

PERCEPTION TOWARD ISLAMIC AND CONVENTIONAL BANKING AMONG EDUCATED PEOPLE IN MUSLIM COMMUNITY: A STUDY BASED AKKARAIPATTU DIVISION IN AMPARA DISTRICT

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ABSTRACT: The one of prominent industries worldwide is banking. In the context of Sri Lanka, above 25 licensed commercial banking institutions consist both Islamic and conventional banking play major role in economy under regulatory, Central bank of Sri Lanka. Among the multi religious society of Sri Lanka, the Islamic institution was launched in 1995 and the first Islamic banking institution was established in 2008 that is having rapid growth year by year. As a minority people in Sri Lanka, there is a need to find out the perceptions of Muslims about this prominent industry. This study was examined the real perception among educated Muslim people of Ampara district which have maximum number of Muslim minority. And had a study about perception on Islamic and conventional banking. Quantitative method was carried out which include only questionnaire data material. The population for this study considers the all educated people in Muslim community of Akkaraipattu of Ampara district. A sample random sampling technique was used to select the responses survived for this study for the data analysis. In this study covered perception on usage of conventional and Islamic banking facilities, knowledge of the Islamic banking system, potentiality of Islamic banking and affective (feelings) of Islamic banking.

Keywords: Perception, Educated People, Islamic Bank, Conventional Bank

1. INTRODUCTION

There is no objection that banks play a major role in economy worldwide. It is one of the financial systems that gives services between two parties indirectly and helps to achieve economic goals. And obviously in the context of Sri Lanka, banks offer financial services under the regulatory, Central bank of Sri Lanka. As all countries worldwide, banks also have an important place in economic activity. There are 25 licensed commercial banks: Axis bank Ltd., Bank of Ceylon, Cargils bank, Citibank N.A, Commercial bank of Ceylon PLC, Deutsche bank AG, DFCC bank PLC, Habeeb bank Ltd., Hatton National bank PLC, ICICI bank Ltd., Indian bank, Indian overseas bank, MCB bank Ltd., National development bank PLC, Nation trust bank PLC, Pan Asia banking corporation PLC, People's bank, Public bank Berhad, Sampath bank PLC, Seylan bank PLC, Standard chartered bank, State bank of India, The Hong Kong and Shanghai Banking Corporation Ltd. (HSBC), Union bank of Colombo PLC and only one full-fledged Islamic bank Amana bank. The total asset increased by 15.9% in 2015 (financial sector and performance and system stability, Central bank of Sri Lanka, annual report 2015). Therefore there is a significant place to banking in Sri Lanka.

The one of the parts in banking sector in Sri Lanka is traditional banking that was designed by the banking act 1988. All the bank relevant activities are highly tied with interest income other than additional services (ATM, online banking etc.). Over 7000 billion worth assets (financial sector performance and system stability, Central bank of Sri Lanka report 2015) were owned traditional banks in Sri Lanka and that is the proof to ensure how important in economic sector.

Likewise, other part in banking sector in Sri Lanka is Islamic banking that were designed by Islamic perspective revealed by almighty, Allah and prophet Mohamed (peace be upon him). Based on the shariah compliant, all the bank relevant activities are highly tied with profit and loss sharing based that are asset based transactions was commenced in 1995 in Sri Lanka. Around 50 billion worth assets were managed by Islamic bank under Central bank of Sri Lanka. Therefore, it shows that there is also a certain place to Islamic bank in Sri Lanka.

Due to this, the research was examined in two different concept in this competitive environment of Sri Lanka and the research with the perceptions of Muslim minority area which is predominant in Sri Lanka that comes to know Ampara district, Akkaraipattu. In Ampara district, the population is 592,997 and the Muslim community population is 244,620 that is 44% of Muslims in island wide (research paper, Population and Housing characteristics). The reason why this research examined the prominent subject with educated people in Muslim community is that another part in banking sector is designed by the way of life Islam of Muslim community and this will definitely show the real perceptions status of banking sector among the Muslim educated people. That is whether negatively or positively in the mind setup of Muslim community of Sri Lanka.

2. PROBLEM STATEMENT

As discussed earlier, in the context of Sri Lanka, banking industry consist two elements as Islamic and conventional banking and there is certain growth in each sector. Although Islamic banking is concept of way of life, Islam and on the other hand, conventional banking concepts is universally accepted and traditionally practiced.

