Factors Determining Investor Acceptance Towards Islamic Finance in India

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Abstract: Despite India, having the second largest Muslim population in the world, Islamic finance is in its nascent stage. Thus, it is important from the perspective of the investor to understand the concept of Islamic Finance. This study scrutinizes the factors affecting the acceptance of Islamic Finance in India. A questionnaire was distributed to collect data from 354 investors from cities across India with snowball sampling. The results of the study reveal the high degree of reliability and validity of the data as reflected by Cronbach's Alfa (α) at 0.86. Kaiser-Mayer-Olkin Measure of Sampling Adequacy (KMO) is .776, which is statistically significant. Factor analysis extracted highly loaded (Eigen value > 1) consisting of six factors with 29 items. Together these six factors explained a total variance of 76.24%. These factors are Awareness of Shariah indices, Religious motive, Social responsiveness, Understanding of Shariah screening, Ethical investment, and Socio-economic reasons.

Keywords: Islamic Finance; Shariah; Knowledge; Investment; Factor Analysis

Abstrak: Meskipun India memiliki populasi Muslim terbesar kedua di dunia, keuangan Islam masih dalam tahap awal. Jadi, penting dari sudut pandang investor untuk memahami konsep Keuangan Islam. Studi ini meneliti faktor-faktor yang memengaruhi penerimaan Keuangan Islam di India. Kuesioner disebarkan untuk mengumpulkan data dari 354 investor dari berbagai kota di India dengan pengambilan sampel bola salju. Hasil studi menunjukkan tingkat keandalan dan validitas data yang tinggi sebagaimana tercermin oleh Alfa Cronbach (α) sebesar 0,86. Ukuran Kecukupan Sampel (KMO) Kaiser-Mayer-Olkin adalah 0,776, yang secara statistik signifikan. Analisis faktor mengekstraksi muatan tinggi (Nilai Eigen > 1) yang terdiri dari enam faktor dengan 29 item. Secara bersama-sama, keenam faktor ini menjelaskan total varians sebesar 76,24%. Faktor-faktor tersebut adalah Kesadaran akan indeks Syariah, Motif keagamaan, Responsivitas sosial, Pemahaman tentang penyaringan Syariah, Investasi etis, dan Alasan sosial ekonomi.

Kata Kunci: Keuangan Islam; Syariah; Pengetahuan; Investasi; Analisis Faktor

Introduction

Islamic Banking is called ethical banking, Shariah-compliant banking, Interest-free banking, Profit & Loss Sharing (PLS) banking, or special finance. Islamic finance is working efficiently in the global stock market, insurance (Takaful), and Islamic bonds (Sukuk). India has the highest percentage of Muslims (19.8%), despite not being an Islamic country. However, Islamic banking hasn't been approved in this country. It will hugely beneficial to the Indian economy if they can get investments from the cash-rich Middle Eastern economies.

India is the only major economy in the world that still lags far behind in providing the infrastructure needed for the proper development and promotion of Shariah-compliant banking and finance. RBI Governor, Dr. D. Subbarao has written to the government of India to allow Islamic Banking in the country (Shahid, 2014). RBI seeks amendment in law for Islamic banking RBI is thinking of bringing the much-debated Islamic banking to India. The contention is the interest payment, which is forbidden by Islamic banks. Islamic banking does not permit taking interest and hence, under the existing Banking Regulation Act, it is not possible to establish the same in India (Kumar, 2012). The Planning Commission is also reported to be working on some options for India. SEBI has allowed many schemes with specific claims of Shariah compliance. There are many banks like Citi, HSBC, Deutsche, and BNP, that have started fully-fledged subsidiaries of Islamic Finance. Islamic Finance has opened enormous career opportunities for mainstream finance professionals.

Islamic finance has drawn the attention of researchers for some time. Many studies have been conducted on various aspects such as valuation, performance, relationship, and investors' perception of Indian stock companies. It becomes clear that there has been no study conducted in the Indian context which investigates the valuation of Shariah Index companies

and the level of awareness of Islamic finance in India. When it comes to investments, investors' intentions to invest their funds in Islamic finance are not clear. Numerous studies have been conducted to measure the investor perception towards Islamic Banking but this study focused on Indian Muslim and Non-Muslim investors' perception towards Islamic finance. In addition, an awareness index of investors in Shariah stock is not available. Therefore, this study assumes significance to identify the factors determining the investor perception towards Islamic Finance in India.

Literature review

The Islamic finance, banking, and capital market are in the budding stage and it is gradually growing around the world over the last decade. The accessible literature in the field of Islamic investment is limited. The available literature review is based on the performance of Shariah Compliant companies and indices both at the local and global levels.

