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A study on Islamic finance as an approach for financial inclusion in India

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ABSTRACT

This paper endeavors to investigate whether the Islamic financial system can tackle the issue of financial exclusion in India or not. The present study has made an earnest attempt to explore the discriminating factors behind choosing of the institutes (conventional or Islamic), in decreasing order of their importance. Data for the study are collected from 635 respondents, who are customers of Islamic and traditional financial institutes. The area selected for the survey is the state of Kerala, which is considered as the Islamic finance hub in India. The data collected are analyzed by employing the discriminant analysis along with drawing inferences from descriptive statistics. The study finds various factors in descending order of their importance. The factors are type of employment, religion (Muslim/Non-Muslim), income and gender. These are discriminating factors for choosing particular institutes (conventional or Islamic). The study shows that Islamic finance system was chosen by those, particularly Muslims, who did not have good employment and sufficient income. Hence, it is recommended that extensive formal beginning of Islamic finance in India, will lead to higher financial inclusion, since generally the financially excluded individuals belong to the said segments of the society, furthermore, Islamic finance is highly fascinated by the mentioned groups, the planners should think accordingly. The study is novel in its' approach as it evidently illustrates that Islamic financial system is chosen by those, who do not have good employment, Muslims and those who earn less. Thus, there should be extensive formal commencement of Islamic finance in India to kick off higher financial inclusion.

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1. Introduction

According to Warsame (2009), financial inclusion is defined as "the ratio of those citizens or individuals and firms who use the financial services". For the researchers, it has emerged as one of the key topics of interest. The realm has fascinated attention of the policy makers and market practitioners also. According to World Bank (2013) "The recent researches explicitly prove that the financial inclusion can significantly contribute into poverty alleviation and boost the rate of employment and prosperity". One of the primary motives underpinning Islamic financial principles is inclusion of maximum individuals into the formal finance system. Islamic financial principles (prohibition of interest or usury, profit and loss sharing) make sure the inclusion of a large number of individuals and firms in main stream finance system. According to Islamic doctrines whole wealth in any form belong to Almighty Allah and man/ woman is only the trustee of it. The Quran says: *"To Him (Allah) belongs that is in the heavens and all that is on the earth, and all that is between them and all that is under the soil" (Quran: 20; 6)*. Islam never

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motivate to hoard the wealth among few but it strictly orders to distribute among all. *"What's over Allah may restore unto His messenger is due unto Allah and unto his Messenger: the orphans and the needy- so that it may not be confined to the rich amongst you" (Quran 59:7).* These verses depict the necessity for all people to come into the forefront of finance system irrespective of gender (man/woman), income (poor/rich) and religion (Muslim/non-Muslim).

1.1 Islamic finance for financial inclusion of Muslims in India

In the past, Government of India have constituted several committees to study about the backwardness of Muslim community. Among them Sachar committee is the most prominent. The committee was constituted on March 09, 2005 to study and report the social, educational and economical condition of the Muslims. On 17 November 2006 the committee submitted its report. The committee noticeably looked at the susceptible situation of the community in India. The chapter "Access to Bank Credits" of the report explains the extend of exclusion of the Muslims from formal or main stream financial system. As the committee reported, there is huge difference (12%) in terms of account holders in 44 minority concentrated districts in comparison to remaining districts. The priority sector lending in Muslim populated 44 districts, recorded a substantial difference of 25 %. An even more pathetic finding of the study is that the average amount per account is double that of non-Muslim minorities compared with Muslims. The disparity is substantial in most of the districts. The report further mentions that number of saving accounts of the Muslims is less than that of non-Muslims. The Muslim account holders are merely 7.6 % in commercial banks. The report concludes that the Muslim households who are having banking services are extremely less. The report mentions that the extend of prevalent financial exclusion would have comprehensive socio-economic implications for the community. The finance extended by NABARD to the community is lower than 4% and by SIDBI it is less than 0.48%. Poverty in Muslim community is 67% and greater than 90% workers of the community are in unorganized sector.

The situation has not yet changed. Although, number of bank accounts have enlarged substantially over the last few years owing to various government's initiatives but other aspect of financial inclusion, such as, usage, credit and usability of several banking services, have not changed much (Naushad, 2019; Taufeeque Ahmad Siddiqui & Siddiqui, 2018). However, merely, having an account is not considered as enough (Taufeeque Ahmad Siddiqui & Siddiqui, 2019).

