

Understanding the Financial Inclusion Moderating Effect on Negative Attitude of Muslim Population towards Banking Services in Tamil Nadu, India

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Abstract--- *Financial inclusion, meanwhile has turn into a progressively more important concern for a huge number of countries wide-reaching. Indian economy is growing, but ironically the rate of poor people is also increasing. The state should strive to establish an egalitarian society. However, most Indian citizens do not have access to credit. At the same time there is question arises on particular community who are unbanked and unaware about this services due to some religious faith. This paper will talk about Muslim unbanked community who avoid to use banking services due to RIBA (Interest) as it is Haram (Illegal). The study will inspect the effect of Financial Inclusion on unbanked segment of Muslim society. Moreover, fast-rising literature has materialized to inspect its measurement, elements and effects. The authors used exploratory research design for the analysis. Hence 256 sample size from Tamil Nadu state of Muslim unbanked society who is above 18 in ages has taken for the study. The cluster sampling technique has been used. T- Test, ANOVA and SEM have been used for the finding out actual result.*

Keywords--- *Financial Inclusion, Unbanked Community, Global Financial Development Report (GFDR).*

I. INTRODUCTION

Meanwhile, Financial Inclusion has become the prince of Globe. The whole globe is talking about this buzz word because of its need. Indeed, it has become the wants for the society. Various governments have made promoting it a priority. Financial inclusion is demarcated as taking widespread access to rationally priced financial services, provided by sound and sustainable institutions which is comprises of saving, investing, borrowing and insurance (Patwardhan, A. (2018).

Financial Inclusion primarily work to add the unbanked society with banking services without any discriminations. As per the report of Global Financial Development Report (GFDR) 2014 issued by World Bank committed to financial inclusion, reports that more than two-thirds of regulative and administrative interventions have been charged with encouraging financial inclusion, and more than 50 countries have established official targets. In 2016 the World Bank president introduced an international target of global monetary access by 2020. Naceur, et.al. (2017).

In India, the deputy governor of RBI, K.C. Chakrabarty described the Financial inclusion as “process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low-

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income groups at an affordable cost in a fair and transparent manner by mainstream institutional players”. In simple words, financial inclusion is the delivery of economic solutions at economical expenses to substantial areas of low and deprived revenue groups. Financial inclusion entered spotlight in India, after the suggestions of Khan Compensation (2004) were incorporated right into the mid-review of RBI's 2005-06 policy.

RBI constituted ‘Committee on Medium-term Path on Financial Inclusion’ headed by Dr. Deepak Mohanty consider financial inclusion as “convenient access to a basket of basic formal financial products and services that should include savings, remittance, credit, government-supported insurance and pension products to small and marginal farmers and low-income households at reasonable cost with adequate protection progressively supplemented by social cash transfers besides increasing the access of micro and small enterprises to formal finance with a greater reliance on technology.” Thus the financial inclusion does not imply only accessing to credit rather involves a wide ranging financial product and services i.e. saving, credit/ loan, payment, remittance, micro insurance and financial advice etc.

Meanwhile, the Islamic Finance industry has pulled in the consideration of Policy Makers and worldwide donors as a potential channel through which to extend monetary incorporation, especially among Muslim grown-ups. However cross country, request side information on real utilization and inclination holes in money related administrations among Muslims and non-Muslims have been rare.(Mohieldin, M., Iqbal, Z., Rostom, A., & Fu, X. (2011).

The Sharia-compliant in concern of financial inclusion signifies the convergence of two quickly expanding markets i.e. Islamic finance and Microfinance. There are approximately 650 million Muslims people living on less than 2 dollar per day (Obaidullah and Tariqullay 2008), discovering defensible Islamic versions could be the trick to supplying monetary access to numerous Muslim poor who aim to prevent financial items that do not follow Sharia (Islamic legislation). Subsequently, Sharia-compliant financial inclusion has just recently roused substantial interest among regulators, financial service providers, and other financial inclusion stakeholders. Nonetheless, in spite of a four-fold increase in recent years in the variety of bad customers using Sharia-compliant products (approximated at 1.28 million) and a doubling in the variety of companies, the inceptive market remains to have a hard time to discover sustainable organisation versions with a wide selection of products that can fulfill the varied financial demands of religiously observant poor Muslims.

II. FINANCIAL STATUS OF MUSLIM POPULATION IN INDIA

This segment explains the prevailing group condition of Muslims in India and display a historic review of the Muslim population during the last 100 years. In table 1, the demographic information regarding the entire population of Tamil Nadu is provided. The data has actually been accumulated from the 2011 demographics, because it is the current census in which related information is available.

With regards to the geographical dispersal of Muslims in the state of Tamil Nadu has been shown in table 2.

Populations of Tamil Nadu State

Table 1: Populations of Tamil Nadu State

S.NO.	AREA	SEX		TOTAL
		MALE	FEMALE	
1.	RURAL	18679065	18550525	37229590
2.	URBAN	17458910	17458530	34917440
3.	TOTAL	36137975	36009055	72147030

Following table is showing the Muslim total populations.