In this situation, Islamic banking concept is not only new one to others and but also new to our society. Therefore, there is a need for the evaluation of Muslim community's perception about Islamic and conventional banking rather than other communities worldwide. Because, there is need for evaluation to measure the understandability and knowledge about Islamic and conventional banking among educated people in Muslim community. This study seeks to examine perception on Islamic banks and conventional banks.

Main problem:

What are the real perceptions among educated people in Muslim community about Islamic and conventional banking?

3. RESEARCH QUESTIONS

1. What the perception regarding Islamic banking and conventional banking among the educated people in Muslim community?
2. Are the educated Muslims aware of this Islamic banking system?
3. What are the feelings of educated Muslims about the Islamic banking?
4. Are educated Muslims knowledgeable with Islamic banking or not?

4. OBJECTIVE OF THE STUDY

From the research questions,

Major objective

To evaluate the perception of educated Muslims on Islamic and conventional banking

Secondary Objective

- I. To determine the real perceptions of educated people in Muslim community about Islamic and conventional banking
- II. To evaluate the amount of understandability among educated people in Muslim community about Islamic banking
- III. To determine the overall feelings of educated people in Muslim community about Islamic and conventional banking.
- IV. To determine the overall knowledge about Islamic and conventional banking.

5. RESEARCH METHODOLOGY

Population and sample

Research for this study, data which was gained from the selected educated people in Muslim community from selected area. A total of 65 sets of questionnaire were prepared and distributed to educated respondents in Muslim community .50 responses were received. For the purpose of this study, the sampling technique used is probability sampling based on random sampling.

Data and data collection method

The primary data was collected through questionnaire methods. Data gained from the educated Muslim people in akkarapattu division. The questionnaire that was designed by the researchers consist of four main sections.

Section one consists demographic information.in the second section of the questionnaire the respondents were asked to indicate the usage of common conventional and Islamic banking products and services. The third section of the questionnaire was designed to measure the respondents' overall knowledge of the Islamic banking system. The fourth section was designed to find the potentiality of Islamic banking. The final section of the questionnaire was designed to measure the respondents' affective (feelings) of Islamic banking.

Data analysis

Data was entered, edited and analyze by using Microsoft excel. For data analysis, descriptive analytical techniques such as column chart, pie chart were used

6. RESULTS AND DISCUSSION

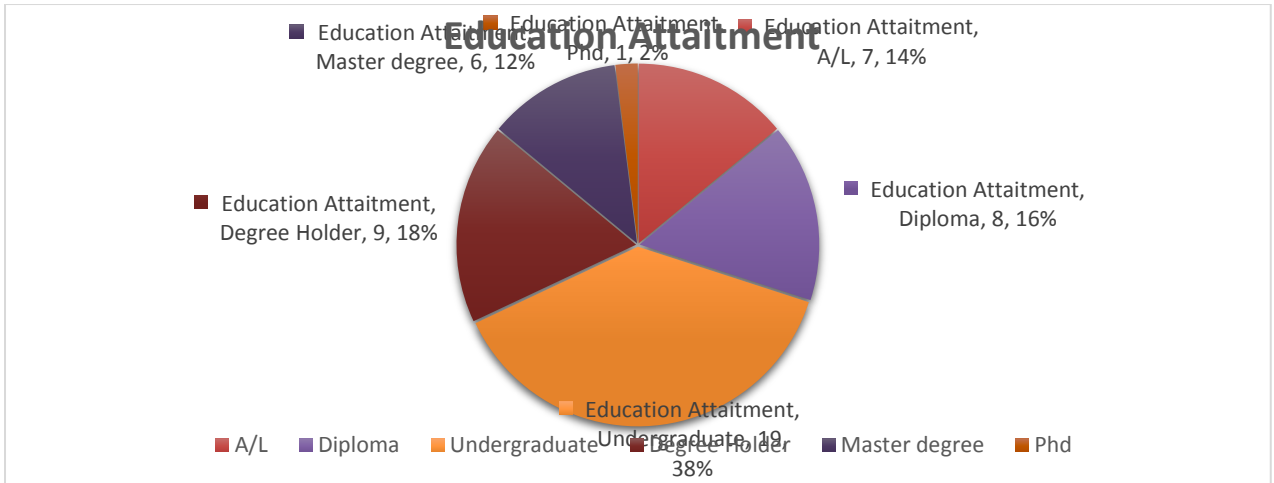
Table 1. Personal Profile

	No	%
1. Age		
20-30		
31-40	37	74
41-50	05	10
50≥	06	12
	02	04
	50	100
2. Gender		
Male	16	32
Female	34	68
	50	100