In the Indian context, a few studies have been completed concerning Islamic banking and finance. A study (Masvood & Choudary, 2015) was intended to examine the awareness level of students of Chennai regarding cross-culture study with special reference to Islamic Banking. And also know the success of Islamic banking around the globe. For this purpose, the authors have taken three private universities (SRM, BSA, Sathyabama) students (Indian and foreign both) in different disciplines as samples. All prospective respondents have a bank account and are also aware of financial terms risks and interest. 350 questionnaires have been sent for the data collection but 140 only were selected as the pioneer for the study. The finding concluded the prospect of Islamic banking to a strong image in the mind of respondents after analyzing a questionnaire that new opportunities for the income source of India. There is a highly significant difference between the perception of different disciplines of Indian and foreign students concerning all variables like name, reputation, perception, motivation, and overall patronage towards

Islamic banking. The comparison of university awareness results shows a high level of awareness in comparison to Sathyabam and SRM universities (Yaseen & Chaudhary, 2015). To examine the attitude of Muslim and Non-Muslim investors towards Islamic banking, a survey-based study (Faisal, Akhtar, Rahman, 2014) with 259 respondents has found that there difference in the attitude of Muslims and Non-Muslim towards Islamic Banking. The finding reveals that Indian investors can be classified into some factors like awareness, ideology, implementation, features, and institutions. Whereas, another study (Chhapra & Bhutto, 2013) studied the perception of postgraduate students towards Islamic finance concluded by religion, knowledge, and quality of services as the independent variables. "Primary data collected from the questionnaire. 300 sample sizes were chosen from three major cities of Pakistan i.e. Karachi, Lahore, and Islamabad. The post-graduate candidates have used a sample. The study elucidates that Islamic finance is gaining popularity with time and has a great opportunity to grow and prosper in Pakistan. Abdullah, Sidek, and Adnan (2012) focused on non-Muslim perceptions of Islamic banks in Malaysia based on primary data collected from 152 respondents in Kuala Lumpur, Malaysia. This study also observed that Islamic banking has created potentiality for non-Muslim customers due to the ethical and social considerations of investor points of view. This study concretely that non- Muslim investors build up confidence in Islamic Banks.

Islamic banking is favored by non-Muslims in different places of the world. Islamic banks must contend with competition from both Islamic and non-Islamic banks as a result. It is called customer satisfaction that can affect how well an Islamic bank performs when there is intense competition and banks begin to provide more or less identical services and products. It also decides if its success and competitiveness are vulnerable (Naser, Ahmad, & Al-Khatib, 1999). They concluded that the Islamic banks should provide the right

direction to the investors and it should put more effort to improve their long-term investment position.

Methods

Design

Islamic Finance is an upcoming financial avenue in India as well as the world. Islamic finance is a very new concept in India. Thus, exploratory research was employed. Exploratory research is research conducted for a problem that has not been clearly defined. When it comes to investments, investor intentions to invest their funds in Islamic finance are not clear.

Data Collection

Data was collected from companies as well as individual respondents who know about Islamic finance. Respondents include those who are Islamic finance literate or at least aware of the Islamic finance concept or anyhow have engaged in Islamic finance activity. The respondent may be Islamic finance investors, Shariah product consumers, Islamic entrepreneurs, traders, brokers, underwriters, Islamic microfinance investors/borrowers, bank customers, regulation authorities, scholars, technical and professional students, or any person who heard about the concept of Islamic finance.

The sample size of 400 respondents data was collected from 40 cities in India covering the Central, South, Eastern, western, northern, and NCR regions of India. With geographical areas namely viz, Agra, Ajmer, Aligarh, Anant Nag, Bangalore, Chennai, Delhi, Dhanbad, Etawah, Firozabad, Gopalganj, Hajipur, Hathras, Hyderabad, Jammu, Kaithal, Kanpur, Karaikudi, Kashmir, Kolkata, Lucknow, Malappuram, Mathura, Mumbai, Mysore, Poonch, Ranchi, Rohtak, Sagra, Srinagar, Tamil Nandu, Tirunelveli, Tondela, Unnao, Varanasi and Visakhapatnam. All the respondents were administered a structured questionnaire. After editing of data, only 354 respondents went for the data analysis.

Instrument

To achieve the objective a questionnaire was designed to collect the right information from the investors for Islamic Finance in India. The structured questionnaire was used as an instrument for the data collection. The responses were recorded and measured by using a nominal scale and a Likert scale. The data collected thus was quantitative. The questionnaire was pre-tested in terms of a pilot survey of 30 people before final use. To measure the perception that affects the investor perception towards the Shariah index. Primary data was collected through a structured questionnaire to identify the factors affecting the people's perception of Shariah investment in India. The questionnaire is divided into two parts 'A' and 'B'. Part A for collection of personal data. "In part 'A' there are 15 close-ended questions regarding demographic variables such as religion, education, age, and income". "In part, 'B' measured the investor's perception concerning different 19 statements. There are five-point Likert scales (5 represented strongly agree and 1 represented strongly disagree) used for open-ended questions in the form of statements for the collection of identifying the factors which affect people's perception towards Shariah investment/Islamic Finance".

Data Analysis

This study focused on sampling procedure i.e., snowball sampling combined with judgmental sampling. Samples have been taken into consideration based on Islamic finance literate or at least aware (Somewhat familiar) of Islamic finance. Data preparation begins with a preliminary check of the entire questionnaire for its completeness. The collected data was edited, coded, tabulated, grouped, and organized according to the requirement of the study, after that entered all data in the Statistical Package for the Social Science (SPSS) 20 versions for analysis.

For hypothesis testing, various parametric, as well as non-parametric tests, have been used in this research, including Cronbach Alfa, KMO & bartlett

test, Principal component analysis (PCA) for factor analysis in which total variance matrix, rotated matrix, scree plot, etc.

