ORIGINAL RESEARCH PAPER

Finance

ASSESSMENT OF RISK PERCEPTION ON SHARIAH COMPLIANT EQUITY SHARE INVESTMENT AMONG THE MUSLIM POPULATION IN ASSAM, INDIA

KEY WORDS: Shariah, Equity investment, Risk Perception

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ABSTRACT

The purpose of this paper is to evaluate the risk perception of the Muslim population of Assam, India in relation to the Shariah compliant equity share investment. The study is based on primary data collected from the government and semi-government Muslim employees' working in Assam, India during January 2017 to April, 2018. The majority of the Muslim population of Assam, India are having moderate level of risk perceptions. The demographic factors play an important role in finding out the risk perception of the people. As found out from the study there is no significant difference in risk perception level among the Muslim population of Assam, India in relation to gender, mother tongue, and educational qualification. It is also found that, there is a significant difference in risk perceptions among the people of various districts of Assam, India, their designation in the office and the income level. Further it is also found out that, investment in equity share did not have any association with the risk perception and vice versa.

INTRODUCTION:

Investment has different meanings in business and economics. In economics, investment is the buildup of newly produced bodily entities, such as plants, machinery, houses, and goods portfolios. In finance, investment is putting money into an asset with the anticipation of capital appreciation, superfluities, and/or interest earnings. Equity investment is a form of risky investment where the investors invest their money in stock market with a hope of getting capital appreciation.

Shariah, the fundamental religious concept of Islam, namely its law, systematized during the 2nd and 3rd centuries of the Muslim era (8th–9th centuries CE). The Shariah compliant equity shares in India belong to those companies which conforms to the standard Shariah screening norms prescribed by the competent authority. In India, the Shariah screening norms as prescribed by NSE Indices Ltd in association with Taqwaa Advisory and Shariah Investment Solutions (TASIS) as per methodology document of August 2018 are as follows:

I) Business Screenings: The companies of the following sectors are curtained out from the Index: Conventional Financial Services such as banks, insurance companies, finance and investment companies, stock broking etc. Production, sale and marketing of non-Halal food and drinks such as Pork, Alcohol, Tobacco etc. Companies involved in production or distribution of uncouth entertainment, such as film and other recreational activities where vulgarity, promiscuity is an integral part of the business. Non Halal entertainment providers such as Hotels and restaurants. Gambling, Narcotics, drugs etc.

ii) Financial Screening: Debt portion of capital cannot exceed 25% of Total Assets. Interest based revenue should be less than or equal to 3% of total revenue. Account receivables and cash and bank balances should be less than or equal to 90% of Total Assets.(Method Nifty Shariah Indices, 2018)

Risk is a term which is often associated with investments. Equity investments are considered one of the high risk investments. Investors choose investment avenues depending upon their specific need, risk appetite and expectations (Singh and Bhowal, 2007). This paper is an attempt to understand the Risk Perception of the Muslim population in the state of Assam, India in relation to the Shariah compliant equity share investment.

REVIEW OF LITERATURE

A study conducted in a Public sector undertaking found that, the employees perceive the shares of their own company as less risky than the shares of other company but they have not attempted to measure the level of risk perception. (Singh & Bhowal, 2011).

Another study on gender influence on risk perception, it was found that women investors' weight risk attributes, such as possibility of loss and ambiguity, more heavily than their male colleagues.(Olsen & Cox, 2001).

Karmakar (2001) in a study found that, while taking an investment decision, people give highest priority to security and safety. In other words people are in general risk averse.

Purkayastha (2008) found that age, salary and designation had a direct impact on the risk appetite of an investor. In reality, people prefer to invest mostly in Mutual Fund which is considered less risky than equity share irrespective of their demographic profile and risk appetite.

Singh and Bhowal (2010) in their study found that, the risk perception of the employees for own company share is comparatively lower than the risk perception for the shares of other any other company.

