

INTEREST FREE BANKING PRODUCTS & IT'S INFLUENTIAL IMPACT ON INCLUSIVE SOCIO- ECONOMIC PRACTICES

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Abstract

NBFCs are the organic entities of our country as they have ensured growth, development and sustainability. They are the extended hands of our banking services which needs these supportive hands. They could be small in their nature & outlook as they provide immense inherited value & timely help for needy Indians at all times. Without these small NBFC the integration and value additional services which could benefit our entire country citizens is impossible. This study is an investigation in to the specific impactful influences of NBFCs in providing interest free loans which helps the needy and poor sections. This study is empirical and quantitative in its approach as Primary data would be collected from NBFC beneficiaries in Karnataka. This study focuses on NBFC beneficiaries in North Karnataka as it deals with specific benefits of interest free loans provided by Taqwa Credit Co-Operative Society (Bhatkal/Bangalore) and The Muslim Co-operative Bank Ltd (Mysuru). Primary data for this study would be collected from 150 NBFC beneficiaries by administering a structured questionnaire through Google form as it has used Likert 7-point scale. This scale is more valid and reliable as it can capture in-depth perceptions and opinions with influences of NBFC beneficiaries. Secondary data would be collected from various published sources which also help to identify the existing research gaps on this domain. Data analysis would be done using SPSS as correlation, regression & ANOVA. This study intends to provide an SEM model as the outcome of the study which can determine the impactful influences of interest free banking products in North Karnataka NBFCs. The study also intends to provide strategies & solutions to effectively manage Karnataka NBFC for their impactful influences.

Keywords: *NBFC Strategies Towards 2035, Holistic and Integrative Approaches, Strategies & Impact of Interest Free Banking Products, NBFC Banking Innovative Model for Future.*

I. INTRODUCTION

India has arrived. In the existing global scenario, this country has achieved the highest name [1] fame & glory. As the country emerges with a new image towards 2050 – the focus on inclusive development, growth and sustainability has been the core issue. There has been a constant & consistent effort which has ensured development [2] progress with inclusiveness. The road for progress has emerged as we could find new pathways for social inclusiveness as it also promises socio economic development.

Indian banks have been formidable in their journey as they have provided all essentials for all sections in our society. Social progress has been really ensured in these inclusive futuristic progressive pathways [3] as no one have been left out. This is an outstanding achievement as millions of Indians have been provided with bank accounts as social benefits could directly reach every cross section in our society. Harder realities do indicate that the efforts of Indian banking system by nature [4] is not

sufficient as it is really a formidable challenge to reach out to millions of Indians in rural areas as well.

NBFCs have given new impetus and directives for Indian economy as we could see the rural population [5] has been effectively reached with a social goal of inclusiveness and financial independence. The growth of NBFC has been formidable as they have provided loans and finance to all sections of people during their hard pressing & difficult times. Reaching out all sections has been the major achievement [6] of Indian NBFC. Micro financing is the major instrument by which the rural & urban communities of India have been reached. The RBI has been consistently providing guidelines to crackdown on improper MFIs. India has 144 lakh SHGs linked to banks through SB accounts & if them 77 lakh (53%) receive loans [7].

It has been evident from the recent reports that Bihar, Karnataka & UP are the leading NBFC lenders across the country as millions have been really benefitted. It is also evident that micro finance has been outgrowing state industrial growth in these states which really raises our eyebrows.

So it is evident that NBFCs have really contributed to the financial inclusion, growth and development of these states which has achieved real growth in real terms. The growth of NBFCs in Karnataka has been really consistent with 57% of higher penetration levels. However it is also evident that growth saturation in Karnataka has happened as there is a real need to search for inclusive growth solutions [8]. This research is an attempt to decode & evaluate the nature of NBFC and its contributions towards growth, development, progress towards inclusive development & sustainability This research is an empirical attempt in this direction which can provide new solutions & strategies for formidable future in Karnataka.

Micro finance through NBFC has been the leading solution provider in providing loans and financial assistance to millions during the pandemic & post pandemic era. During this post pandemic era, it is evident that the growth of NBFCs has risen from 31% in 2021 to 40% by 2024. So it is clear that NBFC has been the most popular form of finance which has been used by millions of Indians all over the country.

