

Effects of Islamic Religious Practices on Investment Behaviour of Indian Muslims: A Qualitative Research in Delhi/ NCR using Focus Group Method

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EDITORIAL BOARD EXCERPT

At the time of Initial Submission (ToS) submitted paper had 20% plagiarism which was later revised to 8% which is an accepted percentage for publication. The editorial viewpoint is of an observation that article had a successive close watch by the blind reviewers which at later stages had been rectified and amended by authors (Goel, Srivastava and Dwivedi) in various phases as and when requisite to do consequently. The reviewers had in a beginning stages mention with minor revision with a following stamen which at a small duration streamlined by an authors. The comments related to this manuscript clearly mentions the clarity and methodology of the manuscript both subject wise and research wise by the reviewers during evaluation and further at blind review process too. The authors be commendable of appreciation for writing this paper as the Islamic Banking and investment behavior of Indian Muslims is a sensitive study to carry out. The objective of the paper is clear as it analyses the perception and behavioural attitude of Indian Muslims and to what extent Muslims law had an impact on their investment Behaviour and open up avenues for future studies. All the comments had been shared as a mixtures of dates by the authors in due course of time and same had been incorporated by the author in computation. By and large all the editorial and reviewer's comments had been incorporated in a paper at the end and further the manuscript had been earmarked and decided under "Empirical Research Paper" category as its highlights and emphasize the work in relation to Effects of Islamic Religious Practices on Investment Behaviour of Indian Muslims A Qualitative Research in Delhi/NCR using Focus Group Method.

ABSTRACT

Purpose: Religious beliefs and practices have a noticeable impact on the behaviour of people around the world but this is a less researched field in behavioural finance, especially in India. This gives birth to the research gap to conduct this study to examine what instigates investment decisions by Muslims and to know the degree to which Indian Muslims adhere to the Islamic laws of investment (shariah). This study attempts to find whether there is impact of religious beliefs of Indian Muslims on their investment behaviour. If Indian Muslim's investment behaviour is different from that of Indian non- Muslims, define the dimensions/ reasons/ factors responsible for this behaviour of Indian Muslim investors.

Design/methodology/Approach: This is a qualitative study done in Delhi/ NCR; focus group method is used by the researcher due to sensitivity of the topic in secular country like India.

Originality/value: This study found that there is impact of religious beliefs of Indian Muslims on their investment behaviour; intensity of which depends upon level of religiosity of individual and influence of culture of Indian society on Muslim investors. This study has its original practical implications for the behavioural finance and need of 'shariah' compliance financial products in India seeing the need of Indian Muslim minority.

KEYWORDS Shariah | Islamic laws | Individual Investment Behaviour | Religion | Muslim Investors | Delhi/ NCR

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Introduction

There has been an exponential growth with radical change in finance with the designing of many new products in finance and investments. Similarly, a change has been observed in the pattern of investment behavior across the world since last twenty years. There are number of factors brought out by behavioral scientists which affect individual investment behavior like demographic characteristics, lifestyle, psychology, personal values, risk bearing capacity of individual and financial market factors along with religion, a significant factor. Religion is deep rooted force while involving social or investment decisions.

Human being is social by nature and also religious. Man becomes religious because religion has certain social functions specially conserving the values of life, which act as an agent of social control. Religious beliefs and practices have a large impact on the personal lives of people and influence their life on a routine basis all around the world.

Individual's Investment Behavior and Factors affecting It

Attitude toward the investment behavior is defined as one's general feelings indicating their favorableness or non favorableness for the specific investment. For an investor, investment plan depend upon number of factors like; Returns, Capital appreciation, form of return i.e. periodic cash receipts and capital gain with safety and security of funds which involves risk, need for liquidity, diversification of portfolio and tax savings that vary from investor to investor. Factors influencing investment choice are as follows;

Culture and Religion

"Culture is defined as those traditional beliefs and values that cultural, religious and social groups spread as it is from generation to generation". We all feel that we have a culture that we belong to and that makes us who we are (example, French, Spanish, Indian, Italian etc.). Raymond Williams stated three

aspects of culture; as an ideal, in a documentary form and in a social sense. The third view of culture is social that can be understood as a 'way of life'. Thus, things such as language, food, dress and everyday life is all aspect of culture (Williams, 1961). Taylor described culture as "knowledge, beliefs, art, morals, law, custom and any other capabilities and habits acquired by man (human) as a member of society" in his book *Primitive Culture* (Tylor, 1871).

Word 'Religion' derives from the Latin word *religio* which means 'fear of God'. Few scholars think that it derives from *religare* i.e. 'to bind things together' (Forward, 2006). Culture is influenced by the dominant religion of any society. In other words, particular religion is shaped by particular culture. Religion strongly influences the culture and the culture is the medium through which religion is practiced (Nye, 2003).

Religion can be connected with religious affiliation and religiosity. Religious affiliation refers to the specific religious group to which an individual belongs (Lehrer & Chiswick, 1993). On the other hand, religiosity is defined by (Worthington, Hight, McCullough, Berry, & Ripley, 2003) as "the degree to which a person adheres to his or her religious values, beliefs, and practices and uses them in daily living.