Reliability Measure (Cronbach Alfa)

Cronbach's Alpha is an estimate of reliability. Very especially, internal consistency reliability Cronbach's alpha is an indicator of consistency. Cronbach's Alpha confidence is range from 0.00 to 1.0. Here, 0.00 = no consistency in measurement, and 1.0 = perfect consistency in measurement. .70 means that 70% of the variance in the score is reliable variance. Above 0.70 is considered adequate and 0.80 consider optimum, close to 1 is better. Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items is as a group (Field, 2005; Hair & Black, 2006).

Measurement of KMO and Bartlett's Test

Normally, Kaiser-Meyer-Olkin Measure (KMO) measures the sampling adequacy. The small values of KMO indicate that the correlation between the pairs of variables cannot be explained by other variables, meaning that factor analysis may not be appropriate. The generally higher value which is more than 5% desired. Which is recommended and accepted by Kaiser (1974). The standard parameter to measure the KMO is $0 < KMO < 1$, If $KMO > 0.5$, the sample is adequate.

Bartlett's Test of Sphericity

Bartlett's Test of Sphericity is a test of statistics used to examine the hypothesis that the variables are uncorrelated in the population. Bartlett's test of the K sample is having equal variance. Equal variance across the sample is called homogeneity of the variables. The Bartlett test can be used to verify that assumption. Meaning that a significant test indicates R-matrix is not an identity matrix, therefore, there is some relationship between the variables, hope to include in the analysis.

Exploratory Factor Analysis:

Exploratory factor analysis (EFA) is a broadly utilized and applied statistical technique in the social sciences. Factor Analysis would be described as simple as interrelated measures. Basically (Child, 1990) explains that factor analysis has been used to explore the possible essential structure of a set of interrelated variables without imposing any preconceived structure on the outcome. After performing the exploratory factor analysis (EFA), the numbers of underlying constructs are identified in terms of factors. EFA is a variable reduction technique that identified the variables and underlying sets of variables. This outcome of factor analysis is used to identify the factors, which affect people's perception of the Shariah investment in India. The analytical style used was previously utilized by Haron, Ahmad, and Planisek (1994) and Gerrard and Cunningham (1997).

Factor Analysis

Factor analysis requires a large sample size. Principle Component Analysis (PCA) method is used for the factor analysis. The varimax method is used for the rotations including orthogonal (Field, 2005; Reise, Comrey, & Waller, 2000; Tabachnick & Fidell, 2001). To assist the interpretation of the rotation of factors, there are two methods available for the rotation of factors, i.e. orthogonal and oblique rotation. The earlier ensure that the factors produced will be unrelated to each other, while the latter produces factors that are correlated (Hair & Black, 2006). However, there is no specific rule has been used to guide the researcher in selecting an orthogonal or oblique rotational technique. For this study, Varimax orthogonal rotation is used".

The study investigates whether the factors generated will be independent of one another. According to the strength of their correlations, the variables that are highly loaded (correlate) with the first component are grouped and are listed in ascending or descending order. Then variables,

which load strongly with the second factor, will form the second factor and so on (Hair, Anderson, Tatham, & Black, 1998)".

Result and discussion
Demographic Profile of the Respondents

The demographic profile of respondents includes gender, age, education, religion, occupation, and monthly income as showed at table 1 and table 2. The 400 survey questionnaires were distributed to respondents through mail or personally. 46 questionnaires were found incomplete. Hence only 354 questionnaires were used for the study.

Table 1. Demographic Profile of the Respondents

Gender	Frequency	Percent	Cumulative
Male	278	78.5	78.5
Female	76	21.5	100.0
Total	**354**	**100.0**	
Age of Respondents			
Under 25	126	35.6	35.6
26-35	178	50.3	85.9
36-45	26	7.3	93.2
46 and above	24	6.8	100.0
Total	**354**	**100.0**	
Religion of Respondents			
Muslim	330	93.2	93.2
Hindu	24	6.8	100.0
Total	**354**	**100.0**	
Education Level			
Senior Secondary	10	2.8	2.8
University graduate	56	15.8	18.6
Technical Graduate	50	14.1	32.8
University postgraduate	192	54.2	87.0
PhD	46	13.0	100.0
Total	**354**	**100.0**	

Table 2. Respondents' Occupation (Field Survey, 2015)

Occupation of Respondents	Frequency	Percent	Cumulative
Teaching	84	23.7	23.7
investor/Broker (Shariah-compliant investors)	10	2.8	26.6
Students (Islamic Student)	106	29.9	56.5
Self-employed (trader)	38	10.7	67.2
Others (Specify)	116	32.8	100.0
Total	354	100.0	
Monthly Income of Respondents			
0-20000	168	47.5	47.5
20001-40000	104	29.4	76.8
40001-60000	36	10.2	87.0
60001-80000	18	5.1	92.1
80001-100000	10	2.8	94.9
100001and over	18	5.1	100.0
Total	354	100.0	

Figure 1. Respondents' Gender
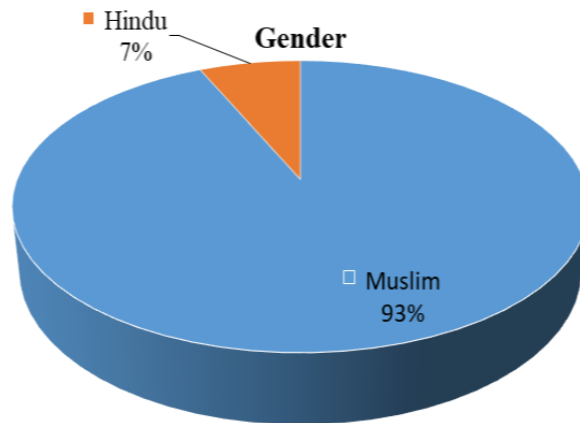
Figure 1 showed that 79% of the sample's respondents are male, and 21% of them are female. This demonstrates the imbalance in the ratio of males

to females. This study indicates that male is more engaged, informed, and knowledgeable about Islamic finance than female.