The Indian micro finance industry is estimated to be worth 4.2 trillion INR as it would continue its streaks for reaching out to Indians towards 2035 as well. The compound annual growth rate for this industry has been around 20% from 2021 to 2024 which is really significant as it indicates its purposive reach.

Distribution of NBFC Credit across asset classes

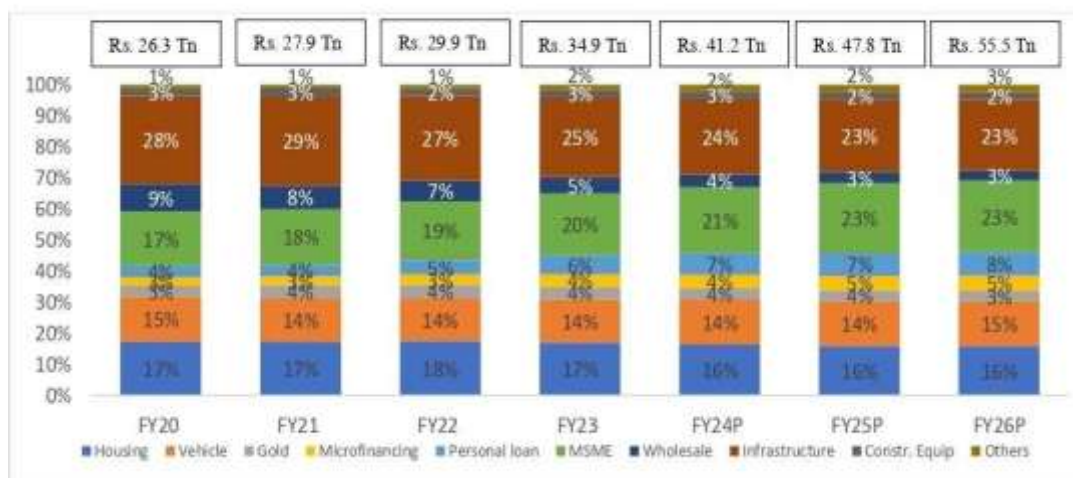


Fig 1: Distribution of NBFC Credit across asset classes [9]

The Indian banking sector has a deplorable presence and reach in Indian rural sector as this scenario has never changed in the last 75 years of Indian independence. Rural India by nature contribute to 47% of Indian GDP and progress has received only 9% of overall Indian banking credit clearly indicates a worrisome problem which has ransacked the country operations towards inclusiveness & social progress. The cowardly presence of Indian banking in rural sector does not suffice or justify its operations as the needs and requirements of Indian rural population has been hardly met with. The potential of Indian rural sector is known and evident as there is a need for inclusive progress which has been really supported by NBFCs which has spearheaded its growth and operations.

There is a need for more purposive and inclusive reach by Indian NBFCs as this research is an empirical attempt to find out the various prevailing challenges and issues towards 2035 for a progressive Indian economy.

Share of rural and semi-urban credit has increased marginally between March 31, 2018, and Fiscal 2024

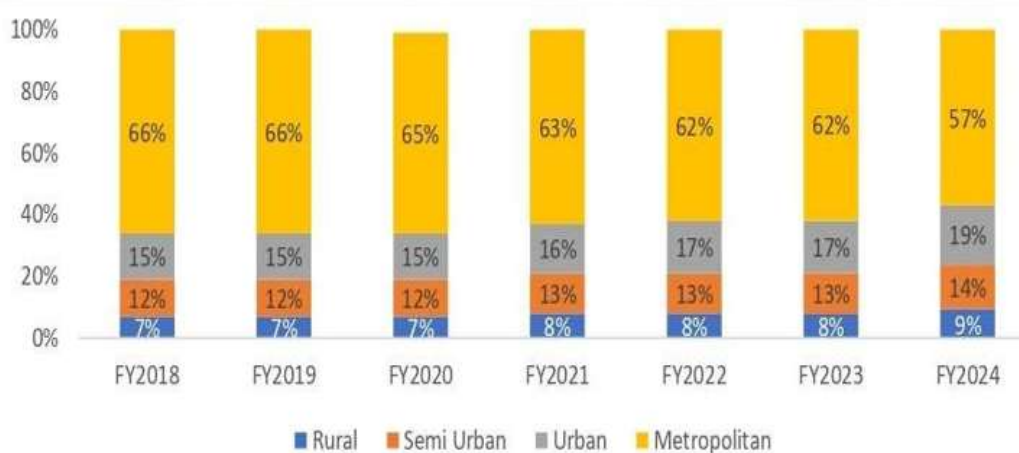


Fig 2: Share of rural and semi-urban credit [9]

The share of loans & advances from secured products has risen to 32% of all loans and advances given by Indian NBFC [10]. This really states that there has been an increased growth of loan contributions of Indian NBFC which can also induce growth and money circulation. The impactful influences the interest free banking products by NBFCs that which research has not been evaluated as this research is an attempt on the same.