MacCrimmon and Wehrung (1990) conducted a study among the managers who were in higher designation in their respective organisations to know the physiognomies of risk perception by them and it was found that the most successful executives are the major risk takers and most established executives are the mostly risk-averse.

Veeramani and Karthikeyan (2014) found that investors' perception of the total investment risk and return regulates the capacity of investors and the investors favor less risky investment avenues over other risky avenues.

Palmer (1996) and Weber (2001) concentrated on the way where people unconsciously convert objective risk information (i.e., possible selection of various risky investment avenues and their likely influence) in ways that imitate the impact that these events had on their lives. They found that, risk perception about investment in risky assets play a significant role in investment decision making.

From the above references, it is seen that there had been many studies on measuring risk and risk perception in several conditions and cross sections of the society, but no study has been conducted to quantify the risk perception of the Muslim community. Therefore, in this study, the risk perception of Muslims residing in the state of Assam is measured using the considerations used by Singh and Bhowal (2011), Deb and Singh (2018) and Singh and Bhattacharjee (2019).

OBJECTIVE OF THE STUDY:

The objective of the present study is as follows:

- To evaluate the Risk Perception of educated Muslim population in Assam about equity investment with special reference to Shariah compliant equity investment.

RESEARCH QUESTIONS

The study attempts to answer the following research questions:

- What is the Risk Perception of educated Muslim Population in Assam about Shariah compliant equity investment?
- Is there any significant difference on Risk Perception level among the Muslim population of Assam?

RESEARCH METHODOLOGY

The methodology followed in the study is as follows:

a. **Jurisdiction of the Study:** The present study covers the educated Muslim Population of Assam engaged in Government and semi-government jobs.

b. **Types of respondent:** In the study all types of employees are considered irrespective of their designation in the offices.

c. **Universe of the Study:** For the purpose of the proposed study, the universe consists of the educated Muslims of Assam working in Government offices including PSU and semi-government offices. Total population of Assam is 3, 11, 69,272 (Census, 2011) and Muslims constitute 34.3% (Census, 2011)of the total population. Hence the No. of Muslims in Assam is 1,06,79,345. The number of Central Government employees in Assam is 76,500 (Census of Central Government Employees, 2001) and in state governemnt jobs is 3,24,728 (Directorate of Economics and Statistics, Assam, 2004). Hence Total of Govt employees in Assam (3,24,728 + 76,500) is approximately 4,00,000. The Muslim population's share in Government jobs in Assam is 11% (Sacher, 2006). Hence No. of Muslim Government employees are around 44,000. This will be the population for the current study.

d. **Sample and Sample Unit:** The sample was drawn using a multi-stage sampling method. It was observed that the distribution of Muslim employees is uniform across the state. Therefore, in the first stage, four districts of Assam were chosen out of 33 districts. These districts were Dhubri (including South Salmara and Mankachar district), Barpeta, Kamrup (Metro and Rural) and Dibrugarh. The total number of Muslim employees and their details were collected from the district authorities of these four districts by filling applications under Right to Information Act 2005. After collecting the information about all the Muslim employees in these four districts, in the second stage of sampling 595 graduate Muslim employees working in the government and semi-government sectors were chosen and mailed questionnaires were sent. Out of these, only 218 respondents returned the duly-filled questionnaires. Out of these 218 responses, eight questionnaires were discarded due to incomplete answers. So, the total responses considered in the sample were 210.

e. **Data collection:** Primary data was collected using structured questionnaires. Secondary data were gathered from newspaper, magazines and journals.

f. **Development of questionnaire:** To measure the Risk Perception, several variables were identified after reviewing the literatures. Several statements or items were generated to measure the overall scores regarding the Risk Perception on Shariah compliant equity shares based upon the review of literature. In total 34 items were identified. The items are as follows:

Item No. 1 is related to the idea on investment in Shariah compliant equity shares.
Item No. 2 is related to the certainty of income in Shariah compliant equity shares.
Item No. 3 is about steady income
Item No.4 is about guarantee of assured income.
Item No. 5 is about difficulty in calculating income from investment in shariah compliant equity shares.
Item No. 6 is about awareness about awareness about complex rules and regulations on the Shariah compliant equity shares.
Item No. 7 is about requirement of huge sum of money for investment.
Item No. 8 is about knowhow of daily monitoring of equity share market.
Item No. 9 is about regular monitoring of equity share market and periodic interval.
Item No. 10 is about utilization of share market information for investment decision making.
Item No. 11 is about complexity of share market investment.
Item No. 12 is about hassle free ness of the market.
Item No. 13 is about victim of fraud committed by others.
Item No. 14 is about difficulty in monitoring macro economic data.
Item No. 15 is about selection of a Shariah compliant equity share for investment.
Item No. 16 is about selecting the type of equity shares for investment.
Item No. 17 is about difficulty in watching financial and non-financial performance of the company.
Item No. 18 is about understanding buying and selling price fixation mechanism related to equity shares.
Item No. 19 is about the confidence in selecting right time to buy and sell equity shares.
Item No. 20 is about motivation and demotivation for investment in shares because of the volatile nature of market price.
Item No. 21 is about tracking the daily movement of price of shares in the market.
Item No 22 is about information on shariah compliant equity share information.
Item No. 23 is about lack of education about investment in shariah compliant equity shares.
Item No. 24 is about the riskiness of share market investment.
Item No. 25 is about lack of local counsellors for equity share investment.
Item No. 26 is about lack of vernacular medium media who provides share market information.
Item No. 27 is about irregularity of vernacular media who provides share market information.
Item No. 28 is about reporting of equity share scandals.
Item No. 29 is about seeing others suffering loss in share market investment.
Item No. 30 is about non availability of equity share locally.
Item No. 31 is about the existence of company of interest for investment.
Item No. 32 is about integrity of local agents.
Item No. 33 is about the place for registering grievances.
Item No. 34 is about reliability of post office and courier and its impact of equity share investment.

The respondents of the questionnaire were given 5 options ranging from 1 to 5 where 1 represented strongly disagree and 5 represented strongly agree.

ANALYSIS AND FINDINGS:

As shown above, the measurement scale used in this case is a five point scale, where the rating of 1 signify strongly disagree and the rating of 5 signify strongly agree. Therefore, the overall maximum score possible is 150 and the overall minimum score possible is 30. The score here signifies the overall level of Risk Perception. The overall Risk Perception level calculated, thus can be interpreted as follows:

Table 1: Interpretation of Overall Score of Risk Perception

Interpretation of scale value	Very Low level of Risk Perception	Low Level of Risk Perception	Moderate Level of Risk Perception	High Level of Risk Perception	Very High Level of Risk Perception
Scale value for overall score	30-54	54-78	78-102	102-126	126-150

Source: Compiled from questionnaire

Cronbach's Alpha value was calculated and found to be 0.579 which was not sufficient for the data to be reliable. Therefore item numbers 1, 2, 3 and 5 removed and the value was recalculated and

found to be 0.717. So, the data with 30 items were reliable to proceed further as per Nunnaly J (1978). The Randomness of data was checked by using Runs Test which gave the result that the data is random in nature. The Normality of the data was checked by using Kolmogorov-Smirnov test and found that, the data is not normally distributed. Therefore, the further analysis of the data were done by non-parametric tests such as Mann Whitney U Test and Kruskal-Wallis Test.

The frequency distribution based upon the score obtained by the respondents are as follows:

Table 2: Frequency of overall Risk Perception

	Level of Overall Risk Perception					Total
	Very Low	Low	Moderate	High	Very High	
Count	0	8	122	80	0	210
% of Total	0%	3.80%	58.10%	38.09%	0%	100%

Source: Compiled from the questionnaires

Minimum score obtained by the respondents is 76 and the maximum score obtained by the respondents is 115. The mean score calculated is 97.77. Hence, it can be interpreted that the Muslim population of Assam are having moderate level of Risk Perception about the Shariah compliant equity share investment.

