

PUBLICS' PROSPECT AND THEIR LEVEL OF AWARENESS ABOUT ISLAMIC BANKING: A CASE OF JALALABAD CITY

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ABSTRACT

The overall history of banking in Afghanistan is around 91 years. The Islamic banking window was firstly opened in years 2007 and 2008. The first full pure Islamic banking serves provider come to action in April 14, 2018 in Kabul capital of Afghanistan. This paper was designed to assess the publics' prospect and their level of awareness about Islamic banking the research has been conducted in Jalalabad city of Nangarhar province. The random sample of 384 respondents were considered for the study, the respondents were students, graduated, bachelor, masters and PHD holders. Through descriptive statistical tools the collected data was analyzed. The results shows that the 22% of respondents are aware of Islamic banking and knows about its products and services, while 43.7% of respondents don't know about Islamic banking and are unfamiliar about Islamic banking and its products and services, 51.1% of the respondents not practicing in Islamic banking transactions, 44.6% of respondents believes that Islamic banking is based on Islamic Shari'ah and law, 33.7 % of respondents were neutral about the launching of outreach and marketing campaign in regard to awareness level of Islamic banks, 41.4 % of respondents believes that Islamic banks support small business. Beside these, according to variance analysis the demographic features of respondents (Age, Education and Job) had positive impact on the general awareness level of the respondents about Islamic banking. The respondents with the higher age were more aware of Islamic banking than the youngsters. The mean value of masters was higher than Bachelor. The mean value of Job holders was higher than profession.

Key words: Islamic Banking, awareness, demographics

1. INTRODUCTION

The origin or the start of Islamic banking philosophy come to action for the elimination of Riba from Muslim countries & societies (Akbar komijani & Taghizadeh-Hesary, 2018). In late 19th century when motions against the payment of interest raised, the evolution or transitions of Islamic economic and financial systems were commenced. In the 1890s, Cairo firstly started Islamic banking under the name of Barclay's bank to fund the construction of the Suez seaway (Kettell 2010). The starts of conventional banks in Muslim societies become a serious matter because of Muslim's resistances, therefore Islamic scholars set up interchangeably to interest-based banking by excavating of shari'ah compliant conventions. Because of high demand to shari'ah based contracts the Islamic banking services were very rapidly commenced in Middle East and other parts of Asia including, including Indonesia (1991),

Malaysia (1963), and Bangladesh (1983). Islamic Development Bank in 1975 come to action in order to encourage economic growth and facilitate Islamic shari'ah complaint fund in Muslim countries. (Komijani et al 2018).

HG Rammal and R Zurbruegg (2007) the majority of Australian Muslims has the strong enthusiasm to the Shari'ah base financial contracts but they bear lack of understanding regarding Islamic banking and finance operation. The researchers suggest that the Islamic banking authorities should facilitate public outreach session for the better understanding of Islamic financial system and Islamic banking deals.

AK Naveed (2010), conducted a study regarding the awareness and customer's satisfaction of Islamic Banking in Pakistan. He found that most of Islamic bank accounts holder were delighted with some of its products and were dissatisfied with

few. Some of the respondent shows that they are aware of Islamic banking and its products but they did not act in yet.

1.1: Definition of Islamic Banking

Mastoor (2014) the word interest free bank (Islamic bank) talk about to a mechanism of banking or banking operation which depended on shari'ah law and principles and led by interest free (Islamic) economics. "Those who eat Riba will not stand (on the Day of Resurrection) except like the standing of a person beaten by Shai' tan (Satan) leading him to insanity. That is because they say: 'Trading is only like Riba', whereas Allah has permitted trading and forbidden Riba. So whosoever receives an admonition from his Lord and stops eating Riba shall not be punished for the past; his case is for Allah (to judge); but whoever returns [to Riba], such are the dwellers of the Fire – they will abide therein. The Qur'an – Al-Baqarah S. 275–281" (Kettell, 2011).

1.2: Principles of Islamic Banking

The essential (main) Shari'ah law about Islamic banking and funding (finance) is listed as followings (Moosavian 2007):

1. Money is a tool for exchange against the services, products, and properties and does not have any inherent (core, intrinsic) value.
2. The overall focus should be centered on activities in the real economy and the distribution of uncertainty and reward.
3. Immoral activities (gaming, betting, alcoholic dealing) which are harmful in Islam and destroy the social system are prohibited.
4. Interest (Riba) is prevented (prohibited).
5. Gharar, which means uncertainty dealing this is also prevented (prohibited).