It is also evident that traditional Indian banking system operates with interest as the novel, innovative concept of interest free banking & services remain unexplored or empirically studied in Karnataka. This study is an attempt to explore in to the various possibilities and potential for interest free banking services & its impactful influences in Karnataka on financial inclusion.

II. LITERATURE REVIEW

[11] done an empirical investigation on Fintech Innovations & its transformative effects on Indian rural finances. This has also ensured stability of rural financial ecosystems and process which has been empirically proven in this study. This study has used mixed research method as it has been done in UP. It has been empirically proven in this study that digital innovative practices & regulatory environment does encourage Indian rural finances. However, it is also evident that interest free banking services and its impact on Karnataka has not been explored or studied as this study is an empirical attempt which can reduce the existing research gaps in this field.

[4] done an empirical research study to assess the impact of Islamic finance and its development by creating a new index. This has provided new alternatives in global economies. This study is an attempt to measure the impact of Islamic finances as an alternative which has been studied in 48 countries all over the globe. In this study a new Islamic finance development index has been created which can effectively measure the impact on growth and development of these countries. It is also evident in this study that researches have not been done on Islamic finance and its impactful influences on Karnataka and its progress towards 2035. This study is an empirical attempt as it can also remove the existing research gaps which are prominent & evident now.

[5] done a bibliometric review on Islamic financing and its deepening impact. This study evaluates the future trends in Islamic finance with new perspectives, orientations & approaches. 998 research papers were reviewed from 2004 till 2023. In this study it has been found that future research applications could be possible as this concept could change the dynamics of global markets and their effective functioning. However, the impactful influences of Islamic finance on Karnataka have not been researched as this research is an empirical attempt on it.

III. RESEARCH METHODOLOGY

Aim of the study

The aim of this study is to find, know & assess the impactful influences of interest free banking practices in Rural Karnataka towards financial inclusion & social sustainability.

Problem statement

India has been progressive with the traditional banking system and process which operates with interest. This interest is charged to the customers as they are unable to pay the interest due to their financial situation and economic status. The Indian banking system [12] has remained unresponsive towards this issue as the government has introduced various beneficiary schemes - & yet interest is charged to consumers.

This traditional banking system is indeed a failure as it could not comprehensively reach Indian rural consumers [13] and their needs. Interest free banking is a novel innovative concept which does not charge interest to consumers as they could pay back the loan amount at their convenience on a regular basis.

This new system of banking method and process has remained largely unexplored in India. This system could also have maximum beneficiaries as the rural population of India and their needs could be satisfied. But the impactful influences of interest free banking have remained unexplored or studied in Indian context. These problems and issues related to interest free banking and its formidable impact has not been researched in Karnataka.

This study is an attempt to provide strategies and solutions for financial inclusive practices with interest free banking mechanism, process and outcomes. This study is empirical in its nature and approach [14] as it would provide new impetus and directives on Karnataka financial inclusive practices towards 2035.

Research questions

- 1) What is the nature of prevalence of interest free banking services in Karnataka?
- 2) Are there any existing problems related to interest free banking services in Karnataka?
- 3) What is the impactful influence of interest free banking services on Karnataka society?
- 4) Are there any social or psychological barriers related to interest free banking services in Karnataka?

- 5) Will interest free banking services in Karnataka lead to sustainable development and financial inclusion?

