Journal DOI: 10.36713/epra0412 ISSN: 2277–7741

International Journal of
Asian Economic Light (JAEL) – Peer Reviewed Journal
SJIF Impact Factor (2024): 8.28 Volume: 12 | Issue: 6 | August 2024

HALAL INVESTMENTS: HABITS AND APPROACHES IN MALABAR REGION

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Article DOI: https://doi.org/10.36713/epra18016
DOI No: 10.36713/epra18016

ABSTRACT

The study examines the investor behaviour, its influencing factors among the Muslim community in the Malabar region of Kerala (covering Malappuram, Kozhikode, Kannur, and Kasaragod) in aligning financial decisions with ethical and religious values (Halal). It adopts a descriptive research design, utilizing both primary and secondary data. Primary data is collected via a self-designed questionnaire, while secondary data is gathered from books, journals, and online sources. A random sample of 200 respondents from these four districts is studied over a 40-day period. Data is analysed using SPSS and presented through various statistical methods. The study's key objectives include examining the extent of halal investments within the community, identifying preferred halal investment avenues, exploring factors influencing these decisions, and analysing the impact of Islamic education on halal investment. The study highlights the correlation between level of Islamic education and halal investment engagement among Muslim community.

KEYWORDS: *Halal, Sharia, Investment habit, Investment approach, Malabar region, Islamic education*

1. INTRODUCTION

Islamic finance has been the most rapidly expanding part of the worldwide financial system, boasting significant double-digit growth in recent years. The financial market sees a rise in Halal investment as wealthy Muslim investors look to follow Islamic principles (Rahman, 2014, 2015). The method includes both qualitative and quantitative screening to find Shariah-compliant avenues, verifying that companies are involved in permissible activities and have appropriate levels of interest-bearing securities (Rahman, 2014, 2015). The Halal sector in some Islamic countries offers lucrative investment prospects like Hajj funds because of the nation's sizable Muslim population and the industry's promise of continual expansion (Rahman et al., 2024; Rachman, 2021). Collaboration with key players in the halal industry, especially in prominent sectors like Halal Food, Halal Travel, and Muslim Fashion, are crucial investment strategies (Rahman et al., 2024; Rachman, 2021). Nevertheless, it is essential to effectively manage risks when investing Hajj funds in the halal sector (Rahman et al., 2024). Ethical investing, or socially responsible investing (SRI), involves choosing investments based on ethical, social, and environmental criteria, aligning financial goals with personal values. Halal investment is a form of ethical investing that follows Islamic principles, avoiding industries like gambling, pork, tobacco, and alcohol, in line with Sharia law. Investors seek returns while adhering to Islamic values through options like Islamic mutual funds, Tata ethical funds, and Shariah-compliant stocks (Billah, 2019). The need for ethical investing is driven by a growing awareness of environmental, social, and governance (ESG) issues.

Halal and conventional investments differ in wealth management approaches. Halal, rooted in Islamic finance and Sharia law, avoids unethical industries like alcohol, pork products and gambling etc. It focuses on socially responsible opportunities such as technology and healthcare, using Sharia-compliant financial instruments for moral integrity and societal contribution.

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The studies on halal investment have important consequences for both individual investors and the overall financial industry. The research adds to more mindful investment approaches by examining how investors align financial decisions with ethical, moral, and religious values. It also evaluates the influence and effectiveness of halal investments, increasing investor trust and promoting ethical leadership.

1.1 Problem Statement

The Muslim population in Kerala has a notable impact on the state's economy, especially in retail trade, textile enterprises, real estate, gold and jewellery, and food-related sectors. Remittances from the Gulf countries, where many Keralite Muslims are employed, provide a significant amount of funding for capital in these sectors. Moreover, Muslims show a significant presence in entrepreneurship, particularly in areas such as Malappuram, Kozhikode, and Kasaragod. The Gulf has become a crucial source of investment and business growth in Kerala, heavily impacting the economic activities of this community. Halal and ethical investment practices are gaining importance especially in Muslim populated countries, yet there is a need to understand the factors influencing investor behaviour in these areas. It is imperative to understand how much halal investment habit there is among the Malabar Muslim community in particular, where a large section of business is run in Kerala. Hence, the study aims to fill this gap by examining investor behaviour and the effects of Islamic education on halal investment habits and 6pproaches.

2. LITERATURE REVIEW

The review of literature is a crucial stage in research, laying the groundwork for comprehending the problem's complexity, establishing goals, creating hypotheses, choosing suitable methods, and analysing findings. This chapter provides a summary of different studies that are pertinent to this research.