Religiosity is a difficult construct to measure. Different authors measure religiosity on different dimensions. These dimensions include frequency of visits to religious places, prayer, and reading of religious scriptures and so on (Rusnah Muhamad, 2005). Dan W. Hess asked three questions to respondents to measure religiosity, first about religious affiliation, second, importance of religion in daily life, last, frequency of attendance to religious services (Hess, Dan W. 2012). A positive relationship exists between religiosity and ethical behavior and between religiosity and risk aversion. These relationships may provide a hypothetical foundation for the focus of this study. Christian bible and Muslim Quran also supports the above relationships.



Islamic Principles and Wealth

Islam gives the right to the individual to choose the type of work he/ she desires, but beside this selection, there is commitment to think about the requirements of the people as well as the type of work allowed by the *Shariah*. Islam encourages its followers to utilize all the possessions that God has given birth to their fullest. Islam does not preach redundancy and the work which is useless for society. It further says that those who are not competent to work also hold a right to what produced by the society. Islam speaks against a number of morally wrong acts such as fornication, homosexuality, consuming alcohol, adultery and murder. In Islam, interest is forbidden (haram) in all its form. (Wani, 2006).

Islamic laws ‘Shariah’

Of the five pillars of the Islam, only one, iman, that is faith, is a spiritual attitude, the remaining four-prayer, charity, fast and pilgrimage-are all acts to be performed. Islam gives freedom to opt the profession preferred by the individual but it should for the needs of the society and the type of work should be permitted by the *Shariah*. Wealth must be earned through “good”, “productive” and “beneficial” work. Within each economic activity, the *Shariah* also specifies proper and improper practices. Wealth acquired through the professions not specified in *shariah* (Islamic principles) is criticized (Wani, 2006). The profit earned must be invested within the economy for the welfare of the society.

Literature Review

Little empirical evidence related to impact of religiosity on financial/ investment decisions are institutionalized in available literature so far. Religion has an impact on the behaviour of people (Sadler, 1970), and it is supposed to affect an individual’s perception (Eum, 2011). Religion helps the way to do things and serve a platform for social behaviour (Delener, 1994). Religion affects investment behaviour indirectly by shaping demographic behaviours and culture affects the judgment or decision made by individual (Choi J. S., 2001). It is found that religiosity

positively affects ethical behaviour and risk aversion (Hess, 2012). Religious affiliation affects the marital stability, upbringing of children, education, social relationships, fertility and wealth (Lehrer, 2004).

Religion influences the way and attitude of people evaluating characteristics of the products (Choi, 2010). It is found that religion affects behaviour of individual directly through development of code of conduct (Sood and Nasu 1995). It is observed that religion strongly influences an individual’s thinking, behaviour, emotional experience, and psychological comfort (Shakeel, 2015). Personal values affecting individual investment behaviour include socially and religiously expressive characteristics that determine attitude of investors towards controversial stocks (Kaur & Vohra, December 2012). It is further supported by observation that personal values such as socially and religiously expressive characteristics affect stocks owned by individual investor (Hood, Nofsinger, & Varma, 2011). Investment in stocks of alcohol, pork or tobacco is not permissible in Islam (Lakshmeshwar, 2010).

Rusnah Muhamad and S. Susela Devi observed that there is influence of religiosity on the investment behaviour of Malay Muslims; speculative gains are mainly avoided by Malay Muslims as they ensure ‘shariah’ compliance in their investment decisions and concluded that Islam religion had an impact on investment behaviour of Malay Muslims in Malaysia (Rusnah Muhamad, 2005).

A study carried out in Bangladesh said that Islamic capital market products, Islamic deposits and credit products have become increasingly popular with Muslims. Also *Shariah* does not permit to invest in insurance schemes, mainly life insurance. It is further advocated that buying behavior and attitude of Muslim consumers are positively influenced by their degree of religiosity. That is, devout Muslims give greater importance on *Shariah* -compliant financial products than less religious consumers (Farhana, 2016).

Imran Tahir & Mark Brimble conducted a study in U.S. and found that Islam does influence investment behaviour. It is evidenced that Muslim investors in west comply less with Islamic laws, more with common law prevalent in west. But, the religiosity level of Muslim investors affects their adherence to the Islamic investment principles. Muslim culture does play a predominant role in the investment behaviour (Tahir Imran, 2011).

Contrary to the expectation, it is noticeable that few Muslims prefer to invest in banks, therefore, it can be concluded that all Muslim investors does not abide by Islamic law. Such investors behave like non-Islamic investors and their investment behaviour is in accordance with the Markowitz model. (Tahir Imran, 2011).

These findings are also supported by Markowitz, Haron & Wan Azmi and study by Jamaludin N. It is mentioned that 'religious' Muslims follow Islamic culture while making investment behaviour than the assumptions underlying the Markowitz portfolio theory (Markowitz 1952, 1959).

Haron & Wan Azmi (2008) found that Islamic banking customers preferred profit over others while making investment decision. Jamaludin N. stressed that religiosity does not significantly influence individuals' investment choice decisions, predominantly regarding retirement savings (Jamaludin, 2013).

