not wrong to use banking services as it is not possible to exclude the bank in daily life and it is enough to avoid the potential interest that may be incurred thereby to minimize its disadvantages”.

All the responses to the question related to the use of the bank account can be seen that people use the bank account as a means of money transfer instead of

actively using it because of interest. It also finds that they justifying the use of bank services in daily life by not using the interest generated as part of banking use for one's own purposes. All the opinions were point to the extent to which Muslims are trying to stay out of 'Riba' (usury). But I again intervened in the discussion by raising another question related to the finding that Muslims do not show the same strictness in borrowing as they do in saving in the bank: do you agree to take a loan from a bank while keeping interest away from everyday life as much as possible? The words that Khader uttered in response to this question are very remarkable:

“No, never, but usually people who have no other choice take a loan from a bank. At the same time, people who are effectively manage their financial crisis with the help of other means of fund will never be willing to take such loan in connection with interest. And people who are able to make a living without having to worry about interest never want to be involved with interest in the form of bank deposits”.

The opinion of Khader highlights that Muslims with relatively poor socio-economic status are more likely to rely on bank loans and those who are financially secure refrain from depositing money in banks due to the presence of interest. Such approaches are likely to affect the availability of banking facilities in Muslim-majority areas in two ways. First of all, the socio-economic conditions of Muslims taking loans can be very risky for banks. Secondly, the fact that financially affluent Muslims do not save in the bank due to interest will adversely affect the saving mobilization function of the bank. Mujeeb, however, pointed out that:

“There are many Muslims who deposit in banks without accepting interest and use the same for giving to the poor who are struggling to repay their loans taken from the bank and use the banking services more in day to day life”.

At the same time, he explained some of his experiences as evidences of the activities of some who did not take interest on savings:

“This is a common practice of many of my friends do, and to my knowledge, instead of using the annual interest incurred on their bank account on their own, they helps some poor people to pay interest on the loan when they find it difficult to

pay off the loan interest. By doing so, they say, they are gaining confidence that they are not eating interest. But to my knowledge, this is also a great benefit to many of the poor”.

Although there have been discussions about the various activities of many people who are not willing to use their own interest, one thing that is very relevant to what Ummer said cannot be overlooked here:

“Some of my wealthy friends, along with their other friends, have a habit of doing something that benefits the general public in each area each year with money raised from people who are reluctant to use interest, including their own”.

But while acknowledging that depositing in and borrowing from the bank are activities that promote interest, there were some who were willing to justify bank loans by pointing out their helplessness. However, it is clear from the discussion that there is a general reluctance among Sunnis to interest-related banking services. Although the analysis shows that bank borrowers are generally low among Muslims, their responses, as part of my inquiry into why the proportion of borrowers for educational and business purposes is declined?, are as follows; the words of businessman Mujeeb, who took part in the discussion, were absolutely astonishing:

“I have learned from the experience of many that many activities done with interest money do not succeed. Whether my conclusion is right or wrong, I do not have much confidence to do anything with interest money. So I have not yet taken a loan from a bank for business purposes”.

These are the words of Khader who started by saying that I have an even bigger experience to tell:

“I have a story to tell of an even greater loss. That is , my daughter, she was selected for engineering admission, could have got an educational loan but had no other choice to pay the fees without taking a loan, so she dropped out of the engineering course and went on to study for a regular degree. Because if I take a big loan and teach her, maybe I will have to get her married before the loan is

repaid and then I will have to bear the burden of the loan and the interest. Having kept interest away from my life for so long, it was unthinkable for me to give in to interest at this age”.

From these comments and experiences that have arisen in the discussion, it can be seen that there has been a growing superstition among Muslims along with various concerns regarding interest. Moreover, those who consider the presence of interest even as the cause of business failure and who decide to give up the education required for life success in the name of interest can undoubtedly pull this society back at least to some extent from the inclusive growth goals. Therefore, the opinions and concerns that arisen in the FGD indicate that Muslims in Kerala still sit on the fence in terms of utilization of financial services. Also the fact that they are reluctant to take out insurance and invest in the stock market because of interest further exposes the extent of exclusion among them.

At the end of the discussion, the researcher pointed out that the analysis shows that Muslims are increasingly relying on interest-free methods of saving and borrowing. Also raises the questions of what were the methods you adopted for this, whether it is sufficient for your needs? And was that easy to handle? Many of the things they said in response were about certain systems that are common not only among Muslims but also among other communities. Yet what Ummer said in them is remarkable:

“I can reply to this by describing an incident that took place in my youth. Everyone who came to our house that day in connection with my sister’s wedding had paid my father. When I saw it that day, I was wondering why everyone who came paid money to my father, and only then did I realize how important it was in a person’s life. Because father says he got what he had for sister’s wedding and beyond from that arrangement. Even today, many of us still rely heavily on the money that people give us on the wedding day for their daughter’s wedding expences. This arrangement, known as “Kurikkallyanam” or “Payattu”, was the only reliance of the people, especially those who did not have the means to pay dowry for the marriage of girls. Although such arrangements are not limited to

Muslims, it is understood that large sums of money are received for weddings in Muslim homes. It is learned that such arrangements, which are very popular in rural areas, have saved many families from huge debts”.

He went on adding more, which helpful in identifying major sources of informal finance prevalent among them:

“‘Kuri’ is another arrangement in the countryside as well. It is a method of collecting money from the people who join it on a weekly or monthly basis and amount drawn in one’s name. Although it is not widely seen now, it is very active in some areas and is being implemented in a way that is very helpful to the people who do it”.

In some reports at the national level and in some local studies, such practices, which existed in some parts of Kerala, especially in the Malabar region, have been identified as an informal fundraising system capable of exerting greater influence among the general public. The participation of Muslims in the widespread organization of these systems was very high and it is clear from the discussion that many families are still using these systems to raise the required amount of money without taking a loan from the bank during their daughter’s wedding. If so, the presence of such systems may deter people in these areas from having to take out a bank loan. Moreover, the fact that such systems are used in Muslim homes to raise more money than others do, suggests that these systems may have helped them a lot in times of financial crisis. However, the response from the discussion was that there was no interest-free loan system among Sunnis other than receiving some small financial assistance as part of the ‘Mahallu’ Committee.

7.8.3. FGD with Mujahid Sect of Muslims

Apart from the Sunnis, the Salafis are the main sects among the Muslims in Kerala. Historians has shown that Salafis are actually descended from Sunnis, but Salafists claim to be purer than Sunnis in religious practices and strive to live according to it. Also historians recorded that the Mujahid sect has been influenced by the ideology of the ‘Wahabi’ form of Islam which existed in Saudi Arabia. They

are, the largest sect among ‘Salafis’ in Kerala, socially and economically better off than the Sunni sect. The following are excerpts from the FGD conducted among selected members of Mujahid sect, those who actively involved in the social and economic spheres.

The discussion with the members of the Mujahid sect was started with the question of whether they are following the Islamic rules and whether it is possible in the present circumstances as you go through different stages of life? The answers came from them in a way that made it seem like it was not a difficult task. Moideen was the first to speak in the discussion:

“Everything in this world, especially hardships and joys, are the trials of Allah, and we believe that those who succeed in it will inherit heaven in the Hereafter. So no matter how difficult it may be to follow the path shown by the Messenger of Allah (peace and blessings of Allah be upon him), we try our best but there is guilt in having to deviate a little from it, even if not intentionally, in some life circumstances”.

In support of that, Anees added a few things:

“All Muslims are obliged to obey religious laws at various times in their lives. There is no excuse for that, but we do have to face the fact that many, including me, are violating religious teachings by making various excuses for the comfort of life. All this is due to the pressure of circumstances”.

Although they claim that they do not find it difficult to obey religious laws, the discussion shows that the Mujahid sect, like the Sunnis, agree with the pressure of the situation. But Noufal had to share the idea that in some situations in life, some people become isolated in society because of following religious laws:

“In my life I have worked according to religious laws so far in terms of work, income and financial transactions and I wish it would continue. The only difficulty is that when we live like this, those around us label us as an outdated

person. Because I have not even opened a bank account yet, I do not take insurance but I can live without major difficulties”.