Figure 2. Age of Respondents
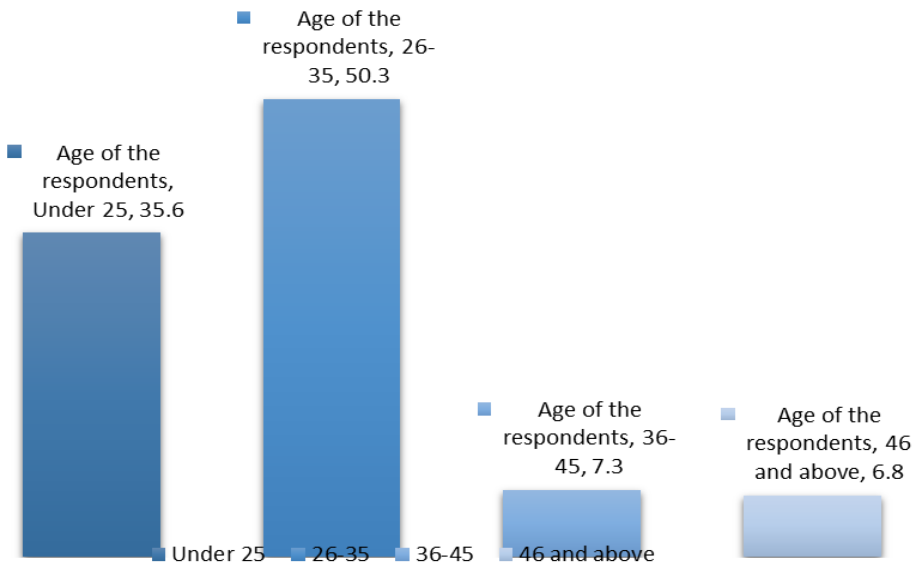
Figure 2 showed that the majority of the respondents are in the age group of 26-35. This group represents 50% of the total sample. One more interesting thing is 36% of respondents in the total sample belong to the age group of 25 and below. It shows that younger investors are more knowledgeable about Islamic finance than older investors. Only 7% of respondents fall in the age group of 36-45. The remaining 6.8% of respondents belong to the age group of 46 and above. Old age respondents are very less because they do not allow single-penny investment in Islamic finance. Somehow, they are rigid and fanatic towards religion and their companions. The majority (93%) of the respondents were from the Muslim community and the rest of the 7 It shows that younger investors are more knowledgeable about Islamic finance than older investors. were respondents from the Hindu community.

Figure 3. Religion of Respondents
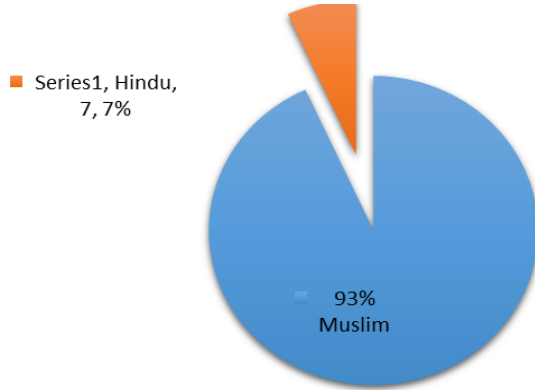
Figure 3 showed that 54% of the respondents are post-graduate. It is also found that the young generation is more interested in Islamic finance and Shariah-related products. Only 3% of the respondents are senior secondary pass out. And rests of the respondents are as follows university graduates (16%), technical graduates (14%), and Ph.D. (13%). Meaning that graduate, technical graduate and Ph.D. candidates are equally important for the future promotion of Islamic finance & capital market in India.