Table 2: Census Report 2011

S.NO.	AREA	SEX		TOTAL
		MALE	FEMALE	
1.	RURAL	486373	507449	993822
2.	URBAN	1612809	1622848	3235657
3.	TOTAL	2099182	2130297	4229479

III. LITERATURE REVIEW

Mushtaq, R., & Bruneau, C. (2019). They assessed the role of Information and Communication Technologies (ICT) in poverty & inequality by reducing fostering financial inclusion. Sixty-two countries between the time periods of 2001 to 2012 by using panel dataset have been examined which mainly focused on two unlike extents of financial inclusion e.g., insertion by commercial banks and the other one is microfinance institutions (MFIs). The consequences of the investigation demonstrated neediness diminishing impacts of budgetary consideration estimated in any case. It was likewise seen that the ICT degrees when utilized as instruments for money related consideration revive monetary development and lessen destitution and difference.

Siddik, M.N.A., & Kabiraj, S. (2020). This exploration added to financial inclusion movements started by the World Bank as an operational answer for neediness eradication in forming and escalating economies. The discoveries of this examination can help arrangement producers to comprehend the issues identified with the brief development of advanced financial administrations, techniques for its compelling delivery to poor people and the threats allied with electronic money related consideration. Likewise, this investigation included to the current writings rising advanced fund and money related incorporation, which had empowered scholastics and analysts to take care of the impacts of computerized budgetary administrations on monetary consideration.

Sha’ban, M., et. al. (2019). The author provided a contextual on financial inclusion and scrutinized the advancement and inclinations transversely dissimilar signs of financial inclusion and unlike macro and income regions. The data showed positive progress in different signs of financial inclusion over recent years; nevertheless, the deviation across regions and the gap between genders were still substantial. The researcher additionally examined variables that can explain variants in financial inclusion across records and nations vital correlations in between financial inclusion signs and picked country characteristics. They found contrasts in the relationship with nation qualities when thought of standard financial administrations and mobile cash money administrations.

Ramasubbian, H., & Duraiswamy, G. (2012) surveyed an investigated the issues concerning to implementation of financial inclusion in economically down compacted districts of Tamil Nadu, India. The data composed from districts were unruffled and analyzed through SPSS tools (SPSS 2011). The result of investigation

was checked against standard Financial Inclusion measurements that is Human Performance Index which was recommended that the wonder of Financial Inclusion attempted by RBI guidelines had still not entered into lives of BPL (NABARD 2009). It had been proposed that however in the course of recent years the Financial Inclusion methodology had improved the way of life of BPL, yet missing spotlight on investment funds and credit improvement methodologies corrupts the advantages of Financial Inclusion. The paper recommended on plan of new methodologies for improving Financial Inclusion also promote among BPL defenseless gatherings.

Bhuvana, M., & Vasantha, S. (2016). This research work has actually done an examination to gauge the level of financial inclusion with the three different measurements such as Branch Penetration of Financial Industries, Down Payment Penetration and Credit History Penetration in the backwoods of all the districts in the state of Tamil Nadu. The researcher have utilized Secondary information gathered from numerous sources such as web sites of Reserve Bank of India (RBI), State Level Banker's Committee (SLBC) Tamil Nadu, articles and Journals. The measurements such as Branch Penetration, Credit Rating Penetration and Down Payment Penetration in the rural areas of all the districts in Tamil Nadu have actually been gauged making use of the multidimensional technique to calculate the index of financial inclusion. The findings of the research study wraps up that minority districts of Tamil Nadu are monetarily left out on which federal government has to have offer their problem.

Mirakhor, A., & Iqbal, Z. (2012) have discussed in their paper on the tiltle “Financial inclusion: Islamic finance perspective” that Enhancing financial inclusion can make critical assistances to the economic development. Conventional mechanisms such as micro-finance, small-medium-enterprises (SME), and micro-insurance to enhance financial inclusion have actually been partially successful in enhancing the access and were not without obstacles. Islamic financing, based on the concept of risk-sharing deals set of financial instruments promoting risk-sharing instead of risk-transfer in the financial system. In addition, Islam supports redistributive risk-sharing instruments such as Zakah, Sadaqat, Qard-al Hassan, etc, whereby the financially a lot more able section of the culture shares the risks dealing with the much less able sector of the populace.

IV. METHODS

The authors used exploratory research design for the analysis. Hence 256 sample size from Tamil Nadu state of Muslim unbanked society who is above 18 in ages has taken for the study. The cluster sampling technique has been used. T- test, ANOVA and SEM have been used for the finding out actual result.