It is clear from the discussion that some people have this kind of thinking. It is therefore reasonable to doubt whether Muslims experience a social exclusion compared to others. Then the researcher brought the discussion closer to the topic by asking whether you had open an account with a bank that handles interest under the pressure of circumstances? The responses from them were mixed. Some of what Salim put forward in this regard seemed very strange:

“That is not the case. This is because we do not have a lot of financial activities, but sometimes when we need a loan, we rely on family members to organize it quickly. If there is no way to get cash from them, it is possible to take their gold and sell it. The gold will be returned th the family on or before their request. Or if there is no way to get it from the family, it can be done by borrowing a little from friends. And it is true that to this day I have not been able to earn anything because I have not given much importance to it. So opened a bank account, even if it is to get gas subsidy, is only recent”.

But it is clear from Rafeeq’s words that they sometimes have to have a bank account to borrow money:

“As Salim said, not everyone gets money from family or friends in times of need. Once all avenues are closed then the existing assets will have to be sold or borrowed from bank to meet the requirements. So the bank account is opened for the purpose of the loan but the account is not used for any other purpose later”.

Similarly, the compulsion to open a bank account can be understood from Moideen’s words:

“After working in the Gulf countries for twelve years, I returned home and opened a bank account six years later to receive a gas subsidy. Until then I never felt the need for a bank account and still no particular uses”.

From the discussion it is clear that many people have opened bank accounts to get gas subsidy but it does not seem to be a problem for them. This is because it is also clear from the discussion that such accounts are no longer used for other purposes. Subsequent discussions were related to the question of how much the people belong to Mujahid sect was using their bank accounts? Rafeeq was the first person who responded to this question:

“In the early days the use of bank account was less but now it is related to many things and as income from work comes to the bank, the bank services are used for withdrawing and sending money. But does not like to save in the bank and take a loan from the bank”.

But Manaf, a government official, had something different to say about it:

“I have opened a current account to avoid interest as bank account is mandatory for many things today. But for this I went to SBI, but could not, so I opened an account with Federal bank. In addition, there is no need to worry about interest when this happens. Also, some others, I know, have opened a current account to avoid interest”.

From this discussion on the use of bank accounts, it can be seen that people are using various methods to avoid interest. The fact that some people have opened a current account should be considered as part of this. Given this fact, it does not make sense to expect them to improve their bank usage through the existing banking system. But it is clear from the responses to the related question that they evaluate bank deposit and bank loans from different levels. This was Yasar’s opinion in this regard:

“These are not two things that can be evaluated in the same way because one is arbitrary and the other is compulsory. So should their arbitrary savings be made in interest bearing banks themselves? Even if it is done in other ways, it is not saving? But the majority of bank borrowers are people with different financial backgrounds than bank depositors. So even though we do not like it, we have to approach the banks for loans as there is no other way to find money in an

emergency. So one cannot deposit in the bank if one wants, but, even if it is wrong, one cannot avoid borrowing from there if necessary”

Yasar argues that they do not wish to take a loan from the bank, but have to approach the bank as there is no other way. Furthermore, when the researcher occasionally pointed out that Muslims are less likely to take out loans for educational and business purposes, the response from Manaf also adds that religious self-exclusion exists among them:

“The situation is very simple which means we can avoid both because it is not necessary to do this by taking a loan as there are educational opportunities and business ventures that can be started without a loan”.

When the researcher inquired whether there was any financial assistance or loan available from somewhere to help you stay out of interest, Moideen tried to justify some of the things that their Mahallu Committees were doing:

“Yes, every year from our Mahallu, provides interest free loans for housing and financial assistance for medical needs as well as special assistance for girl’s wedding expenses. This helps us to stay away from interest to some extent at various stages”.

From the FGD with the Mujahid sect, one thing is very clear from the facts they have raised in relation to various contexts that was, they have shown little interest in using banking services simply because they follow religious precepts related to interest.

7.8.4. FGD with Jama’at Sect of Muslims

Jama’at-e-Islami, also known as Jama’at-e-Islami Hind, is a movement formed among Muslims in India after 1947. They make up only a small percentage of the Muslim population in Kerala and claim to stand for the spiritual revival among Muslims. Following the ideas of Abu Ala Maudoodi under the Salafi group, they have a decisive influence on the socio-economic spheres of Kerala Muslims. The Jama’at is more socially and economically advanced than other Muslim

communities in Kerala. Therefore, discussions with them are essential to complete the analysis of this study on the financial inclusion and banking habits of Muslims in Kerala.

The quantitative analysis show that there is no significant differences between the *Mujahid* and *Jama'at* Sects of Muslims, the so-called 'Salafis' in Kerala, in terms of financial activities, use of banking services and financial status. Specifically, similar responses were received in the discussions between them regarding the circumstances under which the bank account was opened and the reasons for not using the bank services. Furthermore, it is clear from the FGD that there are similar ideas between the two sects in terms of depositing in the bank and borrowing from the bank, so it is hoped that repeating such facts will not add much to the progress of this study. However, analysis shows that the *Jama'at* sect was different from other sects of Muslims in terms of attitude towards banking services and the main source of interest-free finance. Therefore, only such differences are presented here from the FGD with the *Jama'at* sect.

In the FGD with them, the researcher pointed out that the attitude towards the bank shows that they are lagging behind other sects of Muslims and also mention that the analysis shows the presence of local organisations as the main source of interest free financial assistance. After that when asked whether the local organisation has affected your attitude towards banking services in any way? Afsal said in response to this question as:

“This may happen to some extent because our organization is helping poor people to solve many kinds of problems through a very efficient system. As part of this, financial assistance is being provided for housing, medical treatment, debt repayment and educational needs. It may motivate poor people to be reluctant to go to the bank and to use some of the bank services”.

Iqbal's response to a further question about the functioning of this system points to an important point that distinguishes the *Jama'at* sect from other sects of Muslims in Kerala:

“I have been aware of this system for about 15 years, which finds those of us who are obliged to pay ‘Zakat’, collect it and pass it on to the rightful heirs. It is this system that helps the organization to help the poor like this”.

From this response it is clear how the Jama’at sect is uplifting the poor through the project known as ‘Baithu Zakat’. This shows how the ‘Zakat’, which is compulsory for the able-bodied among Muslims, can be used effectively for the betterment of the poor and thus the backward areas.

7.9. Conclusion

The above analysis shows that majority of Muslims have low utilization of banking services, were reluctant to use banking services because they avoid interest-related banking transactions. It is found that majority of Muslims were did not receive interest from their savings due to the prohibition of interest, but they use the same for helping others. It was also found that the adherence to religious rules was high among high income groups and that was lower among low income group of Muslims. Moreover, the availability of interest free finance from different sources at the time of financial crisis also influences the utilization of banking services and thereby financial inclusion of Muslims. Karl Pearson’s Coefficient of Correlation proved that the adherence to ‘Sharia’ rule had significant negative effect on the banking attitude, awareness about banking services and utilization of banking services of Muslims in Kerala. The intensity of adherence to ‘Sharia’ rules negatively affect the bank saving habit and discourage to take bank loans among Muslims, but the number of people who borrowed from bank was higher than that of saving at bank. Although this result was coincide with the findings of Demirguc-Kunt et al (2013), this study shows that not just urgency, as their ‘urgency’ hypothesis suggests, but also due to income differences and the intensity of religious belief that contribute to this situation.

It can be found from the estimated regression model that other things remaining constant, better banking service awareness, ability and favourable attitude towards banking lead to more intensive utilisation of banking services among the

Muslims in Kerala. The statistically significant negative coefficient of the 'Adherence to 'Sharia' rules' variable signifies the negative influence of that on the utilisation of the banking services among Muslims in Kerala. Moreover, it can be seen from the results of FGD that Muslims with relatively poor socio-economic status were more likely to rely on bank loans and those who were financially secure refrain from depositing money in banks due to the presence of interest. Therefore, the opinions and concerns that arisen in the FGD indicate that Muslims in Kerala still sit on the fence in terms of utilization of financial services. Many of the findings of the FGD underscore the findings of Brekke's (2018) study that the possibility of financial exclusion due to the influence of religious beliefs among Muslims.