According to Phalphale (2011) "It is quite true about Muslim community as they do not deposit where debt element exists, rather they donate their interest for charity purposes and prefer interest free current accounts in the place of savings and fixed accounts". Moreover in a study, Abdul Majeed (2012) found that "financial exclusion can be well addressed by introducing Islamic financial system officially in the country. As most of the Muslims are living in a place where banks do not exist or they do not associate themselves with the banks due to their faith". These findings are in line with the Raghuram Rajan committee constituted in 2009.

Therefore, it is evident from the earlier studies and researches that the most potent solution to the problem of financial exclusion could be the introduction of Islamic financial system in the country. The present study would make an earnest attempt to explore the discriminating factors behind choosing of the institutes (conventional or Islamic), in decreasing order of their importance.

2. Literature review

Research on micro finance and Islamic banking indicates, that they have a positive role in addressing the poverty. Now micro finance institutions necessitate the innovative approaches rather than their conventional intermediary role. Researchers like, Dusuki (2008) and Hassan (2014) reiterate the role of Islamic banking and micro finances in addressing the poverty without compromising the institutional viability, profitability and sustainability. Onakoya and Onakoya (2014) on the other hand, assessed how the Islamic finance can be used for addressing poverty and increasing financial inclusion in Nigeria. The study observed that despite the religious tension in the country, religion is not a hampering variable or factor in the installation of Islamic financial system. Mustafa et al. (2018) conducted an impact analysis of Islamic Finance on economic growth and financial inclusion among nine Muslim countries namely Saudi Arabia, Malaysia, UAE, Kuwait, Qatar, Turkey, Indonesia, Bahrain and Pakistan. The study considers the experiences of the sampled countries in utilization of Islamic Banking and Finance for financial inclusion and economic growth. Similarly, Mohieldin & Iqbal (2012) studied OECD countries linking Islamic finance and financial inclusion. As per the study if these countries implement the Islamic financial products in their right form, the problems like poverty and unemployment would be addressed easily. Warsame (2009) focused his study on the Muslims of the U.K. that how their financial exclusion can be addressed using Islamic finance. The study demonstrates the effect of Islamic finance on financial inclusion of low-income section of the society. As the study reveals that huge number of United Kingdom Muslims are financially excluded owing to absence of such services which suit requirement of Shariah compliance. In the same line from an analysis of the 65000 samples collected from 64 economies, Demirguc-Kunt et al. (2014) discovered that Muslims are most significantly less likely have formal bank accounts than other religious groups. Naceur et al. (2017) and Islam & Rahman (2017) analyzed the association between financial inclusion and the progress and development of Islamic financial institutions especially the banks. According to the study, the main reason behind the financial exclusion in the Organization of Islamic Cooperation member countries is religion. Therefore as per the study, Islamic banks will act as an effective way for the financial inclusion. Zulkhibri (2016) examined the links between financial inclusion and the Islamic banking services using a

qualitative analysis in Muslim countries. The study finds that, despite growth in the financial sector in several Muslim countries in the last few decades, there were many evidences of financial exclusion. Analysis of use and access to financial services by adults and firms also shows that most of the Muslim countries trail behind other emerging economies. Cost, distance, documentation, trust, and religious requirements are among the important obstacles. Tahiri Jouti (2018) defined a methodology to assess the impact of introducing Islamic finance on financial inclusion. The study finds that Islamic finance not only enhances financial inclusion but also creates financial migration. The two implications can vary from one context to another. Shinkafi Akilu Aliyu et al. (2019) also attempted to develop a theoretical model that could highlight the determinations for achieving financial inclusion in Islamic finance. The study finds that vigorous technology, microcredit, legal and regulatory commitment, extensive public awareness of Islamic financial services, financial proficiency and financial infrastructure are the essential force for realizing financial inclusion, particularly for low income earners and rural poor. Msellek (2020), on the basis of his study advocates that Islamic banking needs to augment its existing operating model to attract depositors and enlarge credit services by tailoring its instruments to explicit market needs. Owing to social and economic justice and the eradication of poverty, it is expected that Islamic instruments that targeted to address inequity, such as “zakat”, “waqf” and “qard al-hasan”, to play a significant role if the required institutional structures are developed.