Figure 4. Education Level of Respondents
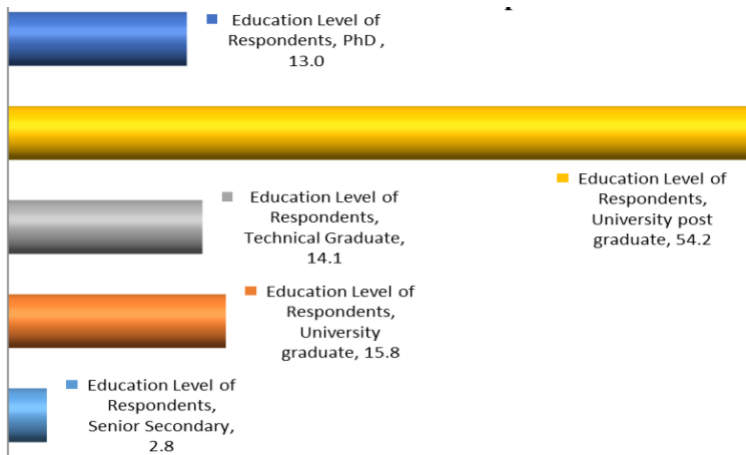
Figure 4 showed that the majority (48%) of the respondents are self-taught about the stock market, and 32% of the respondents gained knowledge from the financial press and reports. 13% of the respondents have taken the help of a financial advisor and brokers remaining 7% of the respondents belong to an investment club or a Group.
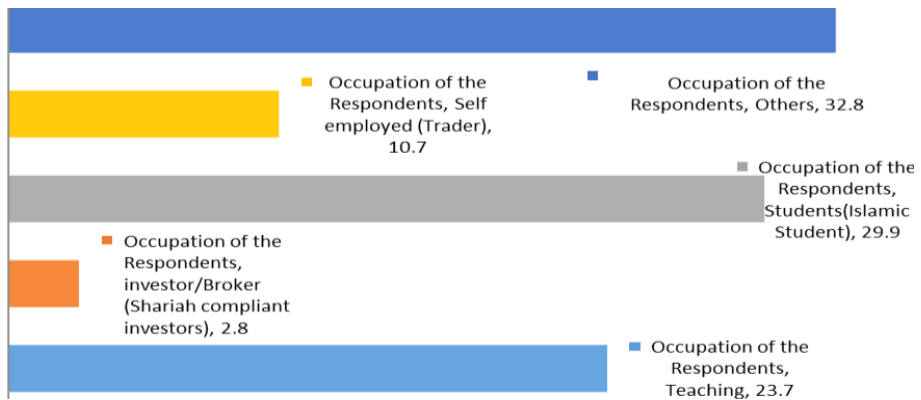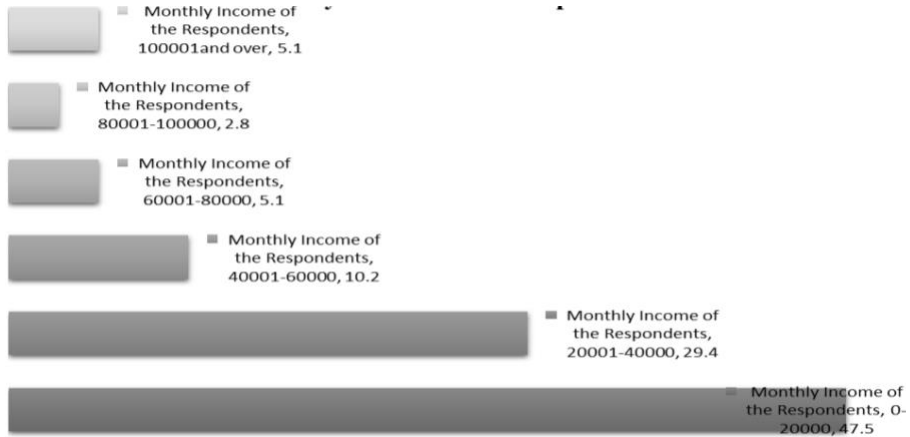
Figure 5. Occupation of Respondents

Figure 5 showed that 33% of respondents belong to the business class and service sector. The second-highest percentage, 30%, of respondents were identified as Islamic scholars, which means they are learning about Islamic finance and working with Shariah consulting businesses and the stock market. 24% of respondents were from teaching classes. 11% of the respondents are self-employed. Islamic finance and the capital market are in the introductory phase in India. That is why only 3% of respondents belong to Shariah complaints inventors, brokers, and traders. The young and educated investors are earning Rs. 20001 to 40000 monthly.

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Figure 6. Monthly Income of Respondents

- Monthly Income of the Respondents, 100001and over, 5.1
- Monthly Income of the Respondents, 80001-100000, 2.8
- Monthly Income of the Respondents, 60001-80000, 5.1
- Monthly Income of the Respondents, 40001-60000, 10.2
- Monthly Income of the Respondents, 20001-40000, 29.4
- Monthly Income of the Respondents, 0-20000, 47.5

It is a known fact that investment depends on savings. In the present study, 73% of the respondents save their income regularly, and the rest 27% save irregularly as showed at figure 6. 31% of the respondents invest their savings in long-term funds for reaping the benefit in the future, 20% invest for security purposes, 3% invested for retirement and 45% of the respondents were investing for the other purpose.

Figure 7. Regular Saving of Respondents

No, 94, 27%

Yes, 260, 73%
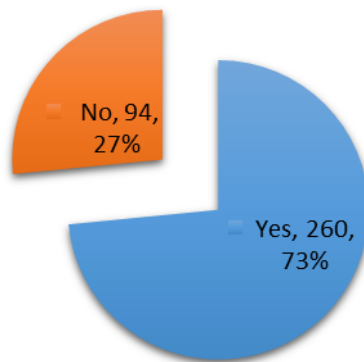
Figure 7 showed that The majority (68%) of the respondents were related to Islamic finance from others categories. 14% related to the Shariah advisor, 9% were from Islamic bank account holders, the same 9 % from the stock market investors, and only one person from the regulatory officer of Islamic Finance.

**Figure 8**. Investors Related to Islamic Finance

Figure 8 showed that 27% of the respondents invest in the Insurance sector. 23% of the respondents prefer to invest in the Real estate sector. 12% of the respondents invest in mutual funds. 10% of the respondents invest in S&P BSE 500 Shariah. 9% of the respondents invest in the stock market basically in BSE/NSE. And remaining 19% of the respondents like to invest in other securities 95% of the respondents are aware of Shariah laws and permissible/non-permissible business. Reaming 5% do not know about the Shariah laws and the filtering process of business.