3. Education Attainment				
A/L				
Diploma	7		14	
Undergraduate				
Degree Holder	8		16	
Master Degree	19		38	
Others	9		18	
	6		12	
	1		2	
	50		100	
4. Sector Employment				
Government				
Private	18		36	
Student	5		10	
Self-Employment	25		50	
	2		4	
	50		100	
5. Length of period with particular bank	IB (No)	CB (NO)	%	%
1 < year				
1-5 years				
5-10 years				
	3	6	6	12
	6	14	12	28
	7	17	14	34
	16	37		

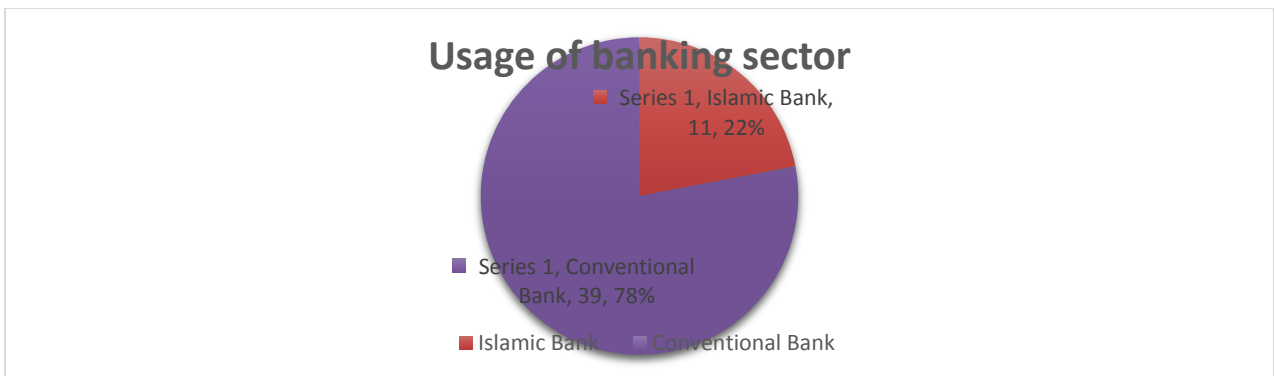
A total of 60 questionnaire were distributed to participant to this study out of the 60 questionnaire sent to agreed participant, 10 were returned. The questionnaire contains five section. The first section was designed to gather information about the responded personal background. The profile of the respondent are shown in table 1 below. Most of responded for this study was youngsters. About 74% of respondents were 20 to 30 years old and most of the respondent people were ladies. And most of the people responded were customer of conventional banks rather than Islamic banks. Likewise, one of important information gathered from the people is about education attainment. The following chart shows education attainment of the respondents from selected area.

Figure 1. Education Attainment



In the second section of the questionnaire, the respondents were asked to indicate the usage of common usage of conventional and Islamic and facilities.

Figure 2. Usage of banking sector



a) Usage of banking facilities

The number of customers of conventional bank is more than the numbers of customers in Islamic bank while the number of customer of conventional bank is 78%, number of customer of Islamic bank is 22% that shows the higher number of people among Muslims are conventional bank's customers from selected area.

The third section of the questionnaire was designed to measure the respondents overall knowledge of the Islamic banking system. The questions were asked in this section included those that measured the respondents level of the understanding of the concept and principle of Islamic banking.

Table 2. Knowledge of Islamic banking

	N	%
<p>Islamic banking was introduced because Muslims are prohibited from associating themselves with interest as practiced by conventional system</p> <p>a) Absolutely untrue b) Untrue c) Not sure d) True e) Absolutely true</p>	<p>6 0 3 19 22</p>	<p>12 0 6 38 44</p>
<p>Both Islamic& conventional banks must adopt profit maximization principle in order to survive in this competitive environment</p> <p>a) Absolutely untrue b) Untrue c) Not sure d) True e) Absolutely true</p>	<p>1 10 7 21 11</p>	<p>2 20 14 42 22</p>