The Kruskal Wallis Test Statistics for Mean Ranks of the respondents of various districts are as follows:

Table 3: Total Score Ranks and Respondents districts

	Respondents district	Mean Rank
Total Score of Respondents	Dibrugarh	97.49
	Kamrup (Metro & Rural)	119.04
	Barpeta	170.86
	Dhubri (Dhubri and South Salmara)	21.00

Table 10: Test Statistics	
	Total Score of Respondents
Chi-Square	33.914
Df	3
Asymp. Sig.	.000

Source: Compiled from the questionnaires

As seen from the above, the p value of the mean ranks of the respondents of the 4 districts is less than 0.05. Therefore, we reject the null hypothesis. Hence, there is a significant difference between the risk perception levels of the respondents of the 4 districts of Assam.

The Mann Whitney U Test Statistics for Mean Ranks of the respondents based upon their gender is shown below:

Table 4: Total Score Ranks and Gender

	Gender	Mean Rank	Sum of Ranks
Total Score of Respondents	Male	108.52	17688.00
	Female	95.04	4467.00

Table 5: Test Statistics	
	Total Score of Respondents
Mann-Whitney U	3339.000
Wilcoxon W	4467.000
Z	-1.342
Asymp. Sig. (2-tailed)	.179

Source: Compiled from the questionnaires

Here, the p value is more than the significance level of 0.05. Hence, the null hypothesis could not be rejected and there is no significant difference between the risk perception about Shariah compliant equity share investment of the males and females.

The Mann Whitney U Test Statistics for Mean Ranks of the respondents based upon the mother tongue of the respondents is shown below:

Table 5: Total Score Ranks and Mother tongue			
	Mother Tongue of respondents	Mean Rank	Sum of Ranks
Total Score of Respondents	Assamese	105.94	17374.00
	Bengali	103.93	4781.00

Table 6: Test Statistics	
	Total Score of Respondents
Mann-Whitney U	3700.000
Wilcoxon W	4781.000
Z	-.198
Asymp. Sig. (2-tailed)	.843

Source: Compiled from the questionnaires

Here, the p value is more than the significance level of 0.05. Hence, the null hypothesis could not be rejected and there is no significant difference between the risk perceptions about Shariah compliant equity share investment of the respondents based upon their mother tongue.

The Kruskal Wallis Statistics for Mean Ranks of the respondents based upon the educational qualification of the respondents is shown below:

Table 7: Total Score Ranks and educational qualification		
	Educational Qualification of respondents	Mean Rank
Total Score of Respondents	Under HSLC	84.50
	HSLC	90.94
	Graduate	106.76
	Post Graduate	110.49

Table 8: Test Statistics	
	Total Score of Respondents
Chi-Square	3.088
df	3
Asymp. Sig.	.378

Source: Compiled from the questionnaires

Here, the p value is more than the significance level of 0.05. Hence, the null hypothesis could not be rejected and there is no significant difference between the risk perceptions about Shariah compliant equity share investment of the respondents based upon their educational qualification.

The Mann Whitney U Test Statistics for Mean Ranks of the respondents based upon the designation held in the office of the respondents is shown below:

Table 8: Total Score Ranks and post held			
	Post Held in Office	Mean Rank	Sum of Ranks
Total Score of Respondents	Officer	113.97	13448.50
	Worker/Non officer	94.64	8706.50

Table 9: Test Statistics	
	Total Score of Respondents
Mann-Whitney U	4428.500
Wilcoxon W	8706.500
Z	-2.293
Asymp. Sig. (2-tailed)	.022

Source: Compiled from the questionnaires

Here, the p value is less than the significance level of 0.05. Hence, the null hypothesis is rejected. This means that, there is significant difference between the risk perceptions about Shariah compliant equity share investment of the respondents based upon their designation held in office.