When respondents were asked about the filtering criteria of Shariah complaints stocks. 41% of the respondents verified that Standard and Poor (S&P) consultancy scans the Shariah Complaints stocks in India. 27% of respondents said Arab and Iran base consultancy, 15% justified the Taqwa

Advisory and Shariah Investment Solutions (TASIS), 9% said Malaysia-based consultancy, and the remaining 8% said London and Kuwait-based consultancy scans the Shariah stocks.

Figure 9. Respondents are Aware of Shariah Consultancy
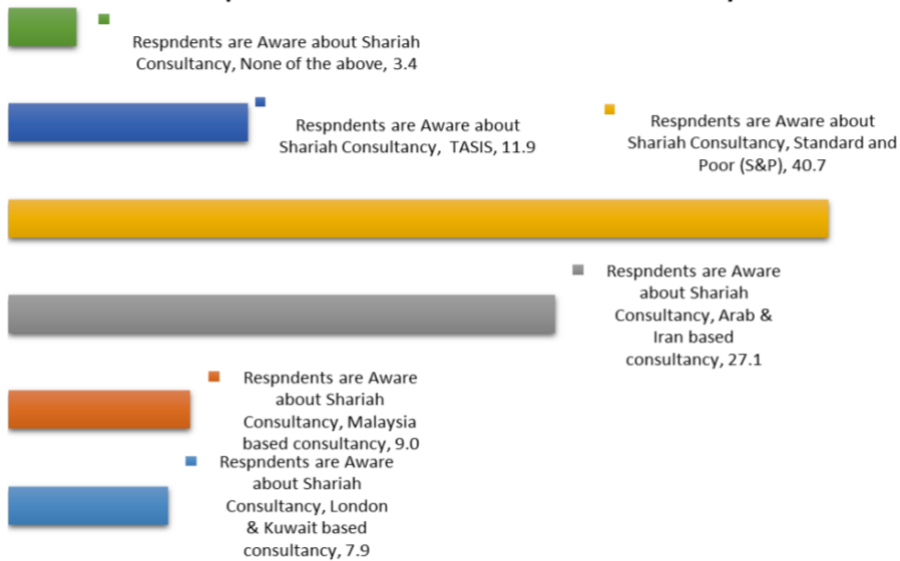
In response to the financial base screening of Shariah indices the response of the respondents was as 35% of the respondents confirm the 5% tolerance of non-permissible income, 32% said 10% tolerance, 25%t said 25% tolerance, and the remaining 9% said 20% tolerance of non-permissible income in Shariah index in India as showed at figure 9.

Measurement of Reliability

The Cronbach's alpha value of the study is 0.86 as showed at table 3, which is more than 0.70, meaning that 86.0% of data variables are reliable. Kline (1999), a famous psychologist said that the 0.80 value of Cronbach's alpha is appropriate for cognitive tests such as intelligence tests and ability tests its cut-off point is 0.70 (Kline, 1999). The value of alpha depends upon

the number of items on the scale (Field, 2005)". Hence in the present study value of Cronbach's alpha is reasonably high which shows that the variables are reliable.

Table 3. Reliability Statistics

Cronbach's Alpha	N of Items
.860	19

Measurement of KMO and Bartlett's Test

The value of KMO varies between 0 and 1. If the value o KMO is greater than 0.5 it means the sample is adequate. Here the value of KMO is 0.776 as showed at table 4, which indicates that the sample is adequate and research may proceed with the Factor Analysis" (Irfan & Dhimmar, 2019).

Table 4. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.776
Bartlett's Test of Sphericity	Approx. Chi-Square	4.031E3
	df	171
	Sig.	.000

Bartlett's Test of Sphericity

In Bartlett's Test of Sphericity, the significance value of less than 0.05 indicates that the then factor analysis is appropriate. In the present data, the significance value is even less than 0.001. It means Bartlett's Test is highly significant. Therefore, factor analysis is appropriate in the present scenario.

Finally, the measurement of KMO and Bartlett's Test confirms that the Factor analysis is appropriate for the present study.

Factor Extraction Process

Communalities

The principal component analysis works on the initial assumption that all variances are common. Hence, before the extraction, all commonalities are 1. Communalities after extraction show a common variance in the data (Irfan & Patel, 2019).

Table 5. Total Variance Explained Analysis

Items	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.57	29.313	29.313	5.57	29.313	29.313	3.23	16.994	16.994
2	2.6	13.688	43.001	2.6	13.688	43.001	2.85	15.002	31.996
3	2.52	13.237	56.238	2.52	13.237	56.238	2.34	12.294	44.29
4	1.49	7.857	64.095	1.49	7.857	64.095	2.29	12.048	56.337
5	1.25	6.552	70.647	1.25	6.552	70.647	2.04	10.734	67.072
6	1.06	5.601	76.248	1.06	5.601	76.248	1.74	9.177	76.248
7	0.68	3.556	79.804						
8	0.6	3.148	82.952						
9	0.52	2.725	85.677						
10	0.45	2.381	88.058						
11	0.41	2.175	90.232						
12	0.38	1.983	92.215						
13	0.36	1.871	94.086						
14	0.31	1.627	95.713						
15	0.26	1.369	97.082						
16	0.2	1.038	98.121						
17	0.17	0.911	99.032						
18	0.1	0.536	99.568						
19	0.08	0.432	100						