CHAPTER- 8

SUMMARY AND CONCLUSION

8.1. Introduction

This study was focused on the financial inclusion of Muslims in Kerala and their utilization of banking services. Financial inclusion is a state of financial entitlement by which a person gets access to different types of financial products, services and facilities which flourish his choices and opportunities to perform various financial transactions and could improve his standard of living, if he has the required financial capability. The existing body of literature identified that personal, social and economic factor which affects the level of financial inclusion of an individual. Moreover, numerous studies highlighted that the religious affiliation also influences the economic decisions, access and use of conventional banking services and financial inclusion of a society. The banking habits of an individual or a community can have a decisive impact on the state of their financial inclusion.

However, development experience in different countries suggests that new products that can address the various factors influencing the demand for banking services can go a long way in the financial inclusion of such communities. The banking statistics in India shows that the penetration of banking institutions and facilities are lower in Muslim concentrated regions than other non-Muslim concentrated regions. According to the religious principles (Sharia rules) followed by Muslims, the interest based financial transactions are forbidden to them. Therefore, Muslims are lagging far behind other socio-religious groups in the access and use of financial services indicates that they can only be elevated to the scope of financial services through more constructive and objective policies.

Kerala is one of the leading states in India in terms of financial inclusion. The various government schemes implemented by linking bank accounts of the beneficiaries have been a turning point in Kerala's rapid achievement of the goal of having at least one bank account per household. Banking statistics in Kerala shows

that some districts achieved cent percent financial inclusion in terms of the access and use of financial services, but Muslim-concentrated districts in Kerala lag far behind other districts in terms of financial inclusion and availability of banking services. Indeed, the statistics of financial inclusion and the extent of banking services in such districts show that they were inconsistent with the financial inclusion status of Kerala as a whole. Although Muslims in Kerala are far more socially and economically advanced than Muslims in other states, the level of financial inclusion of Muslim concentrated districts in Kerala indicates that religious beliefs are holding them back from interest-based banking and other financial services. Obviously, the problem of financial inclusion of Muslims was a multifaceted one in the sense that it was intertwined with their socio-economic and religious conditions. Therefore, this study also looks into how far the socio-economic and religious aspects of Muslims influence their level of financial inclusion and banking habit.

This study tried to examine the influence of adherence to ‘Sharia’ rules on the level of financial inclusion and utilization of banking services of Muslims in Kerala by justifying four research objectives; 1) To examine the extent of financial inclusion among Muslims in Kerala, 2) To analyze the nature of utilization of banking services of Muslims in Kerala, 3) To examine the influence of adherence to religious rules on the financial inclusion of Muslims in Kerala and 4) To examine the influence of adherence to religious rules on banking service utilization of Muslims in Kerala. The present study adopted both quantitative and qualitative tools of research. For the quantitative analysis the study relied on both the primary and secondary data. The secondary data were collected from Financial Access Survey FAS, 2019) of IMF, Global Findex database (2018) of World Bank, Census report 2011, Economic Review 2019 and CRISIL Inclusix (2018). For collecting primary data, samples were chosen using multi stage mixed sampling. The primary data were collected from 494 sample households by nature of habitation of three districts that represent three zones of Kerala. Sample comprises of 357 *Sunni*, 89 *Mujahid* and 48 *Jama’at* households.

8.2. Summary

The socio-economic status and details of extent of financial inclusion of Muslims is included in fourth chapter, to analyse the socio-economic status of Muslims in Kerala; taken 494 Muslim households from three Muslim concentrated districts of different geographical zone of Kerala. Out of which majority of respondents were belongs to the *Sunni* sect, followed by *Mujahid* sect and the share of respondents were belongs to the *Jama'at* sect was less. It shows the domination of Sunni sect among different sects of Muslim population in Kerala. The details of the primary survey show that majority of the respondents live in rural area. It reflects the nature of habitation of Muslims in the sample districts in Kerala.

The demographic details show that majority of the households have more than 5 members in their house with a mean size of 5.96 persons. It indicates that the size of households in the sample was more than the state average size of Muslim households as per 2011 Census. Moreover, there were a reasonable percent of the households have more than 7 members in their houses. The mean age of the sample respondents was 43.97 and majority of the respondents belong to the age group 31-60 as they were the potential productive customers of the banks with employment or managing household budget. Among them majority of respondents were married while the respondents who were unmarried, widow and divorced together constitute only a few percent of the sample.

The details of educational qualifications show that majority of the respondents have education between high school and higher secondary level. The proportions of respondents who have higher educational qualification like graduation, post graduation or equivalent constitute only a few percent of the sample. The details of educational qualification across different sects of Muslims show that majority of respondents belong to the *Sunni* sect have education less than or equal to high school level, while majority of the respondents from both *Mujahid* and *Jama'at* sects of Muslims have education above higher secondary level. The difference in educational attainment of different sects among the sample respondents reflects the positive attitude of the revivalist groups of Muslims, namely *Mujahid*

and *Jama'at*, towards higher education. Educational backwardness of *Sunni* respondents may influence the status of Muslims in Kerala because they are the largest sect of Muslims in the State.

The employment status of the sample households shows that self-employed, regular salaried job and casual work were the main sources of employment, which provide employment to majority of the sample respondents. The number of respondents belongs to regular salaried job and casual work was almost equal. The details of employment status also reveal that the difference in educational attainment reflects in the employment status among Muslims. It was also found that majority of respondents from *Sunni* sect engaged in Casual work, while the proportion of them engaged in self employment and regular salaried job were almost equal. At the same time, majority of respondents from both *Mujahid* and *Jama'at* sects engaged in regular salaried job. The details of the workplace of the sample respondents, who were employed, show that majority of respondents were working in their native districts. More than a quarter of the respondents were works outside their native district including those who work overseas. It can be seen from the analysis that the monthly household income of majority of respondents was less than 20000 rupees. Moreover, majority of respondents have a monthly household income less than or equal to 30000. A few percent of the respondents have monthly household income above 50000. The distribution of income among the sample respondents was positively skewed and the test results show that the average monthly household income was different across different sects of Muslims in Kerala.

The subsequent pair wise comparison analysis indicated that the monthly household income of the *Sunni* households was significantly different from that of both *Mujahid* and *Jama'at* households in Kerala. To be more specific, the monthly household income of the *Sunni* households was lower than that of both *Mujahid* and *Jama'at* households in Kerala. While, there was no significant difference in the monthly household income between the *Mujahid* and *Jama'at* households in Kerala. It was due to the similarity in the employment profile of the *Mujahid* and *Jama'at* sects of Muslims in Kerala. The employment wise monthly household income

details show that majority of respondents who engaged in different types of job have monthly household income less than 20000 rupees, except regular salaried persons. At the same time majority of respondents engaged in regular salaried job have monthly income more than 30000 rupees. The results indicate that there was a statistically significant association between the household income and nature of employment among Muslims in Kerala.

The details of access to different financial services and products show that most of the respondents have bank accounts and a very small percent of respondents have not yet opened a bank account. The proportion of respondents opened bank account were almost same irrespective of the differences in the sects which they belong. The majority of respondents who did not yet open a bank account because they did not want to, while the proportion of those who did not open a bank account to avoid interest dealings was less. It was found that majority of respondents those who had opened a bank account was due to compulsion irrespective of different sects of Muslims in Kerala. Among them majority of respondents have opened bank account mainly to receive various types of government assistance but most of the people among *Mujahid* and *Jama'at* sects of Muslims have opened bank account to receive wages and other benefits as part of their job. The details of duration of banking experience show that majority of respondents had only ten years or less experience in banking transactions. This indicates a significant increase in the number of Muslims with bank accounts over the past decade. The analysis shows that the majority of respondents had only one bank account. The number of Current and NRI accounts was very few and it varies across different sects of Muslims. It was found that majority of respondents were opened their bank accounts in public sector banks followed by private sector banks and which was less in cooperative banks. The average distance to the nearest bank from the residence of respondents was 3 Kilometres. Also majority of respondents have debit card and half of them have a cheque book. While, only a few percent of respondents have Credit Card and Kisan Credit Card. But, there were differences in the proportion of respondents who possess such money transaction instruments across different sects of Muslims.

It is clear from the analysis that debit card is the most popular cash transaction instrument among Muslims and the mean number of debit card is more than one. Besides that, the statistics indicate that cheque books are also a widely used cash transfer device among Muslims. The *Jama'at* sect was ahead of other sects of Muslims in terms of the number of different cash transaction instruments except the Kisan credit card. Majority of the respondents had access to Mobile banking facility, while only one third of the respondents had Internet banking facility. *Jama'at* sect had greater access to online banking facilities than other sects, while *Sunni* sect lagged behind other sects of Muslims.