1.3: History of Islamic Banking in Afghanistan

Islamic banking was launched in Afghanistan during the 2008 and 2019. The initial and first draft of banking law was developed and prepared by "DA Afghanistan Bank (Central Bank of Afghanistan). The central bank of Afghanistan commenced the interest free banking window to operate under the technical assistance of the Islamic principles (Shari'ah) council which is made up of the popular spiritual academics from inside the country as well from other countries (workshop on Islamic Finance in National Account, Lebanon, 2017).

Authorities from Kabul located banks with Islamic banking window, declared that the numbers of their clients who have the desire to be facilitated interest free banking commodities and services are

increasing (growing) and that this made them hopeful to additional development the industry in Afghanistan (Jhanmal, 2018 Tolo News television).

The banks with interest free banking windows in country are listed as below:

1. New Kabul Bank
2. Afghan Mille Bank
3. Afghan United Bank
4. Maiwand Bank
5. Ghazanfar Bank
6. Afghanistan international bank
7. Azizi Bank, and most recently;
8. The Islamic Bank of Afghanistan (April 14, 2018 in kabul). Which provide the pure Islamic commodities and services for its customers. (UN Statistic Division, PPT. 2017)

Jhanmal (2018) according to the report from Tolo News, in April 14, 2018 in Kabul the central Bank of Afghanistan released the first Islamic Banking Certificate (License) under the heading of Islamic Bank of Afghanistan (IBA) with the vision to grow the banking service and support the financial structure. The (IBA) is the first interest free banking commodity and service provider in Afghanistan which apply the Islamic rules of interest free finance in all its activities. The Islamic banking of Afghanistan was in the past known as Bakhtar Bank and operated under an interest based banking certified since it was attained by Azizi Bank in 2009. The Islamic bank of Afghanistan had a paid-up capital of \$25 million USD and held \$187 million USD of deposits as of December, 2018. The IBA provides its services across a network of 59 branches (Reuters Report).

1.4: Methodology:

This was a descriptive study; the data was collected through a self-structured questionnaire randomly from 384 respondents. Collected data analyzed in SPSS statistical software for descriptive statistics. For the analysis of variance, the ANOVA test has been considered.

The data was distributed to 384 respondents; 360 questionnaires were received among them 350 questionnaires were valid.

2. Literature

Echchabi and Aziz (2012), Shown that complication does not have any influence on attitude, self-efficacy does not have any effect on perceived behavioral control as well and the study has shown that decomposed theory of planned behavior to a different area of the study. Faisal et

al (2014) found that; both groups Muslims and Non-Muslims have a different attitude towards Islamic Banking but they have similar perceptions towards the institutions of interest-free banking. Awareness, Ideology, Implementation, Features, and Institutions were the major factors used for studying the attitude of the population. The study was carried through a structured questionnaire. Through questionnaire, descriptive, factor, and discriminant analysis Gait and Worthington (2015) found that the ultimate users of Islamic banking services have the least some awareness and knowledge of some Islamic mood of finance like Qarz-e hasana and Musharakah, and are not aware of the other methods of sharia-based finance. The study also revealed that 85.9% of the respondents were practicing Islamic methods of finance. Ahmad, et al (2010) investigated through realistic research of Islamic banking in Pakistan based on awareness of service quality. They found that, prospect (awareness) of respondents about service quality are greater in conventional banks over Islamic banking. An important alteration in the perception of service quality among the users of conventional and Islamic banking based of gender (male, female) are exists, but in providing service quality prospect no significant alteration are seeable. In term of property, fundraising and collection of payments Islamic banking in Malaysia at a satisfactory stage. If compared to the conventional banking in term of assets and customer size the Islamic banking is still in infancy stage, because of late entrance to the market, the Islamic banking is behind of conventional banks therefor, the study suggest that the market still have a great opportunity to attract more customer for gaining high profitability. The researchers further suggest that Malaysian Islamic banks should design and formulate policies in regard of awareness of customers still the awareness of the Malaysian are at the weak stage (leo & leow.2014). Ahmad, (2008) there is a greater range of opportunities for the Islamic financial system to be built in the UK due to the enthusiasm of Muslim communities' hosted in London. Muslims in the UK prefers to use and spend according to Islamic rules and regulation. The researcher suggests that there is a gap regarding awareness of the Islamic