Baber's (2022) study examined the factors that impact non-Muslims' approval of the Islamic financial system in India. During 2017, a research was carried out with 932 participants from three different religions: Christianity, Hinduism, and Sikhism. The results showed that non-Muslims' acceptance of Islamic finance was greatly impacted by religiosity and subjective norms, rather than attitude and behaviour. This research emphasizes the possibility of Islamic finance capturing interest outside of the Muslim population, indicating possibilities for raising awareness among non-Muslims.

Septyanto et al. (2022) carried out a study in Indonesia to investigate the impact of subjective norms, behaviour control, religiosity, religious events, and profit maximization on the investment intentions of Muslim investors in Sharia products. The research discovered that behaviour control, subjective norms, and profit maximization directly influenced investment intentions, whereas attitude, religious events, and religiosity had an indirect impact. This research highlights the intricate nature of the factors that impact investment choices in Sharia-compliant products.

Yusuf Talal Delorenzo (2021) presented a theoretical structure for Islamic finance rooted in Sharia principles that regulate all areas of a Muslim's life, differentiating between halal (permissible) and haram (prohibited) practices. He stressed that according to Sharia law, money can't earn profit by itself; profit should only come when the capital is involved in the risks and responsibilities of business ventures. This basic concept clarifies why Islamic finance prohibits the payment of interest. Goel and Srivastava (2021) emphasised the lack of studies on the influence of religion in retirement savings, especially in developing countries. It was emphasized the importance of investigating if religion impacts investment choices in retirement planning, considering its substantial influence in various areas of life. This void in the research indicates possible areas for future exploration. Naeem, Qureshi, et al. (2021) investigated how Islamic stock sectors are related to the gold market, finding a low tail dependency. This discovery implies that combining Islamic stocks with gold in portfolios could provide diversification advantages. In comparison, Dislij et al. (2021) examined the correlation between Islamic stocks and gold amidst the COVID-19 outbreak and discovered a significant similarity, suggesting that these portfolios did not provide any diversification advantage at that time.

In their study, Alam et al. (2015) discovered that religiosity significantly influences individual attitudes and behaviours, especially within the realm of Islamic banking. Their research, backed by previous studies by Foxall and Goldsmith (1988) and Weaver and Agle (2002), highlighted the enduring impact of religion on the adoption of Islamic banking services. Nevertheless, there were religious people who raised doubts about whether Islamic

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banks were truly following Islamic principles, emphasizing the importance of investigating the link between religious beliefs and the desire to utilize Islamic banking services. Amin et al. and Md-Taib et al. (2014) repeatedly showed that attitude plays a significant role in influencing the intention to use Islamic banking products. Their study indicates that attempting to modify or impact attitudes through educational initiatives and marketing strategies might boost the receptiveness of both Muslims and non-Muslims towards embracing Islamic banking products. According to Gunawan (2020), Smart investment and education systems can improve halal industry by increasing financial literacy and enhancing Return of Investment.

The comprehensive literature review not found any study on halal investment behaviour. In India, where the Muslim population is relatively high, as well as in states like Kerala where the business-minded Muslim community resides, the fact that no research has been conducted on such investment behaviours is a significant research gap.

3. RESEARCH METHODOLOGY

Halal investment is crucial for Muslims as it allows them to grow their wealth while following Islamic principles. Muslims can ensure the morality and ethics of their financial transactions by avoiding activities prohibited by Islamic law, such as gambling, alcohol, and interest-based finance. Halal investments promote economic stability and social welfare by supporting socially responsible companies and projects. Additionally, halal investments assist in achieving financial and religious objectives by offering opportunities for sustainable progress and expansion while upholding spiritual integrity. So a study in this area is crucial in many perspectives.

The present study focuses on the Muslim community in Malabar region in Kerala (Malappuram, Kozhikode, Kannur and Kasaragod), analysing investor behaviour, motivations, and challenges in aligning financial decisions with ethical and religious values. The study employs a descriptive research design, using both primary and secondary data. Primary data is collected via a self-constructed questionnaire, while secondary data is sourced from books, journals, and the internet. A sample of 200 respondents is selected randomly from the 4 districts among Muslim community. The study is conducted over 40 days, with data analysed using statistical techniques through SPSS, and presented in tables, charts, and graphs. The important objectives framed for the study are:

- To study the extent of halal investment among the Muslim community.
- To identify the most preferred halal investment avenues.
- To determine the factors influencing halal investment decisions.
- To analyse the effect of Islamic education on halal investment.