The Kruskal Wallis Statistics for Mean Ranks of the respondents

based upon the income level of the respondents is shown below:

Table 10: Total Score Ranks and Income level

	Income	Mean Rank
Total Score of Respondents	Below 3 Lakh	92.64
	3-5 Lakh	87.04
	5-7 Lakh	132.18
	7-10 Lakh	102.77
	Above 10 Lakh	137.41

Table 11: Test Statistics

	Total Score of Respondents
Chi-Square	23.277
df	4
Asymp. Sig.	.000

Source: Compiled from the questionnaires

Here, the p value is less than the significance level of 0.05. Hence, the null hypothesis is rejected. This means that, there is significant difference between the risk perceptions about Shariah compliant equity share investment of the respondents based upon their income level.

The Mann Whitney U Test Statistics for Mean Ranks of the respondents based upon the investors and non investors is shown below:

Table 12: Total Score Ranks and Investor/Non investor

	Investor or Non Investor	N	Mean Rank	Sum of Ranks
Total Score of Respondents	Investor	121	103.17	12484.00
	Non Investor	89	108.66	9671.00
	Total	210		

Table 13: Test Statistics

	Total Score of Respondents
Mann-Whitney U	5103.000
Wilcoxon W	12484.000
Z	-.649
Asymp. Sig. (2-tailed)	.517

Here, the p value is more than the significance level of 0.05. Hence, the null hypothesis could not be rejected and there is no significant difference between the risk perceptions about Shariah compliant equity share investment of the respondents irrespective of whether a person is investor or non-investor. The investor in this case are the respondents who had invested in equity shares or mutual funds in the past.

FINDINGS AND CONCLUSIONS

The findings of the above study can be summarized as follows:

i) Majority of the Muslim population of the state of Assam were having Moderate Level of Risk perception in relation to the Shariah compliant equity share investment.
ii) There is a significant difference in risk perception of the Muslim population of the selected 4 districts of Assam.
iii) There is a no significant difference in risk perception of the Muslim population of Assam in relation to the gender. That means the Males and Females are having same risk perceptions as per the test statistics of the Mann Whitney U Test.
iv) There is no significant difference in risk perception of the Muslim population of Assam in relation to the mother tongue. In this case, both the Assamese speaking Muslims and Bengali speaking Muslims are having similar risk perceptions.
v) There is a no significant difference in risk perception of the Muslim population of Assam in relation to the Educational qualifications. That means educational qualification did not have any impact on the risk perception about the Shariah compliant equity share investment as per the test statistics of the Kruskal Wallis test.
vi) There is a significant difference in risk perception of the Muslim population of Assam in relation to the designation held in office. The officers and workers in govt offices are having different risk perceptions about the Shariah compliant equity share investment.
vii) There is a significant difference in risk perception of the Muslim population of Assam in relation to the income level. Hence we can conclude that, the income level of the respondents had a direct impact of the risk perceptions about the Shariah compliant equity share investment.
viii) There is no significant difference in risk perception of the Muslim population of Assam irrespective of the fact that, whether a person is an investor or not. A person may be having high degree of awareness and also having low risk perception about equity shares does not necessarily invest in shares and vice versa. Hence, we can conclude that, investment in equity share did not have any impact on the risk perception.

SCOPE OF FUTURE RESEARCH

The present study confined to only four districts of Assam. Further, only educated government employees were covered. Therefore there is huge scope of large scale research in the entire state of Assam is available. Also, demographic factors play a very important role in a person's investment behavior. Therefore among the Muslims of Assam, different cross sectional study covering different ethnic background of the people such as language, place of origin may be carried out. The role of various Muslim organizations operating in the state and their impact on investment behavior on people can also be carried out.

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