<p>Profit sharing principle is the only principle that replace the element of interest in operation of Islamic banking system</p> <p>a) Absolutely untrue b) Untrue c) Not sure d) True e) e)Absolutely true</p>	<p>7 4 5 17 5</p>	<p>14 8 10 34 10</p>
<p>How do you rate the overall knowledge of Islamic banking</p> <p>a) Very knowledgeable b) Knowledgeable c) Understand partly d) Limited knowledge e) No knowledge at all</p>	<p>7 15 11 15 2</p>	<p>14 30 22 30 4</p>

b) Knowledge of Islamic banking

As indicated in table three, respondents indicated that they have knowledge of Islamic banking system and 44 % of people says that they are very good knowledgeable person and very less number of persons mentioned as they are poor knowledge in Islamic banking. The table indicate that there are good conceptions among the respondents about the objective and philosophy of the establishment of Islamic bank because of certain number of responded people for the first statement (44%) says as true. And, about 64% of respondents believe that both Islamic and conventional banks must adopt profit maximization principles in order to survive in competitive environment. The sufficient knowledge among the respondents of the Islamic banking system was further confirmed when they questioned about the principle (profit and loss sharing) used in Islamic banking. About 44% of respondents accepted the profit and lost sharing principle followed by Islamic banks.

Fourth section was designed to determine the potentiality of Islamic banking on the perception of the educated people among the Muslim community from the selected area.

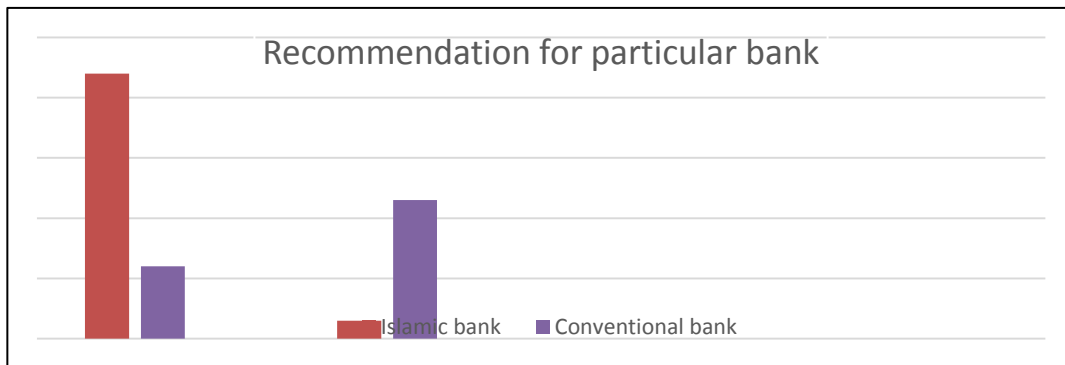
Table 3. Potentiality of Islamic banking

	N	%
The main reason why people select Islamic banking product		
a) Strictly religion		
b) Economics (profit& lost element)	16	32
c) Both religion& economics	2	4
d) Other reasons	30	60
e) No idea	0	0
	2	4

<p>The potential of Islamic banking product in Sri Lanka</p> <p>a) A very good potential b) A good potential c) Some potential d) No potential e) No potential at all f) No idea</p>	<p>4 16 14 5 1 5</p>	<p>8 32 28 10 2 10</p>
<p>Is it true that the Islamic banking products available in Sri Lanka are similar to the products conventional banks except that the banks use different names in highlighting those products</p> <p>a) Absolutely true b) True c) Partly true d) Untrue e) Absolutely true</p>	<p>5 21 13 8 3</p>	<p>10 42 26 16 6</p>

As indicated in table 3, few respondents believe that economic was the only reason for the select Islamic banks. About 60% felt that both religion and economy factors for preferring Islamic banking products and services. About 32% believed that religion was the reason for the customer to select the Islamic bank. About 68% believed that Islamic banking product and services have the potential to be accepted by the educated people in Akkaraipattu region. About 52% believed that Islamic banking products are similar to conventional banking products.

Figure 3 .recommendation for particular bank



In the last section of forth part of the questionnaire, the respondents were asked that recommendation for business organization or others, most of the educated people were responded and recommended for the business organization is Islamic banking.

d) Effective (Feeling) of Islamic Banking

The fifth section of the questionnaire was designed to determine the effectiveness of Islamic banking among educated people of Muslim community.