There are few studies to detect the important factors that lead the customers of Islamic financial institutes to select the system. Rashid and Hassan (2009) tried to examine the impact of demographic factors on the bank selection preferences of the customers of Islamic banks. Applying multiple regression analysis in a data collected from 371 respondents from five Islamic banks; the study found that religion and income have impacts on the selection of Islamic banks in comparison to other variables. This study proves that Islamic finance is more attracted by Muslims which would lead to the less financial exclusion. In a study using chi square test on the primary data from Peshawar, Pakistan, to examine the most important factors that lead the customers of Islamic finance towards the Islamic banks, Farooq et al. (2010) found that education and convenient location of banks are most significant in the preferring the particular system. The paper suggests that Islamic banks should consider the demographic specifications of particular locality and the demography should be highly educated and more inclined towards Islamic principles.

There is dearth of literature on Islamic finance in Indian context. Largely, conceptual studies are available. Shamshad (2011) and Khan and Bhatti (2008) concluded after analyzing the present legal and regulatory structure of Islamic finance in India and future prospects, that India has high potential for Islamic financial system. The large population of Muslims in India, as per the study, is out of formal financial structure because of the prohibition of interest by Islam. Therefore, introducing Islamic finance formally will contribute towards the financial inclusion in the country (Baber & Zaruova, 2018; Islam & Rahman, 2017). One more study of Munuswamy et al. (2013) based on Indian context supports formal introduction of Islamic finance in India. Abdul Majeed (2012) argues that formal introduction of Islamic finance in India will lead to the infrastructural developments and it will allow to boost the conventional banking system also. The study displays evidences of City bank, HSBC Bank and others. Moreover, Indian industries and investment sector can attract foreign funds from Gulf Corporation Council (GCC) and OIC.

Similarly, there are studies which explored the current situation and future vision of financial inclusion in India. Gupta and Singh (2013) and Agarwal et al. (2015) found out correlation between literacy and financial inclusion in India. As per studies financial exclusion is not based on illiteracy in India. Shankar (2013) tries to find out if microfinance institutes were sufficiently helping to reduce the obstacles to financial inclusion in India. As the study indicates, though micro finance services have reduced several hurdles to the financial inclusion, yet there are difficulties to reach the excluded sections. Gandhi (2013) critically assesses the steps of RBI in India for addressing the financial exclusion in India. He argues that still most of the rural population do not have access to formal financial system. Still they are dependent on local moneylenders. Dangi and Kumar (2013) explore the current situation and future vision of financial inclusion in India. The study focuses on Reserve Bank of India’s initiatives and Government of India’s policies in strengthening the condition of financial inclusion in the country. The paper found that financial inclusion is positively related with the technological changes and various initiatives by the regulators. At the same time, Garg & Agarwal (2014) and Iqbal & Sami (2017) tried to explore the initiatives taken by various nationalized Indian banks towards improving the condition of financial inclusion in the Country. According to the study, the initiatives by the all regulatory bodies and other stake holders including banks are not yet yielding the expected results. The concern of profitability reduces the social mind of banks in the case of financial inclusion. Siddiqui & Siddiqui (2020) by utilizing structural equation modelling (SEM) proved the impact of technology on financial inclusion in India. The study argues that Inclusive and holistic policies need to be promoted, which would improve financial inclusion in India.

The review of literature indicates that, excluding a few theoretical efforts, no other studies have been conducted effectively to discover whether present limited Islamic financial options assist in decreasing extent of financial exclusion in India. This study explores the influence of the demographic factors on the selection of financial system (Islamic or traditional) by the individuals in India with special reference to state of Kerala. in India, few solemn attempts to initiate Islamic financial system have been made only in Kerala. The present study investigates how is selection of Islamic financial system linked with different groups of society, such as, Muslims or non-Muslims, high income or low income, educated or uneducated, aged or less aged and employed or unemployed.

The current study unfolded the topic of financial inclusion in India with twofold objectives. First, the study aims to assess the impact of various demographic factors in selection of financial institutes (Islamic or traditional) by the customers. And Secondly, to gauge the relative importance of the factors in selection of the financial institutes (Islamic or traditional).