The details about the use of financial services show that the bank accounts of almost all respondents were operated by themselves and almost everyone's bank accounts were active in the survey period. It was clear from the analysis that the proportion of zero balance account maintained by the respondents was very few. The average amount of outstanding balance in the bank account of respondents during the survey period was more than the minimum balance. The respondents belong to *Jama'at* sect have highest outstanding balance and those belong to *Sunni* sect have lowest outstanding balance in their bank accounts than other sects of Muslims. Majority of the respondents did not receive foreign remittance through their bank account. But majority of the respondents belong to *Jama'at* sect were receiving foreign remittance through their bank account. The main reason why majority of respondents did not receive foreign remittance through their bank account was they do not have a source of foreign remittance up to the survey period. The proportion respondents those who did not receive foreign remittance due to the lack of NRI account and to avoid interest dealing was low and same.

The analysis shows that majority of respondents were not saved in bank and among them respondents belong to *Mujahid* sect was higher in proportion. While the respondent belong to *Jama'at* sect have high saving habit than the respondents from other sects of Muslims. Majority of respondents across different sects were did not save in bank to avoid the dealings with interest. Above one third of the respondents were did not save in bank due to insufficient income. Only a few percent of

respondents not saved in bank due to the lack of knowledge and trust on bank. Only a few respondents have savings in their banks and the proportion of respondents keeping their savings in bank did not show any improvement even their monthly household income increases. Majority of respondents were considered land, cash, gold and savings in SHG as the major means of their savings. While the institutions like KSFE, stock market, NBFCs, were not an attractive saving venture among Muslim households. It exhibits the intention of Muslims to keep the interest from their financial transactions. The major form of non-bank saving among Sunni sect was land, that of *Mujahid* sect was in the form of cash and majority of *Jama'at* sect was made their non-bank savings in the form of Gold.

The majority of respondents were preferred non-bank sources of finance for borrowing money to meet their necessities. Among them the proportion of respondents belongs to *Mujahid* sect was high compared to other sects of Muslims. At the same time, the proportion of people preferred bank as a source of borrowing were highest in *Sunni* sect. It can be seen from the analysis that the respondents with a lowest monthly household income were more likely to preferred bank as a primary source of credit than those who have high monthly household income. Moreover, it can be seen that the proportion of people relied mainly on non-bank sources for borrowing among different income group were almost equal among Muslims. Majority of respondents, irrespective of the differences in sects, were did not take a loan from bank. At the same time, the proportion respondents who taken loan from banks were high in *Sunni* sect and less in *Jama'at* sect compared to other sects of Muslims. The major reason for not taken a loan from bank was the absence of needs followed by the intention to avoid having to deal with interest. Only a few percent of respondents did not take loan from bank due to the lack of eligibility and adequate documents. Also majority of respondents across different income groups did not taken loan from banks and the proportion of people who taken loan from banks was decreasing as the level of monthly income increases.

The analysis of indebtedness of Muslims also shows that among different types of bank loans majority of respondents from different sects were availed

Housing loan among Muslims, except *Mujahid sect*. Only a very small proportion of respondents were taken education loan from banks. Majority of respondents availed their loan from public sector banks followed by Cooperative banks. But majority of the respondents from *Jama'at* sect were taken their loan from private sector banks. Only few percent of respondents were taken loan from other sources like microfinance institutions. Also majority of respondents have no outstanding debt obligations with bank or non-bank sources of credit. Among the indebted respondents the proportion of *Sunni* sect was comparatively high and that of *Mujahid* sect was low among other sects of Muslims. Majority of the outstanding debt of the respondents was taken by themselves from bank or non-bank sources of credit. The outstanding debt details of respondents revealed that only a few percent of the respondents have current debt burden.

The access to insurance products shows that majority of respondents did not take different types of non-compulsory insurance. Only less than half of the respondents were taken such types of insurance and which indicates that Muslims were reluctant to buy insurance other than compulsory insurance. The life insurance policy was the most widely purchased non-compulsory insurance product across different sects of Muslims, followed by the health insurance policy. Only few percent of the Muslims were purchased general insurance like, insurance against theft, natural calamity and lose of property. Among the policy holders majority of people belong to *Sunni* and *Mujahid* sects. Only *Sunni* sect has purchased other type of insurance like, crop insurance, business insurance etcetera.

Utilization of banking services is considered as an important determinant of formal financial inclusion of a person or a society. Utilization of banking services of a person is the reflection of his attitude towards banking, awareness about banking services and his ability to perform various banking services. The attitude, awareness and ability are dynamic factors which evolving with the availability of opportunity to interact with banking facilities. Definitely, the attitude of a person towards banking transactions is a crucial element which determines the degree of their financial inclusiveness. Among various banking services, Muslim households were

more aware of deposit collection service, while at the same time they were less aware of stock trading through banks. Generally, they were more aware about the primary services of banks than other services. More than half of the respondents have reasonable level of awareness on various banking services. The respondents from *Mujahid* sect were highly aware about majority of banking services than other sects of Muslims, while about the online transaction, locker facility and insurance products *Jama'at* sect were highly aware than other sects of Muslims. While *Sunni* sect of Muslims was lagged behind other sects in the awareness about all types of banking services listed in the table.

The analysis shows that majority of respondents have high level of ability to perform banking transactions. While, more than a one third of the respondents have low ability to perform the banking transactions. Therefore, nearly two third of respondents have reasonable ability to perform various banking services among Muslims was a good sign for encouraging banking habit among the community. The respondents across different sects of Muslims have less ability in Internet banking transactions than other banking transactions. But in the case of online transactions or technology banking the respondents belong to *Jama'at* sect has high ability than other sects of Muslims. One-way ANOVA test results indicate that there were statistically significant differences in the level of ability to perform various banking transactions across different sects of Muslims in Kerala.

Also the overall level of ability to perform various types of banking transactions of the *Sunni* sect was significantly lower than that of the other two sects of Muslims; however, there was no significant difference in the overall level of ability to perform various types of banking transactions of the *Mujahid* and *Jama'at* people in Kerala. Therefore, majority of respondents do not need any help of others to do banking transactions but nearly one-third of respondents cannot do bank transactions without the help of others. Moreover, the proportion of people who require the assistance from others to do banking transactions was high in *Sunni* sect and was lowest in the *Jama'at* sect. In fact, the banking transaction ability has multidimensional aspects as its determinants; the extent of awareness about banking

services is a very crucial element among them. The analysis indicates that there was a positive relation between the level of awareness about banking services and level of banking transaction ability among Muslims.

Utilization of banking services is the use of various banking services frequently in day to day business of life of a person. The extent of the utilization of banking services depends on the opportunity to perform banking transactions, the availability of other sources of finance and use of informal sources of finance. In fact, the banking habit is influenced by the banking attitude, awareness about banking services and ability to perform banking transactions; the religious factors sometimes limit the banking habit of a person or a society. It was found that the mean score of overall utilization of banking services by the respondents was only 1.21 out of 4. The most frequently used banking service was the cash withdrawal from bank and the least frequently used banking service was the security trading through the bank. Generally the services related to transaction banking were used most frequently than other banking services. Moreover, the median value of majority of banking services were zero because more than half of the respondents did not use these services yet since they opened their bank account. Cash withdrawal from bank and from ATMs is the main banking service used by the respondents because majority of them opened bank account for receiving government transfers in connection with the social welfare schemes and they withdraw the amount credited to their bank account immediately and majority of them did not utilise other banking services due to insufficient income. It is very clear from the analysis that the cash withdrawal from bank and ATM transactions related to transaction banking were the most common banking habit of the respondents.