V. RESULTS AND DISCUSSIONS

Table 3: Estimation of Reason for Introducing Islamic Finance

<i>Reason for Introducing Islamic Finance</i>	<i>Rural</i>	<i>Urban</i>	<i>Semi-Urban</i>	<i>Semi-Rural</i>
Maximizing profits for unorganized sector Muslim population	0.095	0.712	0.435	0.085
Poverty eradication of Islamic people	0.044	0.078	0.987	0.011
Promoting viable schemes	0.113	0.987	0.037	0.567
Minimizing operations cost	0.010	0.078	0.234	0.654
Improving product and service quality	0.765	0.710	0.786	0.167
Shariah	0.000	0.000	0.000	0.000
Riba	0.000	0.000	0.000	0.000
R Square	0.71	0.75	0.82	0.84

The table 3 inferred that, researcher found seven variables (maximizing profits for unorganized sector Muslim population, poverty eradication of Islamic people, promoting viable schemes, minimizing operations cost, improving product and service quality, shariah and riba) for under the construct reason for introducing Islamic finance. The seven independent items were used to perform under the categorical variable respondent's location (rural, urban, semi-urban and semi-rural). While analyzing the impact of selected seven independent variables with rural respondents from the selected samples. Minimizing operations cost, Shariah and Riba are making higher impact towards estimation of reason for introducing Islamic finance.

While analyzing the impact of selected seven independent variables with urban respondents from the selected samples. Promoting viable schemes, Shariah and Riba are making higher impact towards estimation of reason for introducing Islamic finance. Since analyzing the impact of selected seven independent variables with semi-urban respondents from the selected samples. Promoting viable schemes, Shariah and Riba are making higher impact towards estimation of reason for introducing Islamic finance.

Finally, investigating the impact of selected seven independent variables with semi-rural respondents from the selected samples. Poverty eradication of Islamic people, Shariah and Riba are making higher impact towards estimation of reason for introducing Islamic finance.

Table 4: Challenges of Shariah Compliance

<i>Challenges of Shariah compliance</i>	<i>Yes (%)</i>	<i>No (%)</i>
Imitation of conventional finance	61	39
Profit and Loss Sharing and its problems	45	55
Murabaha and ignoring required commodities	74	26
Fund socializing	32	68
Falsification	25	75

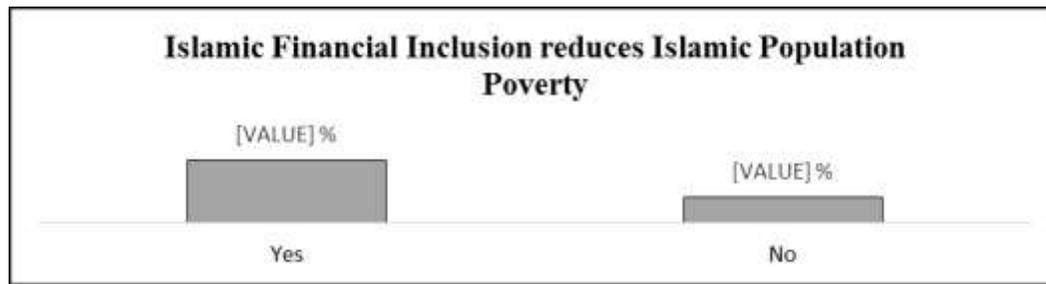
The table 4 investigated that, the selected sample of Muslim respondents considering Murabaha and ignoring required commodities, Imitation of conventional finance and Profit and Loss Sharing and its problems are the major constructs creating challenges in Shariah compliance.

Table 5: Estimation for Awareness about Islamic Financial Products

<i>Awareness about Islamic Financial Products</i>	<i>Male</i>	<i>Female</i>
Mudarabah	0.095	0.622
Musharakah	0.044	0.068
Sukuk	0.000	0.986
Ijarah	0.020	0.068
Takaful	0.665	0.620
Murabahah	0.000	0.000
R Square	0.87	0.78

The table 5 inferred that, researcher found six variables (Mudarabah, Musharakah, Sukuk, Ijarah, Takaful and Murabahah) for under the construct awareness about Islamic financial products. The six independent items were used to perform under the categorical variable respondent's gender category (male and female).

Chart - Islamic Financial Inclusion reduces Islamic Population Poverty



Hence while analyzing the impact of selected six independent variables with male respondents from the selected samples. Musharakah, Sukuk, Ijarah and Murabahah are making higher impact towards estimation of awareness about Islamic financial products. While analyzing the impact of selected six independent variables with female respondents from the selected samples. Murabahah is making higher impact towards estimation of awareness about Islamic financial products.

VI. CONCLUSION

After going through the various analysis and test it has been found that the muslim weaker community are not aware about the financial services rendered by banks and other financial institutions. They even don't have enough knowledge of digital services rendered by different organisation. It has also been seen that the few of people are aware about this services but they don't want to avail because of shariah compliances. They don't want to cross the border of their faith. The reason behind this RIBA (Interest) which is Haram (Illegal).

FUTURE DIRECTIONS

Financial Inclusion has become researchable meanwhile. This study is very particular and confined. Still many research can be done into the different area like with reference to Islamic finance problems and prospects for the muslim unbanked society, weaker section of other communities etc.

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