3. Research methodology

3.1 Data Collection

A structured questionnaire was prepared by taking input from Abdullah et al. (2012); Ahmad (2008); Daud et al. (2011); Haque (2010); Hassan et al. (2012) etc. total number of 1000 questionnaires were administered to the customers across the state. In order to make sure proper representation of the customers from the two systems (Islamic or conventional) the area for survey was chosen using convenience sampling since the Islamic financial institutions (IFI) are not present in all the areas like conventional institutes. The questionnaires were distributed at each selected place randomly. Out of total 1000 questionnaires 739 were filled by the customers. The 98 questionnaires were not useful owing to partial responses. 641 responses were usable.

Taking into account the number of independent variables, Tabachnick and Fidell (2001) have suggested a formula for minimum sample size requirements and adequacy. Let m be the number of the variables and N represent the number of sample size, then $N>50+8m$. In this study, the independent variables are 8. Since the demographic variables have sub-categories, total independent variables count for 36. Thus as per Tabachnick & Fidell (2001) formulation the sample size should be at least 338.On the other hand Hair et al. (1998), suggests that for an attitude based study a sample size between 200 and 400 is generally considered as adequate. Moreover, as per Waters (2008), equation for calculating minimum sample size is $N=\pi (1-\pi)Z^2/E^2$. Here π denotes the estimated variability in the population, Z stands for standard error related with the confidence level and E is acceptable error. Therefore, as per the confidence level of 95 percent, π equals to 0.5, Z value is 1.96 and E is 0.05. Therefore, a minimum size of sample should be 384.16. Therefore, it can be concluded that the sample size of the study is scientifically adequate to draw the extensive conclusions.

3.2 Research Techniques

For testing the impact of various factors on selection of the system (Islamic or conventional) by the customers, the present study utilized descriptive statistics as well as discriminant analysis. Discriminant analysis is statistical technique which is used to separate between two or more groups. It tells about the discriminating factors and discards those factors or variables which have no or few association to the distinctions. Discriminant analysis is not dissimilar from multiple regression analysis in predicting outcome except the latter is confined in the cases where the dependent variable on the Y axis is interval in nature. According to Gait (2009) and Bajgier & Hill (1982), discriminant score can be calculated on the basis of weighted combinations of independent variables. The formula of discriminant function is:

$$D_i = a + b_1x_1 + b_2x_2 + \dots\dots\dots + b_nx_n$$

where, D_i is the predicted score or discriminant score; x is predictor and b is discriminant coefficient.

4. Data analysis and results

4.1 Reliability and Validity

The questionnaire included questions on perceptions, bank selection criteria etc. Therefore, content validity and reliability of questionnaire were checked with various measures. To ensure the validity of questions the study depends on the past studies in the area, like Abdullah et al. (2012); Ahmad (2008); Daud et al. (2011); Haque (2010); Hassan et al. (2012), etc. Further, the questions were verified by a focus group with three experts of Islamic finance. The reliability of items was checked by using Cronbach's Alpha score which is 0.921. The value indicates that the instrument is extremely reliable.

4.2 Descriptive Statistics

The detailed descriptive breakup of all the samples divided into two groups are presented in Fig. 1. The groups are categorized in two sections (i) those who have not selected Islamic microfinance institutes rather selected conventional microfinance institutes (CMFI) and (ii) those who have selected Islamic microfinance institutes (IMFI). Based on religion, Islamic financial institutes (IFI) are chosen by 214 Muslims whereas the conventional financial institutes are selected by 186 non-Muslims. Islamic finance is favored mainly by the age group between 26 and 50(249), whereas the traditional system is preferred mostly by remaining age groups. As far as gender is concerned,245 male customers have chosen IFIs alternatively 204 customers preferred conventional system but in case of female customers the figures are opposite. Similarly, Islamic financial system is chosen by the groups who fall in the high school and senior secondary categories. From the groups 89 and 86 respondents have chosen IFIs. likewise, as far as employment is concerned, IFIs are chosen mainly by unemployed and self-employed. Based on income, IFIs are selected by group which earn less than 2000 and between 2001 to 5000 rupees whereas the conventional financial system is preferred mostly by those individuals who earn more than 5001. In case of family type, joint families favour Islamic financial system.