Research Gap and Research Problem

It is concluded from above literature that religiosity influences demographic and economic behaviour, social and ethical behaviour, consumer behaviour, saving and investment behaviour, risk aversion, and code of conduct of individual investors. But how far religious affiliation affects investment decision of individual in particular constituted the major research question.

There is a need to discover whether religion influences the investment decision. To fulfil this research gap, the present research is an attempt to study influence of Islamic principles and beliefs on investment behaviour of Muslim investors in India with reference to Delhi/ NCR which gives birth to the following research questions.

- Does Islam influence individual's investment behavior of Muslims in India?
- What are the factors that influence investment decisions of Muslim investors?
- What are the investment avenues preferred by the individuals of Islam religious groups to invest their money?
- What is the investment pattern followed by people of Islam religion?

Objectives of study

- To find out adherence of Islamic laws among Indian Muslim investors and uncover the factors affecting it.

Research Design

Qualitative research followed exploratory research design. Impact of religious affiliation on investment behavior is less researched area, therefore, not as much of literature available in Indian context. For this purpose, researcher developed an extensive database through conducting focus group discussions and in depth interviews with followers of religions, for qualitative study. This in turn helped to extract explicitly many relevant concepts related to religion and thus formed constructs for hypotheses testing under quantitative study.

Data collection

Data collection for qualitative study was done through in-depth interviews and focus group discussions. Focus Group application was particularly helpful in furnishing information about how people think, feel, or act regarding a specific topic. The



moderator had a semi- structured, open ended set of questions and conducted interview with group participants where these participants share their opinion and ideas about the topic of discussion, also shared their viewpoint and comments on each other's answers. Focus was on interaction inside the group.

To obtain qualitative data, firstly, interviews were conducted with ten learned academicians and researchers from department of comparative religion studies, Islamic studies and so on at different reputed universities of Delhi and NCR. An open- ended questionnaire was prepared for this purpose comprising of 17 detailed questions. The questionnaire was prepared on the basis of related literature available on religion/ religiosity and investment/ financial behavior. The same questionnaire was used to conduct focus group discussions with few modifications done based upon input received from in-depth interviews. Two focus group discussions were conducted in two different universities/ schools with learned academicians. The focus group consisted of 10 participants.

To analyze the results of interviews and focus group, a mixture of techniques were used like ethnography, content analysis, relational analysis. Ethnographic summary means direct citations of group discussion, in content analysis, keywords and themes were outlined and concepts were found, relational analysis where ideas were examined, relationships between the concepts were explored and analyzed in order to find commonalities and differences. These all approaches of qualitative data analysis are complementary to each other.

Inductive approach was used to analyze the interviews. One or two word summary was given to each chunk of data which is called coding, then listed out all the codes and compared them. This chunk of data can be opinions, ideas, differences and concepts. This process was repeated for all interviews. Relevant codes were grouped into categories and their connections to each other were studied. It is known as inductive approach.

Sampling Design

Referral sampling was used to conduct interviews and focus group. Personal interviews were conducted with 10 respondents and two focus groups of 8 to 10 participants were organized for discussion on semi-structured questionnaire of learned Muslim academicians.

Target group for interviews and focus group was individual investors with any of the four religious affiliation, learned academicians and researchers from department of comparative religion studies, Islamic studies, religion studies and Muslim professors from Commerce, and Economics and Management departments at different reputed universities of Delhi & NCR.

Focus Group Study - Discussion Focus Group discussions, (a form of group interview) are helpful in generating ideas for further investigations in the study, generating hypotheses on the basis of perceptions of participants, developing draft of questionnaires, supplying support to literature and generating additional information for a study on a wide scale. It is a kind of in- depth interview conducted in a group. Focus Group technique is widely used in social sciences researches especially management researches. It can be used as complement to quantitative research methods as an exploratory method (Freitas H., Oliveira M., Jenkins M., and Popjoy O., 1998).

Focus group specifically emphasize on specific theme. This technique helps in generating joint ideas on the topic. Original ideas come out in focus group discussion as it is unstructured, examining the ways in which people show their agreement or contradicts. It helps to define the problem better as participants work together to identify potential solutions. It helps the researcher to understand what people feel about the theme and why they feel and do so.

Researcher used focus group discussion due to very less literature available on the topic and being it a sensitive topic; further focus group has few

advantages over other techniques of qualitative data analysis. The advantages of focus group discussion over personal interview are explained in next lines. In personal interview, researcher can obtain views of interviewee only but in focus group participants come to know other participant's views and reasons for holding such views. When one participant listens to other's answers, he or she may want to modify, add his/ her views or his/ her agreement/ contradiction to the view or he/ she would have not thought so deeply which become possible after hearing other's view with proper reasoning. Researcher may miss this reasoning in one to one interview. Interviewees may answer something which is inconsistent with earlier responses but researcher cannot bring it into notice by one to one interview but individuals often argue with each other and may challenge each other's views in focus group technique (Bryman, A. & Bell, E., 2007).