There are two hypotheses set for the present study. They are:
H01: No significant relationship between Islamic education level and halal investment engagement level.
H02: No age effect on investment preferences within the Muslim community.

A questionnaire consisting of 16 questions was used for the survey in addition to the basic information of the response. A 5-point Likert's scale is applied to apprehend the level of investment engagement, perceptions and motivation factors. To test the relationship between level of Islamic (Madrassa) education and halal investment engagement level among Muslim community, and to test the age effect in halal investment behaviour, chi-square test is applied.

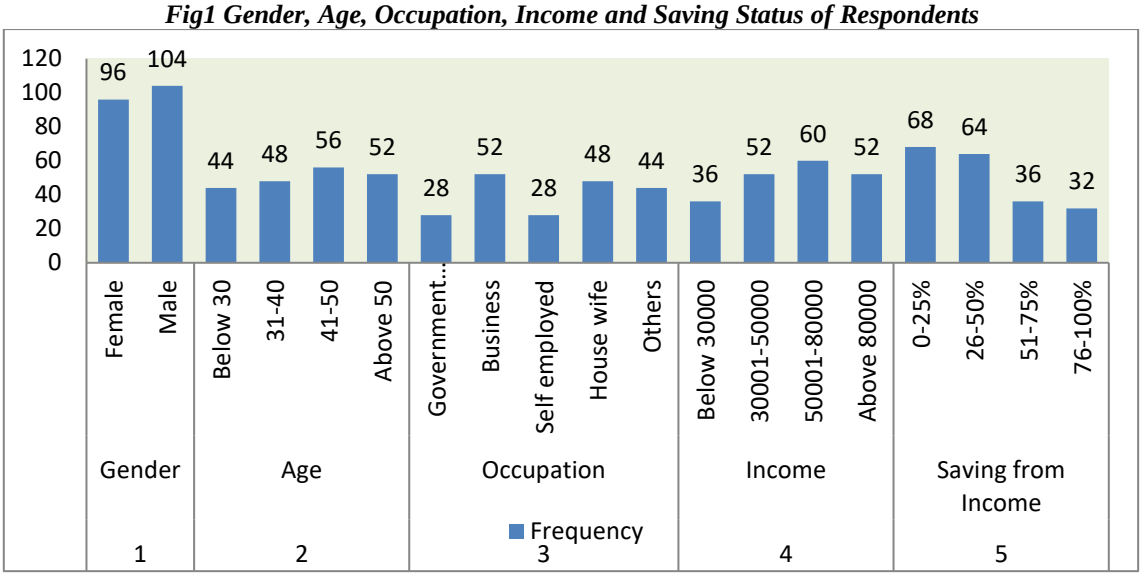
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4. ANALYSIS AND DISCUSSION

4.1 Demographic Profile

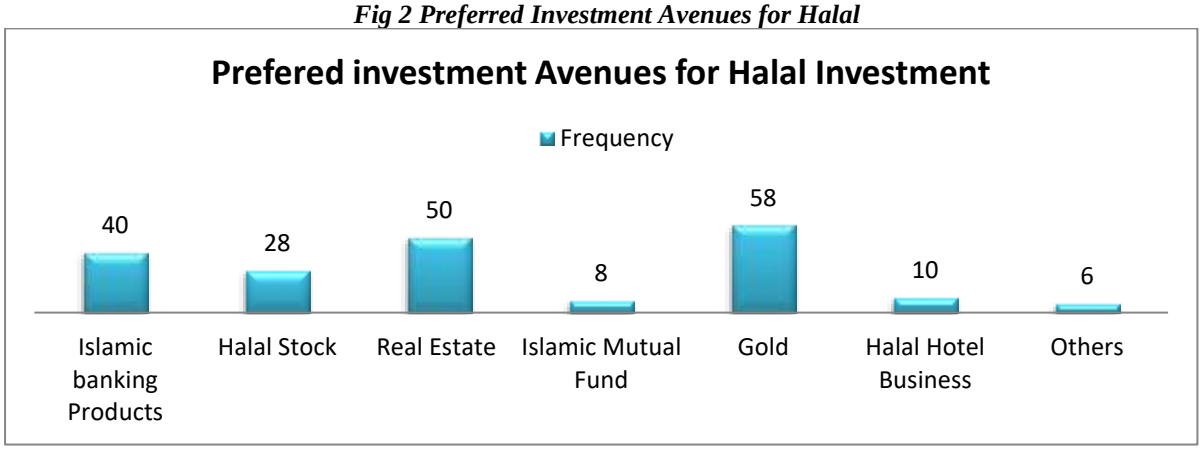
Fig1 Gender, Age, Occupation, Income and Saving Status of Respondents



The study uncovers different demographic findings and behavioural trends among participants. In terms of gender, males make up 52 per cent and females make up 48 per cent, with a slight edge towards males. In terms of age, the largest percentage of respondents (28 per cent) is in the 41-50 age brackets. 26 per cent are employed in business, making it the most prevalent occupation in terms of employment. Statistics indicate that 30 per cent of individuals make a monthly income ranging from ₹50,001 to ₹80,000, while 34 per cent manage to save anywhere from 0-25 per cent of their earnings.