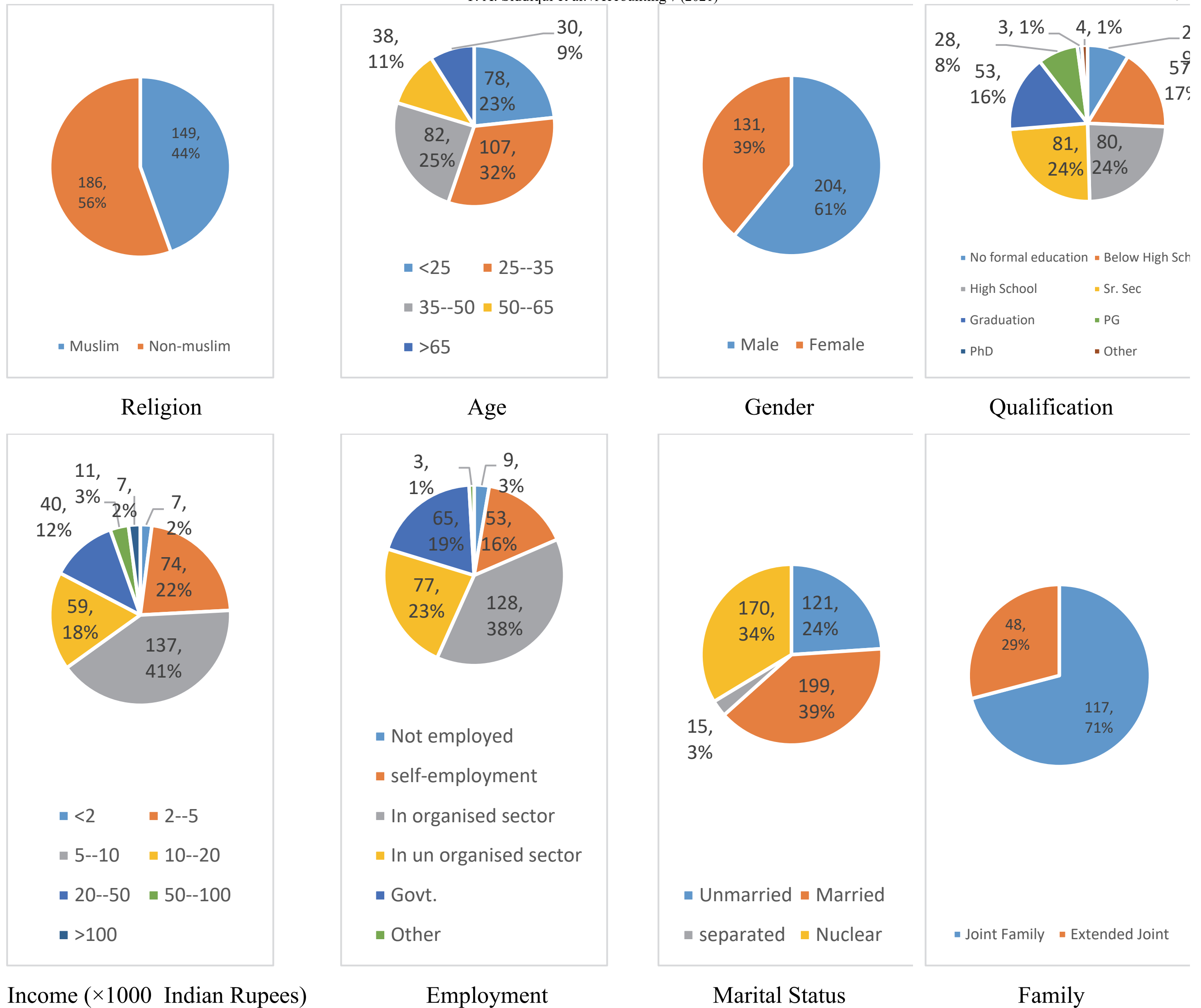

Fig. 1. Descriptive statistics

4.3 Discriminant analysis

Out of 641 respondents, 335 did not select Islamic financial system denoted by zero. Also, 306 respondents preferred Islamic finance represented by one. Discriminant analysis is performed considering the Demographic factors as independent variables. The purpose is to explore which demographic factor accounts more in discriminating among the two groups (selected IFI and did not select IFI).