Focus group comprising 8 to 10 Muslim investors was formed. The session began with an introduction, in which moderator thanked participants for coming and induced them, the research objectives and questions were briefed, and the reason for recording the session was given. Session was open and everyone's views were important. The participants who were taking less interest were specifically motivated by moderator to share their views. Researcher used unstructured questions to guide the focus group session about the prominent beliefs in Islam which encourage/ discourage them to invest money. Impact of their lifestyle on their religious beliefs was also discussed. Participants were quite energetic while focus group discussion. The discussion started formal but gradually converted into informal at their comfort. While discussing, deep rooted thoughts of all participants came out where moderator tried to keep sticking discussion on theme. If discussion went off from track moderator refocused the participant's attention. Sometimes personal views contradicted few beliefs. They talked about their financial responsibilities, savings, preference for investment avenues, impact of their religious beliefs and their lifestyle on their investment, their investment

motives, loan, 'shariah', 'zakat', 'tizaarat', Islamic banking, risk taking in investment, Islamic banks, interest income and so on. 'Shariah', the Islamic code of conduct; 'zakat' and prohibition of interest prohibition were discussed in detail. Their opinion on practices being followed in Muslim countries was also taken. Few of them had been to Muslim/ Gulf countries. They shared their experiences of Muslim countries and compared many aspects in term of Indian Muslims in detail. They discussed about religiosity aspect also and what kind of value system is imbibed into new generation. They discussed about home loans, medical insurance, life insurance, PPF; and other avenues, the reasons for investing/ not investing in those avenues with examples. Their personal beliefs too were presented on the topic. The adherence to the Islamic code of conduct in modern time was also discussed. The influence of society on adherence of 'shariah' was too conversed.

Two moderators were there, one of them was researcher herself. This discussion took more than one hour. The survey questionnaires were also distributed them for pilot study and opinion of participants taken. Respondents were keen to contribute maximum of their knowledge and experience about the topic. Few of them specifically said that in India they are participating for the first time in such group discussion where Islamic code of conduct is the centre of attraction. They were quite happy to see the people from their own community as participants, even they exchanged their views within themselves and got an opportunity what are the views of others about investment. The whole focus group discussion was captured in audio and video recording by the moderator and transcribed later with due care and attention as mere relying upon notes would have never sufficient in focus group technique. It was not only what participants said but how and why they said so which could be documented by recording. At few moments, participants talked over each other, which made moderator to intervene. And after discussion wind ups, these recordings were pen down. The discussion went in a smooth flow. The participants



were so aligned and interested that moderator had to interrupt at a few times only. Moderators tried to keep discussion on track. At the end, moderator thanked the group members for their participation and concluded the session.

There are few limitations of focus group technique; first, researcher has less control over the discussion; second, a huge amount of data gets produced; lastly that these are difficult to organize. To analyze the results of interviews and focus group, a mixture of techniques were used like ethnography, content analysis, relational analysis. Ethnographic summary means direct citations of group discussion. In content analysis, keywords and themes were outlined and concepts were found, relational analysis where ideas were examined, relationships between the concepts were explored and analyzed in order to find commonalities and differences. These all approaches of qualitative data analysis are complementary to each other. Inductive approach was used to analyze the interviews. One or two word summary was given to each chunk of data which is called coding, then listed out all the codes and compared them. This chunk of data can be opinions, ideas, differences and concepts. This process was repeated for all interviews. Relevant codes were grouped into categories and their connections to each other were studied. It is known as inductive approach (Zikmund, 2003).

Focus Group Study - Analysis

Statements of respondents and Results of analysis of responses are given hereunder after each response.

- i. "Segregation of investment behavior on the basis of religion is quite difficult as influence of existing culture in society, family and upbringing of investor is more than that of religion on investment decisions".
 - a. "Show off is prohibited in Islam. It is believed that whatever is shown off is taken back by 'Allah' and blessings are given to live a simple life. Islam preaches us to respect other's religion."
 - b. "Interest is strictly prohibited in Islam, neither to be paid nor received, whereby, conventional banking is restricted. If interest is received on any investment, need to be given (donated) to needy. Reason behind is that income where no risk and efforts are involved is considered 'haram' in Islam. Islam also prohibits taking debt as interest is payable on it. Income from gambling and insurance are such examples. Speculative gains are prohibited in Islam. Insurance is forbidden but medical insurance is not."
 - c. "Loan in Saudi Arabia is given at no interest, only processing fee is to be paid. Taking home loan is subject to some eligibility conditions like residing in the country at least last one year."
 - d. "We cannot invest in banking and financial institutions as they deal in interest income. Money lending is prohibited in our religion. Usury is condemned in Islam because of interest amount is too high in usury that the debtor cannot pay it till his whole life and his successors too. Practice of usury and in turn interest income is therefore, prohibited in Islam." said by a Muslim investor.
 - e. "One cannot guarantee for himself a fixed return despite the consequences of the investment that his money is used for. If he puts his money at risk, he is deserving of some share of the profits. However, this also means that he must accept losses if losses occur. This is a system that is based on justice."
 - f. "Profit earned by putting efforts is permitted in Islam but profit earned as a middleman is forbidden as it is earned by someone else (farmer) not by middleman. For example, a farmer who is doing hard work is eligible to

get fair prices for his crop but a middleman who purchase the crops from farmer and sells it to vendor is not permitted as he has not nurtured the crop and this profit is considered to be 'haram' in Islam. Islamic laws state that we should not take undue profits without putting efforts."