4.2 Halal Investment Preference

Fig 2 Preferred Investment Avenues for Halal



Gold is the top choice for halal investment, with the largest percentage showing that about 28% of participants favour investing in gold. Real Estate and Islamic Banking Products are both in demand, with real estate just slightly below gold in popularity, but still chosen by over 20% of respondents. Around 20% of people show a preference for Islamic banking products. Halal Stock ranks second, with approximately 15% of participants indicating interest. The hotel business and Islamic mutual funds are the least preferred, with the former being favoured by just over 5% while the latter is even less favoured, showing that these are the least popular investments among the participants. This indicates that classic assets such as gold and real estate are in great demand, while newer options like Islamic mutual funds and the halal hotel industry are not as popular.

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4.3 Familiarity and Perceived Risk in Halal Investment

Table 1 level of Familiarity and Perceived risks in Halal Investment

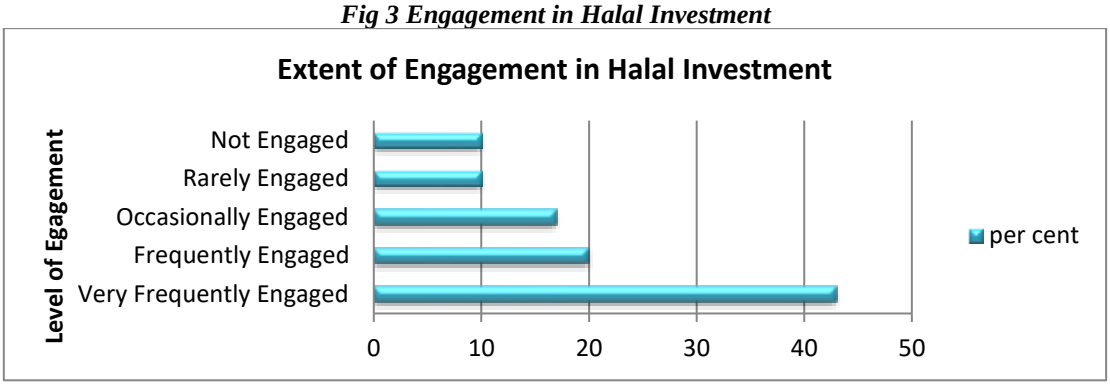
Level of Familiarity with Halal Investment			Risk in Halal Investment Compared to Conventional Investment	
Category	**Frequency**	**Percentage**	**Frequency**	**Percentage**
Very High	24	12%	20	10%
High	80	40%	28	14%
Neutral	56	28%	44	22%
Low	32	16%	72	36%
Very Low	8	4%	36	18%
Total	**200**	**100%**	**200**	**100%**

(Source: Primary data)

The data shows that over half of the participants, 52%, are highly or very familiar with halal investments, showing a strong level of awareness and comprehension. Nevertheless, 28% stay impartial, indicating potential for more learning. When looking at the risk of halal investments versus traditional choices, 54% view halal investments as having low or very low risk, which probably adds to their attractiveness. A greater participation in halal financial products may be influenced by the belief of decreased risk, thus contributing to their widespread appeal.