Table 1 illustrates the information regarding the mean and standard deviation for both the groups (selected IFI and selected traditional system) and their total. The values of group Means specify that all the groups excluding marital status and family type are extensively detached between the two groups. For marital status in all the three cases the mean value is 1.7. Mean value is 1.6 for family type in case of total and those who selected IFIs. While for them who did not select the system, the value is 1.5.

Table 1
Group Statistics

Groups		Mean	Std. Deviation
Selected Islamic finance	Religion	1.3	0.46
	Age	2.4	0.81
	Gender	1.2	0.4
	Marital Status	1.7	0.5
	Education	3.3	1.31
	Employment	2.6	1.03
	Income	2.8	1.08
	Family type	1.5	0.59
Did not select Islamic finance	Religion	1.6	0.5
	Age	2.5	1.22
	Gender	1.4	0.49
	Marital Status	1.7	0.55
	Education	3.5	1.48
	Employment	3.4	1.09
	Income	3.4	1.21
	Family type	1.6	0.72
Total	Religion	1.4	0.5
	Age	2.4	1.04
	Gender	1.3	0.46
	Marital Status	1.7	0.53
	Education	3.4	1.41
	Employment	3.1	1.13
	Income	3.1	1.19
	Family type	1.6	0.66

In case of all the other groups, there is a huge difference in mean. For instance, mean of religion in IFIs is 1.3 while for conventional FIs the mean is 1.6.

Table 2
Tests of Equality of Group Means

	Wilks' Lambda	F	P
Religion	0.93	45.7	0.00
Age	0.99	2.84	0.092
Gender	0.95	28.7	0.00
Marital status	1.00	0.17	0.679
Education	0.99	3.5	0.062
Employment	0.87	87.7	0.00
Income	0.94	39.9	0.00
Family type	0.99	6.25	0.013

Table 2 depicts the values of Wilks Lambda and F ratio. Wilks Lambda explains the impact of the factors in differentiating into two or more groups. Wilk's lambda is used as a measure for testing degree of observed variability. It is considered to recognize the differences between the groups. The value of Wilks Lambda should be between 0 and 1(Bajgier & Hill, 1982; Farooq et al., 2010; Todorov & Filzmoser, 2010). As mentioned in Table 2, lambda value of all variables except marital status is between zero and one. For marital status the value is 1.

Table 3 shows the values of significance for F. In case of age, marital status and education, the level of significance are 0.092, 0.679 and 0.062 respectively. For all the other groups the values are less than 0.05. It indicates that religion, gender, employment, income and family type are significantly differentiated between the two groups individually.

Table 3
Results of Box's M Test

	Box's M	414.211
F	Appr.	11.411
	df1	38
	df2	1.218
	Prob.	0.00

Table 4
Log Determinants

Groups	Rank	Log Determinant
0.00	8.00	-3.219-
1.00	8.00	-7.371-
Pooled within the groups	8.00	-4.710-

According to Bajgier and Hill (1982) and Geisser and Greenhouse (1958) "Box's M test is used in discriminant analysis for testing the assumption of whether covariance matrices are homogeneous or not". Table 4 illustrates that probability value of Box's M is significant. As it shows 0 % level of significance. As a result, the covariance matrices are equal (null hypothesis) cannot be accepted. For confirming Box's M tests results, values of Log determinants are utilized. In case, the value of log determinant is high, the value representing groups covariance differences should also be large. Here, Table 4 and Table 5 confirm the results of each other. The log determinants are fairly different between the groups.

Table 5
Eigenvalues

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	0.270	100.0	100.0	0.461

Table 6
Wilks' Lambda

Test of Function(s)	Wilks' Lambda	Chi square	df	Sig.
1	0.787	150.57	8	0.00

Number of dependent variables determines the number of discriminant functions. Here, the dependent variable is divided in to only two groups therefore only one discriminant function can be explored. Similarly, Eigen values in the discriminant analysis are used to find out variances in the dependent variables that is explained by the discriminant function. Therefore, high Eigen value denotes a high variance. Canonical coefficients determine the relationship between the dependent variables and discriminant function. Likewise, the percentage of variance which is explained in the dependent variables is determined by square of the canonical coefficients. Here, the wilk's lambda indicates a higher or fewer capacity of discriminant function to discriminate between the groups. The nearby chi value is used to assess the equality of Mean values of the functions in the group. "if the significant value is small, role of discriminant function in discriminating the groups would also be fewer" (Geisser & Greenhouse, 1958; Roskens & Croswell, 1981).