Interpretations: Interest income, debt, speculative gains, insurance, commission, gambling, usury is debarred under Islamic laws i.e. 'Shariah'. It shows unearned income is prohibited in Islam. Prohibition of interest discourages investment in Islam. It is not acceptable to put an individual into a cycle of debt where he has to pay more than what they borrowed.

Most investment avenues in India are interest based. Even salary credited in saving bank account earns interest. Muslims are encouraged to save and help needy by paying 'zakat' on their savings but not to invest those savings and earn interest on it.

ii. "Savings are permissible in Islam. Investment in real estate and gold is permitted in Islam but we have to pay 'zakat' on the gold possessed by us." "Islamic laws i.e. 'shariah' are under the guidelines of 'Quran'."

Interpretation: 'Shariah' is Islamic code of conduct which is extracted from 'Quran' and 'Sunnah'. If any issue is left, opinion of learned scholars is taken. It is called 'Ijma' (Tahir Imran, 2011). It guides Muslims on living an ethical life. These all are collectively known as Islamic laws. Muslims can save but not invest savings to gain interest. They can invest in gold and real estate.

iii. "Investment in shares is also debarred in Islam as it is not earned by hard work and considered as gambling. Pork and liquor are 'haram' in Islam. We cannot give money to those who will use it for consuming financial services, liquor or pork knowingly. We are forbidden to invest in the stocks of companies which

deal in above- mentioned things. Companies in Islamic countries prefer equity financing as debt financing is absolutely debarred as per our religion." said by Muslim investors.

Interpretation: Muslims cannot invest in shares of companies engaged in providing interest based loans, insurance companies, companies that manufacture or sell intoxicants, pork, liquor companies involved in gambling, nightclubbing, pornography, etc. as these businesses are said to be not in compliant with 'shairah'. Insurance is paying money for something, with no guarantee of benefit, involves high ambiguity and risk.

The above result is supported by available literature that if main business of the company is in 'shariah' compliance but company earns some interest on its accounts, the Muslim investor doesn't retain the proportion of interest income included in the dividend received. Hence, Muslim shareholder does not keep the interest element of their dividend income. This is called dividend purifying process. If Muslim shareholder sells the stock of such company, then also he give away the proportion of interest income from the stock price, he receives (Tahir Imran, 2011). Further, Muslims are debarred to invest in preference shares as this offer a predetermined rate of return which is considered as 'riba' (usury) (Tahir Imran, 2011).

iv. "There is no certainty that the amount we deposited with bank is lent to the companies whose business is in compliance with 'Shariah', the Islamic principles. My money should be used by the banks for the upliftment and welfare of the society."

"I invest my money in bank and it is used for upliftment of the society and floated in the market which is not considered bad in Islam as my money is used for welfare of society but if it is used by bank for something which is considered 'haram' in Islam, not in 'shariah' compliant business, it is debarred".



Interpretation: Above two statements advocate that while investing money in banks, Muslims are not sure that their money will be further lent by the bank to the companies whose business is in compliance with 'shariah'.

- v. "To avoid the risk of interest amount, a new concept has begun i.e. 'Islamic banking' where the money deposited is immediately converted into gold at the prevailing price of gold. Investors get gold instead of money. Whenever investors withdraw their money, the same amount of gold is given by Islamic bank at the prevailing gold price at the time of withdrawal. The concept of Islamic banking is compulsory to be followed in Saudi Arabia, Malaysia, Oman and other Gulf countries."

Interpretation: Islamic banking abides by the principle of non- acceptance of interest in Islam and helps Muslim investors keep investing their money without the fear of violation of 'Shariah'. Islamic banks have the same purpose as the conventional banks except the fact that Islamic banks works as per the Islamic principles 'shariah'.

- vi. "As per our religion, it's all followers should donate 2.5% above a specific amount of savings and gold possessed by them to the needy as 'zakat'. Needy can be one's relative, neighbor, religious worker, collectors of 'zakat' or any other person who is in need. Needy can be our family member also. 'Zakat' is paid in month of 'Ramazan'."

"Money should not be concentrated with few peoples only rather it should be in reach of whole society."

"It was researched that if all Muslims donate 2.5% of their savings to the needy, no person in society will found as beggar. Somewhere, it is made mandate in Islam to bring economic uniformity."

Interpretation: 'Zakat' is one of the five pillars of Islam. Chapter 9 versus 60 of Quran explains 'zakat'. It is given annually on amount exceeds a specific limit on individual savings. Paying 'zakat' is obligatory for Muslims. It is meant for needy so whole society should be happy and contented and money should not be concentrated to few people rather it should be circulated for the welfare of society so as all people who need can use it. This decreases the chances of crime in society as all would be happy. Donating 'Zakat' also brings economic uniformity where no people in society remain poor.