Table 5 showed that the initial components are the numbers of the variables used in the factor analysis. In this present study, 6 factors will be extracted by combining the relevant variables. The eigenvalues are associated

with each linear component (factor) before extraction, after extraction, and after rotation. The eigenvalues associated with each factor represent the variance explained by that linear component. Here, factor 1 explained 29.31% of the total variance (Irfan, Jain, Parween, & Kumar, 2021). It is also clear first few factors are explained a relatively large variance in comparison to the last factors. The standard measurement of the eigenvalues of the factor is greater than 1. The eigenvalues of these factors are again displayed in the columns of extracted sums of squared loading. In this table, after six factors value is blank because SPSS discarded the value more than the six factors. In the final table which is recognized rotation sums of squared loading, the eigenvalues of the factors are displayed after the rotation. Before rotation factor 1 accounts for the more variance than the remaining four (29.31% compared to 13.66%, 13.23%, 7.90%, 6.55%, and 5.60%), however after extraction it accounts for only 16.99% of the variance (compared to 31.99%, 44.29%, 56.33%, 67.07%, and 76.24% respectively)".

Component Matrix

This matrix refers to the loading of each variable into each factor. SPSS helps in displaying all loadings. Loading of less than 0.4 is suppressed from the output of the component matrix. The component matrix is not much important for the interpretation of data (Field, 2005).
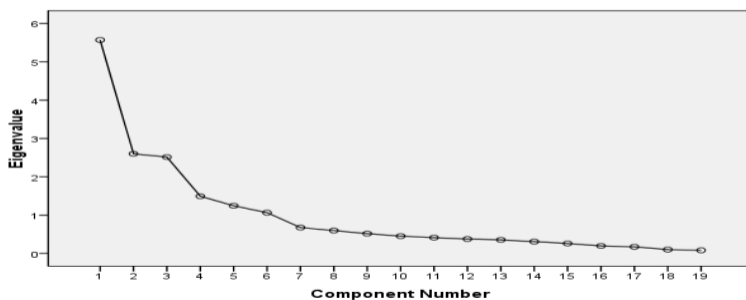
Figure 12. Scree Plot

factors loading less than 0.4 have not been displayed in the matrix, (2) all the variables are listed in the order of size of their factor loading, (3) the rest part of the output is suppressed.

The same analytical process is used by Haron, Ahmad, and Planisek (1994) and Gerrard and Cunningham (1997). In Exploratory factor analysis, the varimax rotation was used to identify the factors which affect the investor perception of Islamic finance (P. & Cunningham, 2001)".

The outcome of the rotation matrix reveals that the presence of six factors with all 19 items of the perception of investors towards Islamic finance demonstrates large factor loading, which is above the 0.4 significant level. The eigenvalues of the six factors are above 1. These six factors explain the total of 76.24% of the variance (Irfan, Jain, & Dhimmar, 2020).

Factor 1: In the rotated matrix variables number 1, 2, 3, and 4 have a loading of 0.878, 0.876, 0.824, and 0.805 on factor 1 respectively. This suggests that factor 1 is a combination of all these four original variables. And also suggest a similar group of it. Now turn to the interpretation of independent dimensions based on the varimax rotated matrix. The First factor defines a cluster of the following attributes, "You are aware of BSE 500 Shariah index", "You are aware of Nifty Shariah Index, "You are aware of CNX 500 Shariah index.", "You are aware of Shariah25 index". All these four variables are clubbed into a factor named **"Awareness of Shariah indices"**. This Factor has the highest effect on the investor perception of Islamic finance".

Factor 2: In the rotated matrix variables number 5, 6, 7, and 8 have a loading of 0.916, 0.886, 0.784, and 0.689 on factor 2 respectively. This suggests that factor 2 is **"Religious Motive"** a combination of the four following statements "You have a clear knowledge of Islamic finance – Quraan", "You have a clear knowledge of Islamic finance - Sunna and Hadith", "You have a clear knowledge of Islamic finance – Ijma" and "You have a clear knowledge of Islamic finance – Qiyas".

Factor 3: In the rotated matrix variables number 9, 10, and 11 have a loading of 0.802, 0.744, and 0.725 on factor 3 respectively. All three variables are an alliance of, "You understand about the Shariah screening of debt/ market value of equity is < 33 per cent", "You understand about the Shariah screening of Account receivable/ Market value of equity is < 49 per cent" and "You understand about the Shariah screening of Nonpermissible income other than interest income is < 5". After grouping all three variables, it can name "Understanding of Shariah Screening".

Factor 4: The variables number. 12, 13, and 14 have a loading of 0.864, 0.812, and 0.756. Factor four is a grouping of three variables, "Shariah complaints are not indulged in misleading and fraud advertisement", "Shariah complaints are not exploiting its customers in any way" and "Shariah-compliant performance cannot be judged only through a good percentage of profit/ return". After the assemblage of all three variables, it can name "Social Responsiveness".

Factor 5: Variables number 15, 16, and 17 have a loading of 0.860, 0.764, and 0.709. Factor five is an association of three variables, "The principle of Shariah Investment is based on the prohibited features [Uncertainty (*Ghara*), Gambling (*Maysir*), Interest (*Riba*)]", "Shariah allows the raising capital according to the Shariah or Islamic law" and "Shariah investment is based on the principle of profit and loss sharing". After associating all three variables, it can name "Ethical Investment".