financial system in Islamic banking their products, so the banks should design the awareness programs to educate the Muslim communities. Depika & Jhajjar (2017), examined that if Islamic banking opened in India it will be high rank among Indian Muslims; it means through interest free banking mechanism leaving standard and economic condition of Muslims would be raised in an energetic manner. Meanwhile the study also reveals that opportunities and challenge also threatening Islamic banking. Opportunities are (competence, consistency, integrity, presences, Upliftment of Muslims, increase nest egg and farming development), major challenges are legal obstacle, unequal handling, luck of Islamic Insurance, lack of transparency, lack of credit rating agencies for Islamic financial institutions and lack of qualified shari'ah experts.

In order to develop and place their commodities effectively the interest free banking authorities should concentrate on the study of their customers' perceptions and ideologies (Dusuki & Abdullah, 2007). The bank managers and authorities should consider the demographic features of their customers to gain better understanding to them. Customers' perceptions of service quality differ in terms of gender, ethnicity, education and income (Urban & Pratt, 2000).

Boyd et al. (1994) discussed the bank selection benchmarks on the bases of demographic features and originate a positive distinguish among service feature awareness of white collar clients and little revenue clients. And found that gender roles and accountabilities are formed due to particular traditional, societal and spiritual elements. In Islamic societies (countries) men are accountable (responsible) for financial dealing (activities) outside the home, where women just do house works and are responsible for the internal affairs of the home (Obbe, 1980; Kinsey, 1988; Ogenyi, 1997; iheduru, 2002). Due to the mentioned elements (factors) male part of Muslim families has a greater access for the banking operations, schooling and assurance accommodations as compared to female (Ajakaiye and Olomola, 2003).

3. Results and Analysis

3.1 Demographic Analysis

The data was distributed to 384 respondents; 360 questionnaires were received among them 350 questionnaires were valid.

Table: 2.1 demographic distribution

Statistics				
		Age	Education	Occupation
N	Valid	350	350	350
	Missing	0	0	0

Source: SPSS

Due to the responded questionnaires (360) we can say that the response rate is 93.75 percent. Gender, sex, age, education and profession of respondents were under the demographic section of the study.

3.1.2 Demography Distribution According to Age

We had four age categories of the respondents (25 year, 26-35 year, 36-45 years, and 46-55 year).

Table 2.2, demographic Distribution by age

Age				
		Frequency	Percent	Cumulative Percent
Valid	25 Years	110	31.4	31.4
	26-35 Years	92	26.2	26.2
	36-45 Years	130	37.1	37.1
	46-55 Years	18	5.1	5.1
	Total	350	100.0	100.0

Source: SPSS

As the table demonstrate the respondents were of ages 25-55 year. The respondents who has the age of 25 were 110 who contribute 31.4% of the whole sample, 26-35 were 92 (26.7%), 36-45 were 130 (37.1%)and 46-55 were 18 (5.1%) of the whole sample. The number of respondents were in their high at the age group of 36-45 (37.1%).

3.1.3 Demographical Distribution According to Education

The five levels (Baccalaureate, collage, Bachelor, Master and PHD) of respondents regarding their education were considered.

3.1.3 Table education levels of respondents

Education				
		Frequency	Percent	Cumulative Percent
Valid	High School	7	2.0	2.0
	College	124	35.4	35.4
	Bachelor	135	38.6	24.0
	Master and PhD	84	24.0	38.6
	Total	350	100.0	100.0

Source: SPSS2.

The 2% of respondents were 12 graduated, college students 35.4%, Bachelors students were 38.6%, and 24% of the respondents were masters and PHD holders. The contribution of bachelor degree is higher than of other educational criteria's.

3.1.4 Demographical Distribution According to occupation

The study covered private sector, governmental sector, personal business and students of both private and governmental educational institutions.