- vii. "I do not believe in insurance which talks about benefits after death and even that amount after long period will become less in insurance schemes when we my family members will get it due to decreasing nature of time value of money. Rather, I prefer to invest in short term savings for my family like PPF account and put my money in saving bank account that give proceedings in less time maturity. But as per Islamic law, investment in PPF is not permissible due to involvement of interest. Whatever I save in income tax due to investment in PPF, I give to any needy. I am religious but for survival in materialistic world, I cannot be absolute ideal. Some deviation from Islamic laws does happen to live in today's world. The remedy to this is I get my passbook updated with the amount of interest and can donate interest amount to some needy. Needy can be your family member or outside your family."

"Taking loan from banks is a support to the nation's economy as banks are there to circulate the money. It is important for us to take loan if we need it. "

"Scenario of today is different is that of old time usury. There are so many benefits offered now on investment avenues like future safety and tax saving."

“I do not follow Islamic laws rigidly and blindly. We do not get too conservative. Flexibility is always there in investment decisions seeing what is good for us, our country and our religion”.

“In south India, Eastern Uttar Pradesh, Muslims are practicing giving dowry in their daughter’s marriage getting influenced by Indian Hindu society.”

“I do not have sufficient knowledge about what Islamic percepts say about investment. I consider ethical issues and definitely my profit before investment as after all I have to survive in this materialistic world. ”

“New generation is getting beyond the religiosity across almost all religions.”

“Our lifestyle, investment behavior influenced by culture of the country we live in. For example, home loan is not permitted in our religion as interest is prohibited.”

“People are rigorously following their religious preaching in Islamic countries like Saudi Arabia and other Gulf countries. Although, in India, Muslims are taking home loan, putting their salaries in banks and PPF but this can be seen as cultural influence. We keep balance between Islamic laws compliance and influence of society. This balance depends upon the degree of religiosity of investor. More religious Muslim investors follow Islamic principles rigidly like my one of the known Muslim husband gave divorce to his wife because she took home loan. More social Muslim investor who is less religious get influenced by society and take his investment decisions what is prevailing in the society. The Muslims living in Jamia Nagar, Shahin Bagh, Okhla are following these practices more strictly than those reside in non- Muslim localities of Delhi. The reason is religious environment in our surroundings. We all by nature are social. If we

have a neighbor or friend following other religion, we gradually zeal up with them and sooner or later learn their practices which ultimately influence our lifestyle, way of spending, so savings and investing. This can be termed as cultural influence. For the survival, one needs to find what is good for him but not with unlawful ways.”

Interpretation: Above statements advise that there are Muslims who do not consider Islamic laws before taking investment decisions. This shows that lifestyle priorities and cultural influence may reduce religiosity among Muslim investors. Above result is supported by available literature also as religiosity affects speculative gains and compliance with Islamic laws before investment (Rusnah Muhamad, 2005). This means highly religious Muslim investors avoid speculative gains in investment and put up with Islamic laws. Investment made by Muslim investors must be free from gambling which is known as ‘gharar’ means highly risky investments or where uncertainty factor is involved (Tahir Imran, 2011).

Impact of culture, society and lifestyle priorities can be seen in modern Muslims which decrease the adherence of Islamic laws on Muslim’s investment behavior. However, highly religious Muslims are less affected by culture prevalent. Here, culture prevailing in society and religiosity are found to be confounding variable in this research. Confounding variable or mediating variable is the variable which is a third variable found in research other than dependent and independent variable. It can adversely affect the relationship between dependent and independent variable. It could compete with the independent variable in explaining the outcome. Here culture prevailing in society is competing with religion in explaining the individual’s investment behavior. It influences the results and not under control of researcher. This may affect the analysis of results.

Above result is in line with available literature which is given in next lines. Muslims are risk averse



and their investments are found in accordance less with Markowitz model and more with Islamic laws. Non- religious Muslims behave like non- Muslims and their investments are aligned with Markowitz portfolio model (Tahir Imran, 2011). Highly religious Muslim investors do not invest for speculative gains and ensure 'shariah' compliance before investment (Rusnah Muhamad, 2005). Muslims are forbidden to engage in any activity so as investment which is not permissible under Islamic law (Tahir Imran, 2011).

viii. "We are not permitted to do 'tizaarat' (business) of liquor and pork. But there are few European Muslims consuming liquor as impact of European society .Here again cultural influence is more prominent. One of my known Turkish Muslim consumes liquor being residing in Europe and she used to say occasionally, I drink not as frequently as debarred in my religion. Therefore, society influence is there."

Interpretation: Above statement shows the influence of European culture on code of conduct. This is supported by study of Imran Tahir and Mark Brimble that Most Muslims in the west do not adhere with the Islamic laws rather they follow common law prevalent in the west. Less religious Muslims show the investment behavior same as non-Muslims do. Muslim culture plays a considerable role in influencing investment behavior but not all Muslims abide by Islamic laws. For example, few Muslims keep their money in bank which is not permissible under 'shariah' (Tahir Imran, 2011).

ix. "As against 'Dowry system' followed in Indian society, we do not make expenses on marriage of children. We have a ritual of paying 'Mehtar' to the bride by groom. 'Mehtar' should be from groom's earning. We do not invest for marriage of daughters as it is practiced in Hinduism. In Muslim countries like Saudi Arabia, people make expense to get comfort in their life completely. Unlike India, they have less financial

obligations. Hence, they don't invest so much for financial planning rather they make expenses to live a luxurious life. Government grants money for their kid's and upbringing immediately after the birth and for education afterwards. The rules are different for Arabian Muslims and non-Arabian Muslims i.e. Indian Muslims, Sudani-Muslims, Egyptian- Muslims. Further, the boy should have all those amenities which are needed to start a new life before marrying. On the contrast, in Hinduism, all these amenities are given by bride's parents, known as 'Dowry' which ultimately create burden on parents of bride. Ceremony after marriage called 'Valeema' is also arranged by groom on his expenses as contrast to Hindu religion where bride's parents have to bear the expenses of ceremony. In turn, Hindu middle class families save and invest to meet heavy expenses for their daughter's marriage".