Table 6 and 7 illustrate Eigenvalue, canonical correlation and Wilk's lambda and they are 0.270, 0.461 and 0.787 respectively. The table also depicts their Chi square value. The value is highly significant. even if the Eigenvalue and value of canonical correlation are not large, the significance of Wilks' lambda and chi square indicate, the discriminant function is good enough for acceptance.

Table 7
Standardized Canonical Discriminant Function Coefficients

	Function
	1
Religion	.408
Age	.137
Gender	.304
Marital status	-.303-
Education	-.158-
Employment	.705
Income	.334
Family type	.074

Table 8
Functions at Group centroids

group	Function
	1
0	.496
1	-.544-

Standardized discriminant function coefficients are the same as the beta coefficients in multiple regressions. These coefficients are the indicators of the comparative importance of the independent variables in predicting the dependent variable. The large absolute value coefficient corresponds the great discriminating power. Functions at Group Centroide' indicates the discriminant score for each group when the variable Means are entered into the discriminant equation (Geisser & Greenhouse, 1958; Roskens & Croswell, 1981). Here Table 7 and Table 8 represent the canonical function discriminant coefficients and functions at group centroids respectively. In Table 8, the 'zero' represents those who have not selected Islamic financial institutes which show a positive sign and 'one' represents those who have selected the system, shows a negative sign. The absolute magnitude of the standardized canonical discriminant function coefficient in Table 7 shows that employment (0.705), Religion (0.408), income (0.334) and gender (0.304) have more importance in discriminating between both the groups(selected Islamic finance and did not select Islamic finance. The sign of those who did not select Islamic finance is positive in Table 8, and the sign associated with the variables of employment, income, gender, and religion is also positive. Thus, it can be concluded that these respondents are relatively representing the better employment, non-Muslims, female and high income earning categories. Thus, on the contrary, samples who represent the Islamic financial beneficiaries relatively are coming from inferior employment, Muslims, male and low-income groups. Therefore, it can be concluded that Islamic finance system and institutions help financially backward and excluded communities and individuals, thus can tackle the financial exclusion as well, as these are the largely excluded groups.

Table 9
Classification Results

		Group	Predicted Group Membership		Total
			0	1	
Original	Count	0	237	95	332
		1	99	204	303
	%	0	71.4	28.6	100.0
		1	32.7	67.3	100.0

a.69.4% of original grouped cases correctly classified.

"Finally, the classification outcome used to measure how fine the discriminant function works, and whether it works equally well for each group of the dependent variables"(Fasih, 2012). Table 10 exemplifies that it accurately classifies up to 70% cases.

5. Conclusion and suggestion

In the current study, primary data were collected from 635 respondents. The respondents are customers of Islamic and conventional micro financial institutes. The survey was conducted in Indian state of Kerala. For analyzing the data, in addition to descriptive statistics, discriminant analysis has been employed. It was found that for preferring the financial system (Islamic or conventional), discriminating factors in descending order, if their relative importance is compared, can be identified. The factors are employment, religion and income, therefore our findings are found to be in line with the findings of Khan & Asghar (2012) and Rashid & Hassan (2009). Warsame (2009) and Naushad & Malik (2015) have also found religion as a vital factor for selection of Islamic financial system. Moreover Rashid & Hassan (2009) found income as significant factor in selection of Islamic finance. However there are several studies which have produced different results also like Abdullah et al. (2012) and Siang & Weng (2011) concluded that education is the most favorable factor for the selection of system.

The present study evidently has illustrated that Islamic financial system is chosen by those, who do not have good employment, Muslims and those who earn less. Thus, there should be extensive formal commencement of Islamic finance in India to kick off higher financial inclusion. As usually the financial exclusion is prevalent in the mentioned groups, the planners should think accordingly.

There are few limitations of the study as the study attempted to investigate only, whether the Islamic financial system can tackle the issue of financial exclusion. The data have been collected only from state of Kerala. For analyzing the data, discriminant analysis has been employed. Future researchers can focus on other aspects of Islamic finance, such as, its impact on micro, small

and medium scale enterprises. A broad geographical area can be covered. For analyzing the data, other advance techniques can be used to comprehend the results in depth.

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