Table: 3.1.4 Respondents occupation table

		Frequency	Percent	Cumulative Percent
Valid	private Sector	91	26.0	26.0
	Public Sector	133	38.0	38.0
	Personal Job	108	30.9	30.9
	Student	18	5.4	4.3
	Total	350	100.0	100.0

Source: SPSS, 2023 collected data

3.2. The Analysis of Mean Value and Standard Deviation

The mean value and standard deviation of the respondents regarding their age, education and occupation are:

Table 2.2.1: Analysis of Mean Value and Standard Deviation of respondents

	Demographics	Mean	N	Std. Deviation
Age	25 Years	2.508	110	.380
	26-35 Years	2.302	92	.371
	36-45 Years	2.342	130	.374
	46-55 Years	2.076	18	.338
Education	High School	2.287	7	.388
	College	2.442	124	.393
	Bachelor	2.252	135	.379
	Master and PhD	2.255	84	.379
Occupation	Private Sector	2.336	91	.373
	Public Sector	2.442	133	.413
	Personal Job	2.470	108	.436
	Student	2.302	18	.317

Source: SPSS, 2023 year collected data

The table demonstrates that; the age of 46-55 years were of higher level in understanding and awareness, on the other hand age of 25 years were less aware of Islamic banking. In education sector the master and PHD levels has the high level of awareness regarding Islamic banks and its products rather than other educational areas. Most of the respondents were job holders. The higher level of awareness were found among students than the other professions.

3.3. Analysis of Variance (ANOVA)

The analysis of variance, indicates that the awareness at the considered demographics (Age, Education, and Occupation) are significant. Fortunately.

3.3.1 ANOVA test regarding Age

Table: 2.3.1. One-way ANOVA (Age) of respondents

Awareness of Islamic Banking	Mean Value (Age)				F-Stats	P – Value
	25 Years	26-35 Years	36-45 Years	46-55 Years		
Awareness	2.508	2.302	2.342	2.076	9.945	.000

Sources: SPSS, 2023 data collected

According to the table P-Value (.000) indicates that age has a positive effect on respondent's perception or knowledge of Islamic banking. The average knowledge of aged 46-55 years are higher than of the younger respondents.



3.3.2. ANOVA Results Regarding Education of Respondents

2.3.2 Table: One-way ANOVA (Education)

Awareness of Islamic Banking	Mean Value (Education)				F-Stats	P – Value
	High School	College	Bachelor	Master and PhD		
Awareness	2.208	2.442	2.225	2.385	4.628	.003

Source: SPSS, 2023 data collected

Above table P- Value demonstrates that education is positively related to Islamic Banking awareness and understanding.

3.3.3. ANOVA Results Regarding Occupation of Respondents

3.3.3 Table: One-way ANOVA (Occupation)

Awareness of Islamic Banking	Mean Value (occupation)				F-Stats	P – Value
	private sector	Public Sector	Personal Job	Student		
Awareness	2.336	2.332	2.47	2.302	4.212	0.002

Source: SPSS, 2023 collected data

The above table indicates that, occupation like other mentioned demographics has a positive relation and effect regarding Islamic banking awareness.

3.4 analysis of questionnaire’s percentage, mean value, and standard deviation

Table: 3.4 analysis of questionnaire

No	Questions	1 Strongly agree	2 agree	3 Neutral	4 disagree	5 Strongly disagree	Mean value	Standard Deviation
1	I am aware of Islamic banking’s product and services.	18,9	22,0	43,7	11,7	3,7	2.59	1.038
2	I am not in practicing with Islamic banking transaction	17.1	51.1	24.9	4.3	2.6	2.24	.876
3	Islamic banking is based on Islamic sharia and law.	44.6	27.4	24.9	.9	2.3	1.89	.962
4	In practice, Islamic banking is different from interest-bearing banks. This is because they charge interest on the loan.	44.3	24.6	16.9	8.9	5.4	2.07	1.206
5	In Islamic banking and interest banks, there is a type of sale partnership and Mudarabah.	26.3	31.1	22.9	7.1	12.6	2.49	1.295
7	Islamic banks regarding their activities and awareness launched different public outreach programs.	18.9	28	33.7	16.3	5.7	2.57	1.136
8	Islamic banking supports small businesses and provides people with good and profitable business opportunities.	23.4	41.4	17.4	11.1	6.6	2.36	1.149