The analysis also shows that there were significant differences in the banking habit or the intensity of utilization of different banking services across different sects of Muslims in Kerala. The overall utilisation of banking services was high among Jama'at sect and low among *Sunni* sect of Muslims. *Sunni* sect lagged behind other sects of Muslims in the utilisation of all types of banking services. Majority of respondents have low banking services utilization habit and they were reluctant to

use banking services because they avoid interest-related banking transactions. More than a quarter of the respondents were reported insufficient income was the reason for low banking habit. Only few respondents reported the availability of other sources of finance, lack of time, suitable products and cumbersome documentation as reasons for reducing the utilization of banking services in their life. Specifically, the percent of respondents who reduced the use of banking services to avoid interest dealings is high in *Jama'at* sect and that was low in *Sunni* sect compared to other sects of Muslims. The percent of respondents who reported insufficient income as a reason for low banking habit was high in *Sunni* sect and low in *Mujahid* sect. Also the percent of respondents who reduced the utilization of banking services due to the availability of other sources of finance is more among *Mujahid* sect and that was low among *Sunni* sect. Only respondents belong to *Sunni* sect reported lack of financial literacy as a reason for low utilization of banking services.

Majority of respondents have low banking services utilization and they were reluctant to use banking services because they avoid interest-related banking transactions. More than a quarter of the respondents were reported insufficient income was the reason for low utilization of banking services. Only few respondents reported the availability of other sources of finance, lack of time, suitable products and cumbersome documentation as reasons for reducing the utilization of banking services in their life. Specifically, the percent of respondents who reduced the use of banking services to avoid interest dealings is high in *Jama'at* sect and that was low in *Sunni* sect compared to other sects of Muslims. The percent of respondents who reported insufficient income as a reason for low utilization of banking services was high in *Sunni* sect and low in *Mujahid* sect. Also the percent of respondents who reduced the utilization of banking services due to the availability of other sources of finance is more among *Mujahid* sect and that was low among *Sunni* sect. Only respondents belong to *Sunni* sect reported lack of financial literacy as a reason for low banking habit.

The practice of informal financial transactions will reduce the dependence on formal banking services. In the rural area of the sample districts the presence of the

informal financial practices like Kuri, Kurikkallyanam , collective distribution of 'Zakat' of *Mujahid* and *Jama'at* sects and practice of interest free aid and loan to the vulnerable households of 'Mahallu' and religious organisations have tremendous influence on the banking habit of Muslims. The analysis shows that majority of respondents had no informal 'Kuri' and more than one third of respondents have informal 'Kuri' to meet their financial needs. The proportion of the respondents has informal "Kuri" was more among *Jama'at* sect compared to other sects of Muslims. Majority of respondents invariably across different sects of Muslims who were participating in 'Kuri' opined that the amount received from it was sufficient to meet their needs. Also majority of respondents were participated in or conducted the 'Kurikkallyanam' to meet their financial needs. The proportion of respondents were conducted or participated in 'Kurikkallyanam' was more among the *Jama'at* sect and less among Sunni sect compared to other sects of Muslims. Among them majority of respondents who were conducted or participated in the 'Kurikkallyanam' opined, invariably across different sects of Muslims, that the amount received from it was sufficient to meet their financial emergency. The analysis also shows that majority of respondents invariably across different sects of Muslims did not borrowed money from informal sources to meet their financial needs. Only less than one third of respondents had borrowed from informal sources of finance and which reflects that the degree of prevalence of informal borrowing among Muslims was very low. Most of the respondents, who depend on informal sources, were borrowed money from their Friends and their Family members. Only a few percent of respondents borrowed money from Money lenders and which reflects their reluctance to approach the interest-based sources of borrowing.

The researchers found that Muslim communities all over the world are financially excluded mainly due to their faith and religious beliefs, because Islam prohibits Riba (interest) which is widely practiced in conventional banking and finance operations. To examine the intensity of adherence to 'Sharia' rules of Muslims an index was calculated on the basis of 12 statements which reflect the financial practices in day to day life. The descriptive statistics of the responses from the sample show that more than half of the respondents follow 'Sharia' principles in

their financial behaviour. The responses also shows that nearly one-fourth of the sample households were neutral to follow the ‘Sharia’ principles in their financial transactions. The intensity of adherence to ‘Sharia’ rules was high in the preference towards interest free finance and that was low in buying insurance policies. The test results show that the Muslims in Kerala, on average, have a favourable attitude in following ‘Sharia’ rules in their financial transactions. It clearly suggests that the Muslims in Kerala follow Sharia rules in most of the aspects except in all types of interest dealings and the purchase of insurance policies. It can be seen from the results that the adherence to ‘Sharia’ rules of Muslims in financial transactions are same across different sects.

8.3. Findings

8.3.1. Extent of Financial Inclusion among Muslims

The present study calculated a financial inclusion index on the basis of both access and use parameters of financial inclusion. The access dimension includes ownership of bank account, ATM card and non compulsory insurance policy as parameters. The use dimension includes status of savings in banks and the loan availed from bank as parameters. These parameters have different levels of influence on financial inclusion. Therefore, in this index each and every parameter has assigned a weight of score disproportionately to indicate the importance of each item in determining the degree of financial inclusion. The mean financial inclusion index score was 58.06 and which indicate only a moderate level of financial inclusion among Muslim households.

The distribution of financial inclusion score shows that majority of households were in a state of high or complete financial inclusion and around one third of the households were only moderately included. It was also found that a reasonable percent of the households were still in a state of high or severe exclusion from the arena of financial services. Among Muslims, there were no significant difference differences in the degree of financial inclusion in Kerala. The analysis also shows that majority of respondents both from *Sunni* and *Mujahid* sects were belong to the category of financial inclusion score 40-60, but that of *Jama’at* sect

were belong to the category financial inclusion score 60-80. It was also found that there was a rural urban difference in the level of financial inclusion among Muslims, which was highest in urban area and lowest in rural area. But majority of the respondents were secured a moderate score of financial inclusion irrespective of the differences in the place of residence.

8.3.2. Utilization of Banking Services of Muslims in Kerala

Utilization of Banking Services is considered as an important determinant of formal financial inclusion of a person or a society. Utilization of Banking Services of a person is the reflection of his attitude towards banking, awareness about banking services and his ability to perform various banking services. It was found that there were variations in the level of attitude of Muslims on different aspects of banking with the help of the Banking Attitude Index. Even though, it was apparent from the analysis that nearly two-third of the respondents in the sample had favourable attitude towards banking. There was no significant difference in the attitude towards banking across different sects of Muslims in Kerala. Another finding was that the overall awareness of respondents in various banking services was low and which indicates their level of financial literacy. Among various banking services, Muslim households were more aware of deposit collection service, while at the same time they were less aware of stock trading through banks. Generally, they were more aware about the primary services of banks than other services. Even though, more than half of the respondents have reasonable level of awareness on various banking services. There was significant difference in the level of awareness about various banking services across different sects of Muslims in Kerala. Among them Sunni sect of Muslims was lagged behind other sects in the awareness about all types of banking services listed in the table.

It was also found that nearly two third of respondents have reasonable ability to perform various banking services among Muslims and which was a good sign of potential utilization of banking services among the community. One-way ANOVA test results indicate that there were statistically significant differences in the level of ability to perform various banking transactions across different sects of Muslims in

Kerala. The respondents across different sects of Muslims have less ability in Internet banking transactions than other banking transactions. But in the case of online transactions or technology banking the respondents belong to *Jamaát* sect has high ability than other sects of Muslims. Also the overall level of ability to perform various types of banking transactions of the *Sunni* sect was significantly lower than that of the other two sects of Muslims in Kerala. It can be seen from the analysis that there was a positive relation between the level of awareness about banking services and level of banking transaction ability among Muslims.

The intensity of utilisation of banking services in day to day life reflects the extent of utilization of banking services of a person or a society. The extent of the banking habit depends on the opportunity to perform banking transactions, the availability of other sources of finance and use of informal sources of finance. It can be found that the overall utilization of banking services of Muslims was very low. However, the fact that they were increasingly using the facilities and services related to money transfer and withdrawal shows the peculiarity of banking habit of Muslims. The most frequently used banking service was the cash withdrawal from bank and the least frequently used banking service was the security trading through the bank. Generally the services related to transaction banking were used most frequently than other banking services. It is very clear from the analysis that the cash withdrawal from bank and ATM transactions related to transaction banking were the most common form of utilization of banking service of the respondents.