"Education for both girl and boy is equally encouraged in Islam. Prophet Mohammad had 4 daughters whom he gave good education. Right to parent's property of female offspring is half of that of male offspring in Islam."

Interpretation: In Hinduism, there is 'dowry system' being prevalent. Due to this Hindu parents with female offspring save for their daughter's marriage. If they run scarcity of funds, they prefer to save for paying dowry than to educate their daughters. This sometimes results in less educated females in poor Hindu families and finally impacts their investment motive. On the contrary, Muslims receives 'Mehtar' on the marriage of their daughters. So, saving for daughter's marriage is not an investment objective for them.

There is equality in education for both the genders are found in Islam. Marriage of daughter is not a financial obligation for Muslims. Therefore, upbringing and marriage of girl child is not burden for us as compared to other religion.

- x. "Begging is forbidden under Sikh religion. Gambling is prohibited; Sikh investors are more open to long term/sustainable investments. Sikhs have to donate a part of their income as charity but not in cash."

Findings

- In Islam, interest is strictly prohibited, conventional banking is restricted. Speculative gains such as gambling, insurance too are prohibited. Money lending is restricted however, loan without interest is permissible. Commission based income is forbidden. Usury is condemned. Savings are permissible provided 'zakat' must be donated on savings as per 'shariah'. Insurance is popular investment scheme in India where Muslims are discouraged by their religion for interest based investment.
- 'Shariah' is Islamic code of conduct. Muslims are encouraged to save but not to invest those savings and earn interest on it. Investing in gold and real estate is permitted but 'zakat' has to be paid on it.
- Muslims cannot invest in shares of companies engaged in providing interest based loans, insurance companies, companies that produce or sell intoxicants, liquor, pork or companies involved in nightclubbing, gambling, pornography, etc.
- Islamic banking abides by the principle of non-acceptance of interest in Islam and helps Muslim investors keep investing their money with non-violation of 'shariah'.
- Paying 'zakat' is obligatory for Muslims. It is a donation given to poor or needy. It is given annually on amount exceeds a specific limit on individual savings.
- Culture prevailing in society and religiosity are found to be mediating variable in this study. Lifestyle priorities and cultural influence reduce/

increase religiosity among Muslim investors. Less religious Muslims show the investment behavior same as non-Muslims do.

- There is equality of education for both the genders in Islam. Marriage of daughter is not a financial obligation for Muslims.

Conclusion

The above observations made out of Focus group study are supported by the findings of Goel, S. & Srivastava, R.K., (2016), Tahir & Brimble, 2011 and Rusnah & Susila Devi, 2005 that there is influence of religiosity on investment behavior of Malay Muslims. They ensure 'shariah' compliance in their investment decisions (Rusnah Muhamad, 2005). In line with other related studies (Hess, D., 2012) (Rusnah Muhamad, 2005) (Tahir Imran, 2011), it is found that individual's investment behavior is dependent upon their religious affiliation. Investors of different religious groups have different opinion and behavior with relation to their investment objectives, investment needs/ obligation, mode of fulfilling these investment needs, choice of financial instruments, sources of investment information used and their risk tolerance level. It provides strong evidence to suggest that all the four religious groups tend to have different investment behavior.

In Islam, all activities must be carried in accordance with the shariah (Mohd Yatim, 2004). Islam does influence the investment behavior, and however, the degree to which it does depends upon religiosity of investor. In practice, Muslim investors now comply less with the Islamic laws. Most Muslims in the west do not adhere with the Islamic laws rather they follow common law prevalent in the west. Less religious Muslims show the investment behavior same as non-Muslims do. Homogeneous characteristics are not found among Islamic investors (Tahir & Brimble, 2011). Geographical heterogeneity in religious beliefs is an influential factor shaping up investment decisions (Tao, Eric, & Johan, December, 2009).



Christianity also speaks against interest and debt (Hess, D., 2012). Investment behavior of Hindu, Sikh and Christian investors is also different and they consider factors other than risk and return while investing which extends the above theory.

Implications of the Study

Behavioural finance theories are extended that not only the market information structure but the religious affiliations of the individual investor also influence the investment decisions/ patterns. As interest is prohibited, money lending and interest based investments are not encouraged in Islam whereby flow of money in Indian economy may hinder and it may result in negative effect on development of India. This study facilitates the fund managers to design investment products according to the need of the Muslim investors. Muslim investors should be provided with the investment solutions in adherence to the aforesaid laws.