9	Islamic banking is strictly based on the principle of risk sharing.	26.0	28.6	27.4	13.1	4.9	2.42	1.150
10	Islamic banking is not only for Muslims but for every group and religion of the world.	20.6	35.4	27.4	9.7	6.9	2.47	1.127
11	Islamic banking and religion are not separable.	31.7	27.1	21.7	8.6	10.9	2.40	1.304
12	Investments in Islamic banks are safe and secure.	25.7	33.1	15.7	18.3	7.1	2.48	1.250
13	Islamic banking pays steady returns on our investments	23.4	27.1	26.6	14.3	8.6	2.57	1.232
14	Islamic banking has a bright future in Afghanistan, especially in Nangarhar.	28.0	41.4	17.7	5.4	7.4	2.23	1.138

Source: SPSS, 2023 collected data

Table 2.4 indicates that 18.9% of the respondents were strongly aware of Islamic banks products, 51.1% of respondents were not in practice with Islamic banking transactions. 44.6% of the respondents were strongly agree that Islamic banking are based on Islamic shari’ah and law. 44.3% of the respondents believes that conventional and Islamic Banks are different in practice. 33.7% of respondents were unaware in regard to the public outreach programs. 41.4% of the respondents believes that Islamic banks provide support to small and medium enterprises.

4. Discussion

Afghanistan is an Islamic country where almost 99.99% of the population are Muslim and the Islamic Banking is also base on Islamic shari’ah, and the study also reveals that most of the population knows and accept the difference among conventional and Islamic banking. Most of the respondents were on opinion that Islamic banking system can easily trace and cope the problems of the Muslim and non-Muslim societies. Most of the respondents revealed that Islamic banks are a good source of finance for the small and medium enterprises. The investments are secure and save in Islamic banks. With all the listed positivity’s still Islamic banking does not appreciated and are of low worth among Afghan Nation. What is the secret behind the scene?

The study answers that most of the respondents revealed that Islamic banks are based on the profit and loss sharing principle, therefore the populace are not ready to deal in such a deal. Secondly there is a conflict and difference in opinions among Islamic scholars regarding some products and services of Islamic banking. Thirdly, the peoples are of unaware

and they are in a vague situation regarding Islamic banking products and services rule and regulation. The luck of publicity and public outreach is the fourth major cause that Islamic banking doesn’t developed as it be.

In this study we found that 51% of the people doesn’t use Islamic banking product and services, the main reason was the unawareness of nation about Islamic banking products and services. In minor they were aware of some general deals like current account and primary Musharakah and Mudarabah. The same results was found in Ahmad, A., Saif,i., & Safwan, N. (2010) and, Naveed, A. K. (2010) studies which were in Pakistan, lo, C. W., & Leow, C.S. (2014) in Malaysia.

To enhance the confidence or trust level of respondents over Islamic banking in country the Afghanistan Islamic Bank should provide trainings, seminars, workshops, and conferences regarding awareness of the entire Afghan nation.

5. Conclusion

From the research, it is revealed that most of the respondents had some knowledge about Islamic banking but on the other hand, a large number of people had very little knowledge about the products and services of Islamic banking. The reason for this is the provision of few or specific products and services by Islamic banking to the community and the absence of public awareness programs.

Most of the respondents believed and that Islamic banking is banking based on Islamic Shari’ah and law, and also most people agree on the difference between conventional and Islamic banking.

The clear consensus of the respondents was that Islamic banking and religion are inseparable, most of the respondents agreed that Islamic banking supports

small businesses and provides good business opportunities to citizens.

The result shows that 22% of the respondents had knowledge and aware of Islamic banking and its products and services, while a high percentage of the respondents 43.7% did not had any sense or idea regarding Islamic banking and its products. 41.4% of the respondents believes that Islamic banking has a bright future especially in Jalalabad.

Analysis of variance indicates that the demographic characteristics of the respondents (age, education, jobs) had a positive effect on the general awareness of the people about Islamic banking.

This study clearly indicates that despite some of the above problems that exist in front of Islamic banking, most of the respondents agreed about the bright future of Islamic banking in Afghanistan, especially in Nangarhar.

6. Recommendations

1. Islamic banks should conduct public awareness programs about Islamic banking products and services.
2. Discussing the value of Islamic banking activities and products through scholars in mosques.
3. Establishing a consensus approach on Islamic banking by the scholars of the Islamic Ummah and its implementation.
4. Expanding the product diversity of Islamic banking.
5. The Islamic bank of Afghanistan should provide and launch seminars and workshop in regard to build the trust of Afghan nation over Islamic banking.

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