Factor 6: The variables number. 18 and 19 have a loading of 0.839 and 0.836. Factor six is connected with two variables, "Shariah investment provides social benefit to the investors" and "Shariah investment provides economic benefit to the investors". After grouping these two variables, it can name "Socio-Economic".

Table 7. Factors according to the Rank

Factors	Average	Rank
Socio-Economic	4.46	1st
Religious Motive	4.26	2nd
Ethical investment	4.18	3rd
Understanding of Shariah Screening	4.04	4th
Social Responsiveness	3.76	5th
Awareness of Shariah indices	3.36	6th

Table 7, explained the ranking among the factors. The ranking is done on the mean score obtained on a five-point scale. The Socioeconomic factor scored the highest rank no. 1. It indicates that the Socioeconomic factor is the most important factor that influences Indian investors for the investment in Shariah investment. The second most important factor is religious motive by which people are more attracted to Shariah Index. A third important factor is an ethical investment which is more sagacity of Shariah by which non-Muslim people are willing to invest in it. Forth important factor explained the understanding of Shariah screening is good for the investor, they can identify the complaints which are involved in Shariah or not. Social responsiveness secured the fifth position out of the six factors. It shows that the Shariah index does not indulge in fraudulent activities, misleading, and corruption. The last important factor is awareness of Shariah indices which also play an important role to influence Indian investor investment in Islamic finance and capital market.

Discussion

The outcome of factor analysis has been used to define the perception of investors towards Islamic finance and the capital market in India. This analytical approach has been employed by several researchers, including Haron, Ahmad, and Planisek (1994), as well as Gerrard and Cunningham (1997). In particular, exploratory factor analysis with Varimax rotation was conducted to clarify factors influencing investor perception towards Islamic

finance. Cunningham and Gerrard (2001) highlight that this method enhances the understanding of the various factors related to Islamic finance. The first factor, named "Awareness of Shariah Indices," contributes approximately 29% to the reasons for investment in Islamic finance and the capital market. Since Factor 1 holds the highest eigenvalue and variance, it is considered the most significant factor influencing investors to patronize Islamic finance in India (Asia Index Ltd, 2016; Index Methodology, 2015; MSCI Indices, 2013; S&P Dow Jones Indices, 2008).

The second significant factor is "Religious Motive," which accounts for approximately 13% of the reasons behind investments in Islamic finance in India. Factor 2, with the second-highest eigenvalue and variance, underscores the importance of religious beliefs in driving investment decisions (Erol & El-Bdour, 1989; Haron, Ahmad, & Planisek, 1994; Gerrard & Cunningham, 1997; Iqbal & Molyneux, 2005; Metawally, 1996; Omer, 1992). Another key factor, "Understanding of the Shariah Screening," also contributes 13% to the variance and holds the third-highest eigenvalue. This factor reflects the growing understanding of Shariah-compliant financial products and their role in shaping investment behavior (Adam & Shauki, 2012; Dusuki A. W., 2011; Iqwal & T., 2002; Ullah, Jamal, & Harwood, 2014; Wang, 2011).

The "Social Responsiveness" factor contributes 7% to the variance and is ranked fourth in terms of eigenvalue. This factor indicates that investors have a proper understanding of the social implications of Shariah-compliant investments, further reinforcing their commitment to Islamic finance (Asia Index Ltd, 2016; MSCI Indices, 2013; Ridwan, 2009). Following this, the "Ethical Investment" factor contributes 6% to the variance and ranks as the fifth-highest eigenvalue. Ethical investments are central to Islamic finance, as they promote financial inclusion, economic development, and adherence to Shariah law (Dusuki A. W., 2011). According to Rajak (2014), Islamic finance opens opportunities for inclusive financial policies and investments, rooted in mutual consent between buyers and sellers, while avoiding interest-based and

harmful businesses (Hussein, 2004; Wilson, 1997; Yusof, Bahlous, & Kassim, 2010).

Finally, the "Socio-Economic" factor highlights the close relationship between finance and the real economy. It is grounded in Murabaha (credit sales) and emphasizes the socio-economic dimension of Islamic finance (Siddiqi, 1999). Islamic finance is inherently focused on the socio-economic aspects of business (Malaysia Islamic Finance Report, 2015; Warde, 2010; Yeni Safak, 2016). Overall, Muslim investors tend to be socially conscious, mindful of the broader societal impacts of their financial decisions. They strive to ensure that their enterprises do not compromise the welfare of society for individual gain. This reflects a commitment to considering the moral, social, political, and economic consequences of their investments on society as a whole.

Conclusion

Worldwide Islamic finance is growing because people are aware of Islamic products, which were given positive returns in different crises. Islamic finance investors not only belong to the Muslim community but also non-Muslim people are given the import to invest in Islamic financial products. In this fin-tech era, the government is also seeking opportunities for investors from different castes, religions, and societies, they will get high returns. Islamic financial products are based on ethical investment, considering the investor benefits first. Islamic finance, banking, and the capital market are optimistic signs for future growth. Countries like Bahrain, Saudi Arabia, and Oman become the major hub for financial technology in the world. There is no difference in gender bias because Islamic finance institutions have more than 70%, female employees. It proved that women's empowerment contributed to the growth of the nation. Islamic finance is based on socially responsible investment, which carried ethical and viable investments with high returns.

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