An important implication of the study is to motivate the Muslim community who invest less in comparison to other communities. Islamic banking should be promoted in India. Such products are available in financial markets of Muslim countries.

This study can be proved as an opportunity for Indian banks and financial institutions to design 'shariah' compliance investment products. They may explore the market of shariah- compliant instruments exist in Islamic countries which may be proved helpful for designing Islamic products. Managing assets in line with Islamic precepts will be exclusive with the unique specification of non-interest bearing investments.

As interest-bearing instruments are essential to corporate finance, the relevance of Islamic law to corporate finance requires some challenge for fund managers.

Portfolio constructors have to take care of the variation in adherence of *shariah* by the Muslim

investors. Further, there is lack of secondary market for *shariah* compliant products and no uniform standards in India which are extended challenges for fund managers.

Limitations of the Study

The time and the resource constraints of present study have imposed the following restrictions:

- The study was limited to qualitative data only.
- The study has geographical restrictions to Delhi/ NCR and to a smaller sample size.
- Cultural and societal influence was not controllable and could affect results.

Directions for the Future Research

Future research may be extended to quantitative data research making survey questionnaire based on the results of this study and obtaining primary data from Indian Muslim investors. Sampling area can be extended to get views of other geographical locations. Impact of degree of religiosity on investment behaviour may be studied where other demographic variables kept under control to bring more accuracy in results even with small sample size.

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Table 1.1: Factors influencing Individual Investment Behavior

Demographic Factors	Age, Gender, Income, Education , Occupation , Experience, Marital Status, Family status, Family earning status, Number of dependents, Upbringing status
Market Factors	Price changes, Market information, Over reaction to price changes, Customer preferences
Risk Bearing Capacity	Considerations of safety, liquidity, capital appreciation, return and risk coverage
Personal Values	Socially and religiously expressive characteristics that determine the attitude of an investor towards controversial stocks, sin stocks (firms that profit from alcohol tobacco and gambling), stocks with environmental stocks, stocks with progressive practices for women, minorities and homosexuals.
Lifestyle Characteristics	Personal ability, investment experience, confidence level, dependency level of investor.
Behavioral Factors	Cognitive factors – Representative heuristics, Availability heuristics, Over confidence effect, Anchoring, Hindsight bias, Gambler’s fallacy, Investor optimism. Emotional Factors –Mental accounting, Endowment effect, Loss aversion, Regret aversion Psychological factors- Desires, goals, prejudices. Herding factors –Following the habits of other investors (social proof) in buying, selling, and choice and trading of investments.
Stock Fundamentals	Beta, Past returns, risk, EPS, firm size, share price.
Other Factors	Personal financial needs – Portfolio diversification need , Easy availability of fund whenever needs , need to minimize the risk and maximize the return Advice or recommendation - From a family member, friend , stock holder , broker Neutral information – Information from internet, coverage in press, recent price movement statement by government officials, economic indicators. Self-image / firm image coincidence – Reputation of the firm, Information regarding product or service of the firm, Efforts made by the firm for the development of the community.

Source: (Anuj & Anuradha, September’ 2015), (Kaur & Vohra, December 2012)

Blind Reviewers Comment

The topic of the paper is catering towards a sensitive issue of Islamic Banking and investment behavioural attitude of Muslims. The objective of the study is mainly focusing on the fact that to what extent Indian Muslim investors investing behavior is affected by the Islamic laws. However, sample size is too small but considering the topic that can be accepted. Process of data collection done through focus group study and interviews is clearly explained. Interpretation of findings are also explained in a detailed manner. Overall this is a concise manuscript focusing on investment behavior of Indian Muslims.

GJEIS Prevent Plagiarism in Publication

The Editorial Board had used the turnitin plagiarism [<http://www.turnitin.com>] tool to check the originality and further affixed the similarity index which is 8% in this case (See Annexure-I). Thus the reviewers and editors are of view to find it suitable to publish in this Volume-11, Issue-1, Jan-Mar, 2019

Annexure 1

ORIGINALITY REPORT

8%	6%	4%	4%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

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3	www.ufrgs.br Internet Source	<1%
4	samirisaoui04.blogspot.com Internet Source	<1%
5	orca.cf.ac.uk Internet Source	<1%
6	Imran Tahir, Mark Brimble. "Islamic investment behaviour", International Journal of Islamic and Middle Eastern Finance and Management, 2011 Publication	<1%
7	bai2006.atissr.org Internet Source	<1%
8	Submitted to University of Newcastle upon Tyne Student Paper	<1%
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10	Iqbal. "The Economic System", An Introduction to Islamic Finance Theory and Practice, 03/21/2012 Publication	<1%
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25	Farhana Tahmida Newaz, Kim-Shyan Fam, Revti Raman Sharma. "Muslim religiosity and purchase intention of different categories of Islamic financial products", Journal of Financial Services Marketing, 2016 Publication	<1%
26	Submitted to American University of Kuwait Student Paper	<1%
27	Submitted to University of the Western Cape Student Paper	<1%
28	Belal Barhem, Hassan Younies, Rusnah behavior of Muslim employees", Education, Business and Society: Contemporary Middle Eastern Issues, 2009 Publication	<1%

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