Another finding was that there were significant differences in the utilization of banking services or the intensity of utilization of different banking services across different sects of Muslims in Kerala. The overall utilisation of banking services was high among *Jama'at* sect and low among *Sunni* sect of Muslims. Even though, it can be found from the analysis that majority of Muslims keep a habit of lower utilization of banking services in their ordinary business of life. It was also found that in the rural area of the sample districts the presence of the informal financial practices like Kuri, Kurikkallyanam, collective distribution of 'Zakat' of Mujahid and *Jama'at* sects and practice of interest free aid and loan to the vulnerable households of

‘Mahallu’ and religious organisations have tremendous influence on the utilization of banking services of Muslims. Majority of respondents invariably across different sects of Muslims who were participating in ‘Kuri’ and conducted or participated in ‘Kurikallyanam’ opined that the amount received from these means were sufficient to meet their needs. Majority of respondents invariably across different sects of Muslims did not borrowed money from informal sources to meet their financial needs and which reflects that the degree of prevalence of informal borrowing among Muslims was very low. Most of the respondents, who depend on informal sources, were borrowed money from their Friends and their Family members.

8.3.3. Influence of Adherence to Religious Rules on Financial Inclusion of Muslims

It was found that more than half of the respondents across different sects of Muslims follow ‘Sharia’ principles in their financial behaviour. The responses also shows that nearly one-fourth of the sample households were neutral to follow the ‘Sharia’ principles in their financial transactions. The test results indicate that the Muslims in Kerala, on average, have a favourable attitude in following ‘Sharia’ rules in their financial transactions. It clearly suggests that the Muslims in Kerala follow Sharia rules in most of the aspects except in all types of interest dealings and the purchase of insurance policies. Also found, from the results, that the adherence to ‘Sharia’ rules of Muslims in financial transactions were same across different sects.

The analysis shows that the respondents who have low intensity of adherence to ‘Sharia’ rules save more at bank than other category of intensity of adherence to ‘Sharia’ rules. It can be seen from the analysis that the proportion of Muslims who saved in the bank diminishing as the intensity of adherence to ‘Sharia’ rules increases. But the people have low intensity of adherence to ‘Sharia’ rules also did not saved at bank due to insufficient income. It indicates that the intensity of adherence to ‘Sharia’ rules negatively affect the bank saving habit of Muslims. Another finding was that the people with less intensity of adherence to ‘Sharia’ rules have taken loan from banks and people with higher intensity of adherence to ‘Sharia’ rules have lower rates of bank loans among Muslims. But the adherence to

‘Sharia’ rules or belief was not a barrier for majority of respondents to buy an insurance policy.

A multiple linear regression analysis has been carried out to understand the factors influencing the financial inclusion of Muslims in Kerala. The Financial Inclusion Index was taken as the dependent variable and seven continuous variables and eleven dummy variables were used as the independent variables in the model. These explanatory variables are included to measure the influence of seven quantitative and eleven qualitative factors on the financial inclusion of Muslims in Kerala. The estimated regression model indicate that five out of the seven quantitative variables and four out of the eleven qualitative variables had statistically significant influence on the banking service utilisation of the Muslims in Kerala. But the remaining quantitative and qualitative variables included in the model had no statistically significant influence on the on the financial inclusion of the Muslims in Kerala.

To be more specific, banking awareness, distance to the bank, attitude towards banking, banking ability, and religiosity were the five quantitative variables, which had statistically significant effect on the financial inclusion of the Muslims in Kerala. The first four among these five variables had significant positive effect, whereas the last one had a significant negative effect on the financial inclusion of the Muslims in Kerala. These results indicate that, other things remaining constant, better banking service awareness, banking ability, favourable attitude towards banking and distance to the bank lead to more financial inclusion among the Muslims in Kerala. The statistically significant negative coefficient of the ‘adherence to the ‘Sharia’ rules’ dummy variable signifies that the adherence to the ‘Sharia’ rules had a negative influence on the financial inclusion among Muslims in Kerala.

The statistically significant coefficients of the four dummy variables namely, Gender, NRI, Marital status, Availability of interest free finance indicate that those variables had a significant influence on the financial inclusion of Muslims in Kerala. Among them the first two qualitative variables had significant negative effect,

whereas the last two had a significant positive effect on the financial inclusion of the Muslims in Kerala. These results indicate that, other things remaining constant, Gender, NRI, Marital status, Availability of interest free finance also lead to more financial inclusion among the Muslims in Kerala. The statistically non-significant coefficients of the remaining quantitative and qualitative variables included in the model suggest that the level of financial inclusion among Muslims in Kerala was not influenced by any of these variables. To be more specific, the age and household income had no influence on the financial inclusion among Muslims in Kerala. Similarly, the financial inclusion among Muslims in Kerala was not significantly different across: rural and urban areas, people having lower education and higher education, and different sects of Muslims. Moreover, the occupation had no significant influence on the level of the financial inclusion among Muslims in Kerala.

It was found from the analysis that the banking awareness, banking ability and the adherence to ‘Sharia’ rules (religious rules) were the most prominent factors among the factors which significantly determine the level of financial inclusion of Muslims in Kerala.

8.3.4. Influence of Adherence to Religious Rules on Banking Attitude and Utilization of Banking Services of Muslims

The influence of adherence to ‘Sharia’ rules of Muslims on their banking attitude, awareness about banking services and utilization of banking services was examined with the help of Karl Pearson’s Coefficient of Correlation. The result shows that there was statistically significant negative correlation between the intensity of adherence to ‘Sharia’ rules and different aspects of banking among Muslims. It can be found from the results that the intensity of adherence to ‘Sharia’ rules of Muslims adversely affect their banking attitude, awareness about banking services and utilization of banking services in Kerala. It can be seen that the intensity of adherence to ‘Sharia’ rules negatively affect the bank saving habit and discourage to take bank loans among Muslims.

From the analysis, it can be seen that majority of respondents were not receiving interest from their savings and the proportion of people who did not receive interest from saving increases as income increases. It indicates that the intensity of religious affiliation was high among high income groups and that was lower among low income group of Muslims. It was also found that majority of respondents, who did not receive interest for their own use, were appropriate the interest themselves to redress the grievances of poor people, donate to satisfy a public need and help the economically weak bank customers to pay interest on their debt rather than giving it back to the bank for doing some common programmes related to the local people. The availability of interest free finance influences Muslims on borrowing from banks. This study found that the 'Mahallu Committee', 'Local units of state level organisations', Friends, Family and Neighbours were the major sources of interest free finance across different sects of Muslims in Kerala. Also majority of respondents have the availability of interest free finance from different sources at the time of financial crisis. Among them the availability of interest free finance was high among Jama'at sect and that was low among Sunni sect compared to other sects of Muslims.

8.3.4.1. Influence of Adherence to Religious Rules on Utilization of Banking Services of Muslims along with other Socio-Economic Factors

A multiple linear regression analysis has been carried out to understand the factors influencing the intensity of banking service utilisation of the Muslims in Kerala. The Banking Services Utilisation Index was taken as the dependent variable and seven continuous (quantitative) variables and ten dummy (qualitative) variables were used as the independent variables in the model. It can be found from the estimated regression model that four out of the seven quantitative variables and only two out of the ten qualitative variables had statistically significant influence on the banking service utilisation of the Muslims in Kerala. But the remaining quantitative and qualitative variables included in the model had no statistically significant influence on the on the banking service utilisation of the Muslims in Kerala. To be more specific, banking awareness, attitude towards banking, banking ability, and

religiosity were the four quantitative variables, which had statistically significant effect on the banking service utilisation of the Muslims in Kerala. The first three among these four variables had significant positive effect, whereas the last one had a significant negative effect on the banking service utilisation of the Muslims in Kerala. These results indicate that, other things remaining constant, better banking service awareness, ability and favourable attitude towards banking lead to more intensive utilisation of banking services among the Muslims in Kerala. The statistically significant negative coefficient of the 'adherence to the Sharia rules' variable signifies that the adherence to the Sharia rules had a negative influence on the utilisation of the banking services among Muslims in Kerala.

The statistically significant coefficients of the two dummy variables (Sunni and Mujahid) indicate that the sect of the Muslims had a significant influence on their banking service utilisation and the sign and size of the coefficients indicate that the banking service utilisation among the Mujahid and Sunni were lower than that of the reference category Jama'at and it was lowest among the Sunni sect of Muslims in Kerala. At the same time, the age, household income and distance to the nearest bank had no influence on the utilisation of the banking services among Muslims in Kerala. Similarly, the intensity of the utilisation of the banking services among Muslims in Kerala were not significantly different across: rural and urban areas, male and females, people having lower education and higher education, and people having access to interest free finance and not having access to interest-free finance. Moreover, the nature of employment had no significant influence on the level of the utilisation of the banking services among Muslims in Kerala.