Table 4. Effective of Islamic bank

	N	%
1. There are some disadvantages in IN Islamic banking		
a) Strongly agree	8	16
b) Neutral	7	14
c) Agree	18	36
d) Disagree	9	18
e) Strongly disagree	8	16

<p>2. Profit is another name for interest</p> <p>a) strongly agree</p> <p>b) neutral</p> <p>c) agree</p> <p>d) disagree</p> <p>e) strongly disagree</p>	<p>6</p> <p>3</p> <p>7</p> <p>17</p> <p>12</p>	<p>12</p> <p>6</p> <p>14</p> <p>34</p> <p>24</p>
<p>3. Islamic banks charge more than conventional banks</p> <p>a) Strongly agree</p> <p>b) Neutral</p> <p>c) Agree</p> <p>d) Disagree</p> <p>e) Strongly disagree</p>	<p>3</p> <p>15</p> <p>14</p> <p>10</p> <p>6</p>	<p>6</p> <p>30</p> <p>28</p> <p>20</p> <p>12</p>
<p>4. Islamic banks offer more benefit than conventional banks</p> <p>a) Strongly agree</p> <p>b) Neutral</p> <p>c) Agree</p> <p>d) Disagree</p> <p>e) Strongly disagree</p>	<p>2</p> <p>13</p> <p>15</p> <p>11</p> <p>8</p>	<p>4</p> <p>26</p> <p>30</p> <p>22</p> <p>16</p>
<p>5. Many procedures / regulations need to be in Islamic bank</p> <p>a) Strongly agree</p> <p>b) Neutral</p> <p>c) Agree</p> <p>d) Disagree</p>	<p>11</p> <p>10</p> <p>16</p>	<p>22</p> <p>20</p> <p>32</p>

e) Strongly disagree	8	16
	5	10

As indicated in table four, about 52% of respondents were agreed with the first statement that says there are some disadvantages in Islamic banking. About 68% of respondents were agreed that the interest concept of conventional banking and profit concept of Islamic banking are different. About 34% of respondents were agreed that Islamic bank charges more than conventional banks and 32% of respondents were disagreed that the Islamic bank charges more than conventional banks. About 38% of respondents were disagreed that the Islamic bank offer more benefits than conventional banks and about 34% of respondents were agreed that Islamic banks offer more benefits than conventional banks. And for the last question for the measurement for effectiveness, about 54% of respondents were agreed that many procedures were needed to be in Islamic banks. Therefore, the overall view and feelings of Islamic banking is very poor among educated people in Muslim community

7. CONCLUSION

The result of this study, through exploratory in nature, definitely provide useful information to both Islamic and Conventional banking industry and scholars in Sri Lanka.

The information revealed from the responded people discloses many information about Islamic bank than conventional banks because, the results of this study are determined from the perception of educated people in Muslim community.

Firstly, this study result shows very low degree of understandability of Muslim community from the selected division of Ampara district. From the collected data from the people, it could be conclude that the Haram and Halal concepts are not cleared among educated people like pork and alcohol that prohibited in Islamic perspective. And, from the childhood, the concept of Riba (interest) is not cleared among Muslims as emphasizing reciting of Quran, performing five times prayers, avoiding drugs and not to eat pork. Because, in the writing column in the questionnaire to mention something about Islamic and conventional banking, the responded people mentioned the Riba (interest) concept which is practiced by conventional banks is prohibited in Islam but, the most of responded people are the customers of conventional banks. Therefore, it could be concluded that the overall understandings of Muslims are very poor according to this study.

Secondly, there is a fact revealed that even the availability of the material in different kind of sources in this fast moving and technological world about Islamic banking, the particular materials are not referred by the relevant people of these sources, educated people in Muslims community. And why the responded peoples are mentioned as relevant people to these sources is the most of responded people were undergraduates, graduates and completed master & PhD level. (See Figure 1. Education Attainment) and the effectiveness of these sources is very low. If those materials were effective, the higher degree of understanding will be proved by the selected people and selected region.

8. RECOMMENDATIONS

Based on the results revealed from this study, these are some appropriate recommendations:

- The number of awareness program is must be increased among Muslim educated people and the evolutions for every program is must. Because the poor understandability must be cleared under this work. it is not only about Islamic banking but also about general banking sector and their operations.
- The awareness program should be categorized in educated people in Muslim community by level of knowledge like school, universities and work spaces. Because, the needs & capability of understanding about banking sector is different among school level students, undergraduate and professionals who communicated with other communities like Tamil & Singhalese.
- The clarifications about Haram and halal perceptions are must be cleared from the childhood. The changes should become forward from every family in Muslim community. Then only issues will be reduced from Muslim community about Islamic banking which is alternative solution (FATHWA) to avoid involving into conventional banking who is practicing interest based transaction.
- The experienced professionals need to come forward to clarify this prominent industry in Sri Lanka. Because, the Sri Lanka's Muslim minority are living in a multi religious society. So, the influence and impact of other communities in Sri Lanka could be reason to the low understandability of Islamic banking and using conventional banks.

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