Research Objectives

- 1) To assess the nature of prevalence of interest free banking services in Karnataka
- 2) To evaluate the existing problems related to interest free banking services in Karnataka
- 3) To determine the impactful influence of interest free banking services on Karnataka society
- 4) To find out the existing social or psychological barriers related to interest free banking services in Karnataka
- 5) To find out the role of interest free banking services in Karnataka towards sustainable development and financial inclusion

Hypothesis

H1: The nature of prevalence of interest free banking services in Karnataka is marginal and minimal

HO: There is no government regulatory problem related to interest free banking services in Karnataka

H1: There is a positive impactful influence of interest free banking services on Karnataka society

HO: There are no social or psychological barriers related to interest free banking services in Karnataka

H1: The role of interest free banking services in Karnataka towards sustainable development and financial inclusion 2035 is positive & progressive

Data Sampling & Collection Methods

Stratified random sampling method would be used in this study to stratify the NBFC beneficiaries based on age, income and utilization of interest free banking services in Karnataka. Primary data for this study would be collected from 150 NBFC beneficiaries in North Karnataka & Bengaluru Urban and rural areas.

Primary data for this study would be collected from 150 NBFC beneficiaries in North Karnataka & Bengaluru Urban and rural areas by administering questionnaire using Google form. Secondary data would be collected from various published sources.

Data analysis methods

Data analysis for this study would be done using SPSS. For this research correlation, regression, ANOVA analysis would be done. An SEM model would be given as the outcome of the study to measure the reach and impact of interest free banking services in Karnataka

Scope & limitations

- 1) This study is confined to North Karnataka & Bengaluru urban and rural areas
- 2) This study would specifically study the reach & impact of Taqwa Credit Co-Operative Society (Bhatkal/Bangalore) and The Muslim Co-operative Bank Ltd (Mysuru) as other NBFCs in Karnataka do not form a part of this study
- 3) This study is an evaluation of interest free banking services & financial inclusion as other concepts do not form a part of this study.

IV. DATA ANALYSIS AND INTERPRETATION

Table 1: Demographic analysis

Age	Frequency	Percent
Below 25 years	23	14.40
25 - 35 years	52	32.50
36 - 45 years	50	31.30
46 - 55 years	35	21.90
Gender	Frequency	Percent
Male	84	52.50
Female	76	47.50
Place of residence	Frequency	Percent
Rural	65	40.60
Urban	95	59.40
Education	Frequency	Percent
Higher Secondary	25	15.60
Diploma	30	18.80
Graduate	88	55.00
Post Doctorate	17	10.60
Occupation	Frequency	Percent
Student	25	15.60
Salaried Employee	45	28.10
Self Employed	39	24.40
Farmer	28	17.50
Home maker	23	14.40
Monthly Income	Frequency	Percent
Below Rs. 15,000	60	37.50
Rs. 15,001 - Rs. 30,000	33	20.60
Rs. 30,001 - Rs. 50,000	49	30.60
Rs. 50,001 - Rs. 75,000	18	11.30
Interest-free banking / finance products	Frequency	Percent
Yes	80	50.00
No	80	50.00
Interest-free banking product/service	Frequency	Percent
Yes	72	45.00
No	88	55.00
How long have you been using interest-free banking products?	Frequency	Percent
Less than 1 year	90	56.30
1 - 3 years	26	16.30
4 - 6 years	25	15.60
More than 6 years	19	11.90
Type of loan taken	Frequency	Percent
Agricultural	28	17.50
Gold	37	23.10
Personal Loan	70	43.80
Borrow from Friends	25	15.60
Loan amount taken	Frequency	Percent
Less than Rs. 10,000	25	15.60
Rs. 10,001 - Rs. 50,000	49	30.60
Rs. 50,001 - Rs. 1,00,000	28	17.50
Rs. 1,00,001 - Rs. 10,00,000	47	29.40

More than Rs. 10,00,000	11	6.90
Total	160	100.00

The demographic profile of the respondents indicates a well-balanced and varied sample, providing a robust basis for study. The age distribution shows that many people who answered are between ages of 25 and 35 (32.50 percent), followed closely by those between ages of 36 and 45 (31.30 percent). This means that study shows how the people in their prime working and economically active years think. People in age of 46 and 55 make up 21.90% of participants, whereas the people under 25 make up 14.40%. This shows that youngest group is less involved. The gender distribution of responses shows that there is about equal number of men and women, with men making up 52.50% and women making up 47.50%. This fair distribution makes findings reliable by making sure that both men and women are well-represented. Many people who answered live in cities (59.40%), while 40.60% live in rural areas. This indicates somewhat heightened urban inclination within sample, perhaps impacting access to the financial services and knowledge levels.