Moreover, it can be seen from the results of qualitative analysis that there has been a growing pessimism among Muslims along with various concerns regarding interest. Also found that people use the bank account as a means of money transfer instead of actively using it because of interest and using various methods to avoid interest. Another finding was that Muslims with relatively poor socio-economic status were more likely to rely on bank loans and those who were financially secure refrain from depositing money in banks due to the presence of interest. Also they were reluctant to take out insurance and invest in the stock market because of

interest. Therefore, the opinions and concerns that arisen in the FGD indicate that Muslims in Kerala still sit on the fence in terms of utilization of financial services.

8.4. Conclusion

While assessing the status of financial inclusion and utilization of banking services of Muslims, it was found that majority of Muslims households have access to bank accounts and they were compelled to open it because it was mandatory to open a bank account to receive the benefits of different social security measures and subsidies implemented by governments in recent times. Though they have access to banking facilities, they were reluctant to approach the bank for availing credit and to deposit their savings. They were trying to avoid interest dealings in their savings and borrowings. Majority of Muslims had favourable and positive attitude towards banking invariably across different sects in Kerala. But the overall awareness of respondents in various banking services were below average and it indicates that their level of financial literacy was very low. Muslim households were more aware about the primary banking services than other services. Nearly two third of respondents have reasonable ability to perform various banking services among Muslims and it was a good sign of potential utilization of banking services of the community. Generally the services related to transaction banking were used most frequently than other banking services.

Majority of Muslims in Kerala strictly following ‘Sharia’ rules in their financial transactions irrespective of the differences in their sects. The intensity of adherence to ‘Sharia’ rules adversely affects their banking attitude, awareness about banking services and utilization of banking services in Kerala. It was found that the intensity of religious affiliation was high among high income groups and that was lower among low income group of Muslims. According to the religious principles followed by Muslims, the interest related banking services and other financial services are prohibited to them and they were often trying to avoid using certain banking services that are directly related to interest like, credit, deposit etcetera, if other means are available. Therefore, majority of respondents were reluctant to use banking services because they avoid interest-related banking transactions. Moreover, the availability of interest free finance from different sources at the time of financial crisis also influences their utilization of banking services. To conclude, the banking

attitude, awareness, banking ability and the adherence to religious principles were the most prominent factors among the factors which significantly determine the level of financial inclusion and banking habits of Muslims in Kerala. Moreover, the entire analysis highlighted various evidences for the existence of underutilization of financial services among Muslims in Kerala.

8.5. Policy Implications

Muslims are prohibited, according to their religious beliefs, from using the interest-based traditional financial products and services available in India. So it is a fact that no matter how much progress they make socially and economically, they have to abstain from interest related transactions as part of their religious beliefs. A good example of this is the fact that even Muslims in Kerala, who have a high social background, are in a backward condition in financial inclusion and banking habits due to their religious beliefs. Given this fact, it does not make sense to expect that Muslims can be financially included and nurture their banking habits through the existing banking system providing traditional financial products and services. As Joseph A. Schumpeter said about development, only a new financial product or service that fits this context can include them into the broader arena of financial services. Therefore, the findings of this study highlight the need to incorporate such situations in the policies and approaches that will be formulated in the financial sector in general and in the banking sector in particular in the future.

8.6. The Scope of Further Study

In the light of the financial inclusion and banking habits among Muslims in relation to traditional financial services, future research is needed to determine the feasibility of incorporating appropriate interest-free banking windows into the current systems and the extent to which such changes are acceptable among Muslims. Similarly, further studies can be done to find out whether this banking habits and financial transactions as part of religious beliefs have hindered the educational and professional achievement of Muslims and affected their socio-economic progress.

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APPENDIX
FINANCIAL INCLUSION AND BANKING
HABIT OF MUSLIMS IN KERALA

(INTERVIEW SCHEDULE)

1. Descriptive Identification of Sample Household :

- 1.1. Area of residence belongs to (tick):
1. Panchayath. 2. Municipality. 3. Corporation.
- 1.2. Ownership of house in which you live:
1. Own. 2. Rental. 3. Parental. 4. Others.
- 1.3. Type of roof of the house:
1. Kutcha (Thatched) 2. Pucca(Tiled) 3. Pucca(RC)
- 1.4. Plinth area of house in Sq. feet :
- 1.5. Type of flooring of the house:
1. Tile. 2. Granite/Marble. 3. Oxide. 4. Mud.

2. Personal Details of the Respondent:

- 2.1. Number of members living in the house:
- 2.2. Your Religion : 1. Muslim 2. Hindu. 3. Christian
- 2.3. In which sect or caste do you belongs to*: Code
(*Sub group of Muslims : 1. Suuni, 2. Mujahid, 3. Jama'at-e-Islam, 4. Thableeq, 5. Samsthana, 6. Hanafi, 7.SC, 8. ST, 9.Hindu-OBC)
- 2.4. Age of the respondent:
- 2.5. Gender: 1. Male./2.Female./3.Transgender.
- 2.6. Marital status: 1. Married./2. Unmarried./3. Widow./4. Divorced / 5. Separated
- 2.7. What is your highest completed educational qualification? :
0. Read and Write 1. Lower Primary
2. Upper Primary 3. High School
4. Higher Secondary/Equivalent
5. Degree/ Equivalent 6.PG/Equivalent. 7. Mphil/PhD
- 2.8. What is your occupation (tick): 1.Self-employed 2. Regular wage/salary earning
3. Casual labour 4. Contract labours. 5. Temporary worker.
6. MGNREGS 7. Unemployed. 8. Student+Part-time job
- 2.9. Place of job:
1.In District. 2. Out of District. 3. Out of State . 4. Abroad.

3. Income and Expenditure of the respondent:

- 3.1.** How much is your last month income after tax? : Rs
- 3.2.** How much expenses do you made on the following items in the last month? :
- Food/Cloth: Rs Education: Rs
- Medical: Rs Travel: Rs
- Miscellaneous: Rs

4. Access of the respondent to Banking services:

- 4.1.** Do you have bank account: 1. Yes 2. No
- 4.2.** If no, why you have not opened an account so far (tick appropriate and skip questions up to part 6)
1. To avoid interest dealings 2. Using other's bank account
3. No need of a bank account 4. Other
- 4.3.** If yes, how long do you have bank account? : Years (Mark '0' if not Applicable)
- 4.4.** How many accounts do you have? : (Mark '0' if not Applicable)
- 4.5.** Did you face any compulsion to open an account in bank? :
- 0. NA** / 1. Yes / 2. No
- 4.6.** If yes, specify: **0. NA**
1. To receive salary and other payments of job
2. To get a loan
3. To get subsidies, pension, scholarships etc.
4. To receive remittance
5. Others (specify)
- 4.7.** What type of account do you have? : (write number of accounts against each item) (Multiple responses)
1. Savings account 2. Current account
3. NRI account **0. NA**
- 4.8.** Operation mode of your account: **0. NA** / 1. Single./ 2. Joint./ 3. Group.
- 4.9.** Type of your bank: **0. NA** / 1. Public sector / 2. Private sector./ 3. Co-operative
- 4.10.** How much distance do you have to your bank from home? :Kilo meters

4.11. Do you have the following facilities? : (Multiple response) (Mark '0' if not Applicable)

| Sl.No | Services | If yes, how many | No |
|-------|--------------------|------------------|------|
| 1 | ATM cum Debit Card | 1. Yes : | 2.No |
| 2 | Credit Card | 1. Yes : | 2.No |
| 3 | Cheque Book | 1. Yes : | 2.No |
| | | | |