4.4 Extent of Engagement in Halal Investment

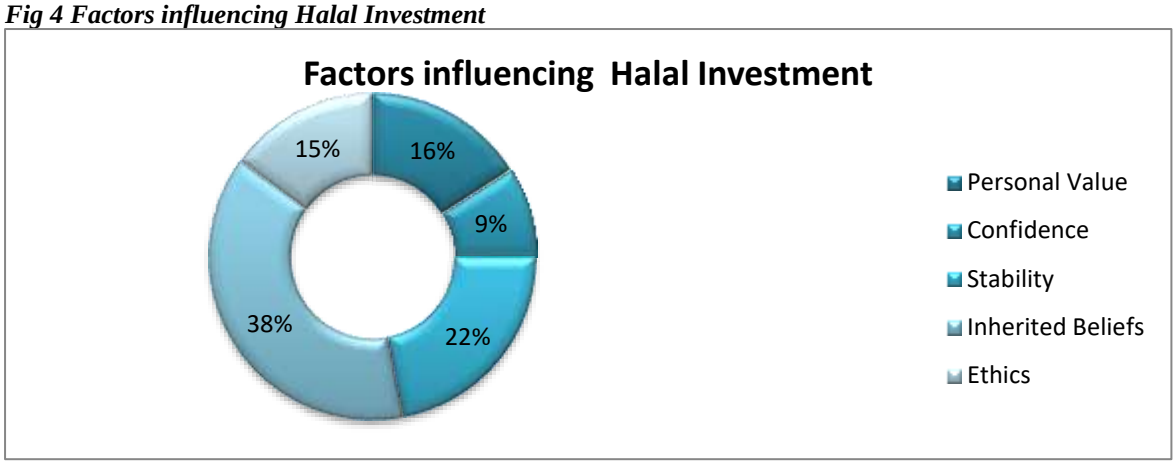
Fig 3 Engagement in Halal Investment



The data indicates that a high percentage of participants, 63%, are actively involved in halal investments on a frequent basis, demonstrating strong engagement. This strong level of involvement aligns with the previously mentioned high level of familiarity and belief in lower risk connected with halal investments, which enhances the appeal to investors.

4.5 Factors Influencing Halal Investment

Fig 4 Factors influencing Halal Investment



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This figure shows the factors that impact halal investment choices using the data given. It shows the importance of each factor as identified by respondents, with "Inherited Beliefs" being the most critical at 38%, followed by "Stability" at 22%. "Personal Value" and "Ethical Consideration" contribute 16% and 15% respectively, with "Trust & Confidence" having the least impact at 9%.

4.6 Testing of Hypotheses

4.6.1 Association between Islamic (Madrassa) Education and the extent of Halal investment engagement

While analysing respondent's Islamic education status, it is observed that out of all the participants, 18% of them are below 5th Standard; 30% are between 5th-7th Standard; 26% are between 8th-10th Standard; and the remaining 26% are above 10th standard. It is evident that a majority of respondents are in the 5th-7th standard range. The extent of halal investment engagement is stated in previous section (4.4).

Table 2 Chi-Square Test 1

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	67.499[a]	33	.001
Likelihood Ratio	71.982	33	.000
N of Valid Cases	200		

The table above indicates there is a notable correlation between the level of Islamic education and the extent of engagement in investment in halal options. The probability value is 0.000, falling under 0.5. Therefore, the null hypothesis must be disproved. Therefore, it can be determined that there is a notable correlation between the extent of Islamic education and halal investment engagement. More the madrassa/Islamic education level, higher the halal investment engagements.

4.6.2 Association between Age of Respondents and Halal Investment Preference

The second hypotheses test the relationship between the age of respondents and their investment preferences. The data pertaining to these two variables were given in previous sections (4.1 and 4.2)

Chi-Square Test 2

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	180.726[a]	72	.001
Likelihood Ratio	185.641	72	.001
N of Valid Cases	200		

The above table explain whether there is age effect on investment preference of Muslim community. The probability value is 0.000 which is below 0.05. Hence null hypothesis rejected. So it is concluded that there is age effect on investment preference among Muslim community. According to the age of respondents their investment preferences in Halal options are found to be varied.

5. CONCLUSION

To sum up, the research on Halal investment behaviour within the Muslim community has offered valuable insights into demographic preferences and factors that impact investment decisions. Most of the participants are men, mainly in the 41-50 age groups. The majority of participants received Islamic education up to the 5th to 7th grade and were mainly involved in business endeavours. Most respondents did not commonly encounter challenges in halal investing, suggesting a positive environment for this type of investment. Most people agreed that their investment choice was religiously acceptable. The research also found that there is a strong relationship between Islamic education level and halal investment, as well as age impacting investment preferences among Muslims. These results indicate that demographic variables like gender, age, income, and education level have a notable impact on halal investment behaviour. The community shows a strong preference for secure and religiously compliant investment options, as demonstrated by their high level of engagement with low-risk investments.

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Implications of the study

There are many practical implications of this study. It gives an insight to the related authorities, investment operators, financial intermediaries etc., to provide additional investment choices in line with Sharia principles, like a variety of ETFs, to organise workshop and seminar to teach investors about risk management strategies in halal investment. Guarantee a competitive yield by hiring skilled fund managers who specialise in sharia-compliant investments. This study may be a reason to provide customised financial planning services and to introduce initiatives that promote increased saving rates within the particular community segment of India.

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