4.12. Did you register for the following? : (Multiple response) (Mark '0' if not Applicable)

1. Internet Banking 1. Yes/ 2. No

2. Mobile Banking. 1. Yes/ 2. No

5. Awareness of the respondent on Banking services

5.1. Please show your **awareness about** following services in your bank: (Mark '0' if not Applicable)

| Sl.No | Services | 4.Fully | 3.Almost | 2.Partly | 1.At least | 0.Unaware |
|-------|------------------------------|---------|----------|----------|------------|-----------|
| 1 | Deposits collection | | | | | |
| 2 | Granting different loans | | | | | |
| 3 | Issuing drafts | | | | | |
| 4 | Payment of Utility services | | | | | |
| 5 | Funds transfer | | | | | |
| 6 | Credit / Debit card services | | | | | |
| 7 | Tax collections | | | | | |
| 8 | Mutual funds services | | | | | |
| 9 | Online / Wallet services | | | | | |
| 10 | Safe lockers | | | | | |
| 11 | Insurance products | | | | | |

5.2. Please show your **ability to use** of the following banking services: (Mark '0' if not Applicable)

| Sl.No | Service | 4.Fully | 3.Almost | 2.Partly | 1.At least | 0.Unaware |
|-------|-------------------------------|---------|----------|----------|------------|-----------|
| 1 | Transactions at branch | | | | | |
| 2 | Transactions through ATMs | | | | | |
| 3 | Internet banking transaction. | | | | | |
| 4 | Mobile banking transactions | | | | | |

5.3. Do you need help of others to use any banking services:

1. Yes 2. No 0. NA

6*. **Banking Attitude of the respondent** (If no bank account use only stated questions)

6.1. Please show your level of agreement on the following statements: (Mark '0' if not Applicable)

| Sl. No | Statements | 5.Strongly Agree | 4.Agree | 3.Neutral | 2.Disagree | 1.Strongly Disagree |
|--------|--|------------------|---------|-----------|------------|---------------------|
| 1 | Banking is essential in daily life / my business | | | | | |
| 2 | Banking is essential to meet future contingencies | | | | | |
| 3 | Bank is the safe mode of financial transactions | | | | | |
| 4 | I prefer bank as medium for financial transactions | | | | | |
| 5 | I prefer to save more money than spend | | | | | |

7. Use of Banking services by the respondent.

- 7.1. Is your account active now: **0. NA** / 1. Yes / 2. No
- 7.2. If no, specify reason:
0. NA 1. Insufficient income 2. Lack of Interest.
 3. No need
- 7.3. What is the balance outstanding in your account? : Rs...(Minimum balance: Rs.....)
- 7.4. Did you ever receive or sent foreign remittance through bank account?
0. NA / 1. Yes / 2.No
- 7.5. If no, specify reason: 1. No NRI account
 2. To avoid interest dealings
 3. No need yet 4. Using others bank account

8. Saving details of the respondent

- 8.1. Do you save money in bank account? **0. NA** / 1. Yes / 2. No
- 8.2. If no, reason for not saving:
 1. Inadequate income 2. Lack of awareness
 3. Lack of trust in bank 4. To avoid interest.
- 8.3*. Do you have any of the following modes of savings? (If yes, tick appropriate, otherwise need not) (Multiple Responses)
 1. In Shares 2. In Gold. 3. In Land.
 4. In Cash. 5. KSFE Chitty 6. NBFC Chitty.
 7. In SHGs. 8. Other(specify)
- 8.4. Do you receive interest from banking transactions and from other savings?
0. NA / 1. Yes / 2. No
- 8.5. If no, how did you manage it?
 1. Giving back to bank 2. Donate to charity
 3. Donate to public needs 4. Others (specify):

9. Debt details of the respondent

- 9.1*. When you need to borrow money urgently, which will be your usual source of borrowing?
 1. Bank 2. Non bank (specify)
- 9.2*. Have you ever take loans from bank? 1. Yes 2. No
- 9.3*. If no, specify the reason:
 1. To avoid interest 2. No need to borrow
 3. Lack of eligibility 4. Lack of documents

9.4. If yes, mention type of loan of highest amount and type of bank from which loan availed:

| Sl.No | Type of Loan | Amount | Mark Type of Bank | |
|-------|-----------------------|--------|-------------------|-------|
| | | | 1.Pub | 2.Pvt |
| 1 | Education Loan | | | |
| 2 | Personal Loan | | | |
| 3 | Housing Loan | | | |
| 4 | Vehicle Loan | | | |
| 5 | Agricultural Loan | | | |
| 6 | Business Loan | | | |
| 7 | Home appliance Loan | | | |
| 8 | SHG bank linkage Loan | | | |
| 9 | Gold Loan | | | |

9.5*. Have you any debt outstanding now? 1. Yes 2.No

9.6*. If yes, nature of debt: 1. Self borrowed 2. Parental

9.7*. Nature of repayment of loan:

1. Regular 2. Irregular. 3. No repayment

10. Banking habit of the respondent

10.1. Please indicate your frequency of use of the following banking services:

| Sl.No | Services | 4.Always | 3 | 2 | 1 | 0.Never |
|-------|----------------------|----------|---|---|---|---------|
| 1 | Cash withdrawal | | | | | |
| 2 | Fund transfer | | | | | |
| 3 | Internet banking | | | | | |
| 4 | ATM services | | | | | |
| 5 | Savings/Deposit | | | | | |
| 6 | Bill payments | | | | | |
| 7 | Credit card services | | | | | |
| 8 | Mini statement | | | | | |
| 9 | Safe lockers | | | | | |
| 10 | Mutual funds | | | | | |

10.2. If the respondent not use basic banking services (1 to 6 of above table) once in three months, specify the reason (tick only one reason):

| Sl.No | Reason for poor banking habit | Tick |
|-------|--|------|
| 1 | Lack of sufficient income | |
| 2 | Lack of awareness on banking practices | |
| 3 | Myth of hidden costs and insecurity | |
| 4 | Poor network connectivity | |
| 5 | Limited time and services | |
| 6 | Difficulty of documentation | |
| 7 | To avoid interest dealings | |
| 8 | Availability other source of finance | |
| 9 | No need of banking services | |

11*. Details of Insurance of the respondent

11.1. Do you have insurance policy?

1. Yes 2. No

11.2. If yes, type of insurance you have:

1. Life Insurance 2. Health Insurance
 3. Crop/Farm Insurance 4. General Insurance.
 5. Others (specify)

11.3. Does your religious ideology deter you to buy insurance policy?

1. Yes / 2. No

12*. Informal source of Financial Transactions of the respondent

12.1. Do you participate in any type of informal savings like Kuries?

1. Yes 2. No

12.3. Do you get sufficient amount of fund from these sources?

1. Yes 2.No

12.4. Did you ever conduct or participate in 'Kurikkalyanam'?

1. Yes 2. No

12.4.1. If yes, do you get sufficient amount of fund from it?

1. Yes 2. No

12.5. Do you borrow money from the following source?

1. Friends/ Family 2. Pvt. Money Lender 3. Both

13*. Impact of Socio-religious factors on Financial Transaction of the respondent

13.1. Please show your level of agreement on the following statements:

| Sl.No | Statements | 5.Strongly Agree | 4.Agree | 3.Neutral | 2.Disagree | 1.Strongly Disagree |
|-------|---|------------------|---------|-----------|------------|---------------------|
| 1 | I always follow 'Sharia' rules in transactions | | | | | |
| 2 | I always prefer interest free finance | | | | | |
| 3 | Informal transactions are easier than banking | | | | | |
| 4 | Religious believes discourage me to use banking | | | | | |
| 5 | Reduce use of banking services due to guilty consciousness on interest dealings | | | | | |

13.2. At what extent you follow/obey 'Sharia' rules on the following practices:

| Sl.No | Practices | 4.Always | 3.Very much | 2.Moderately | 1.Rarely | 0.Never |
|-------|----------------------------|----------|-------------|--------------|----------|---------|
| 1 | Dealings on interest | | | | | |
| 2 | In job/business selection | | | | | |
| 3 | Making income | | | | | |
| 4 | In share market activities | | | | | |
| 5 | In buying insurance | | | | | |
| 6 | In saving | | | | | |
| 7 | In borrowing | | | | | |

13.3. Do you get interest free finance from any source? 1. Yes 2.No

13.3.1. If yes, source of finance:

1. Mahallu Committee 2. Local organizations

3. Others (specify)

14. Please state your valuable comments and suggestions for better access and use of banking services

1. Related to interest free services

2. Need diversified products

3. About behavior of bank officials

4. About bank facilities