The educational qualifications of respondents revealed that significant majority, accounting for 55% of sample, are graduates. After that, 18% of group has a diploma, and 15.60% has an upper secondary education. Only 10.60% have completed post-doctoral education. This shows that many people who answered question had the good education level, which help them to make better financial decisions and comprehend banking products better. The occupational distribution shows that the salaried workers make up largest group at 28.10%, followed by the self-employed people at 24.40%. Farmers make up 17.50% of population, while students and stay-at-home parents make up 15.60% and 14.40%. This mix of occupations shows that people involved are come from several economic backgrounds, including both official and informal sectors.

The majority of respondents, 37.50 percent, make less than Rs. 15,000 a month, which shows that a lot of low- income people took the poll. 30.60 percent of people make between Rs. 30,001 and Rs. 50,000, while 20.60 percent make between Rs. 15,001 and Rs. About 30,000. Only 11.30 percent fall within the high-income range of Rs. 50,001–Rs. 75,000, which means that the sample is skewed toward those with lower and moderate incomes. When it comes to how much people know about and utilize interest-free banking or financial products, the results are evenly split: 50.00% of respondents are aware of them and 50.00% are not. However, the actual use is a little lower, with 45.00 percent of respondents saying they use these items and 55.00 percent saying they don't. The difference between knowledge and use shows that there are several problems, such as not being able to get the information, not trusting it, or not understanding it.

Most people who use interest-free banking products don't have much experience with them in the near term. Specifically, 56.30 percent of people have used these things for less than a year, which shows how people are currently using them. People with 1 to 3 years of experience make up 16.30 percent, and people with 4 to 6 years of experience make up 15.60 percent. Only 11.90% had more than 6 years of experience, which shows that the interest- free banking is new to people who answered. The loan type's analysis reveals that personal loans constitute majority, utilized by 43.80% of respondents. Gold loans are 23.10%, which shows that they are the popular way to borrow money with collateral in certain places. 17% of respondents depends on agricultural loans, while 15% are borrowing from family and friends. This shows that how important are the informal lending sources still are. The most of the people who answered, 30.60%, had taken out loans between Rs. 10,001 and Rs. 50,000. After that, 29.40% had borrowed between Rs. 1, 00,001 and Rs. 10, 00,000, which shows that there has a large group of people with higher financial needs. 15.60% of loans are for less than Rs. 10,000, while 17.50% are between Rs. 50,001 to Rs. 1, 00,000. Only 6.90% had taken out loans of more over Rs. 10, 00,000, which shows that they were not really interested in borrowing a lot of money.

Table 2: Correlation analysis

Correlations	Prevalence of interest free banking services	Government regulatory problem	Impactful influence	Social and psychological barriers	Sustainable development	Inclusive socio-economic practices
Prevalence of interest free banking services	1	.788**	.783**	.884**	.893**	.915**
Government regulatory problem	.788**	1	.640**	.806**	.749**	.948**
Impactful influence	.783**	.640**	1	.837**	.884**	.772**
Social and psychological barriers	.884**	.806**	.837**	1	.924**	.920**
Sustainable development	.893**	.749**	.884**	.924**	1	.875**
Inclusive socio-economic practices	.915**	.948**	.772**	.920**	.875**	1

There is a strong positive correlation ($r = 0.788$) between the prevalence of interest-free banking services and government regulatory issues, a significant influence ($r = 0.783$), social and psychological obstacles ($r = 0.884$), sustainable development ($r = 0.893$), and inclusive socio-economic practices ($r = 0.915$).

The findings suggest that an increase in the prevalence of interest-free banking is associated with intensified engagement with regulatory matters, public perceptions, and its function in fostering sustainability and inclusivity. The strongest link is with inclusive socio-economic practices, which means that interest-free banking is important for making sure that everyone may participate in the economy fairly and fully.

Government regulatory concerns are highly correlated with other variables, especially inclusive socio-economic practices ($r = 0.948$), signifying one of the strongest relationships in the research. This shows that the regulatory frameworks having the big impacts on how well interest-free banking systems promote the fair development.

Furthermore, the governmental regulatory concerns shows the strong links to social and psychological barriers ($r = 0.806$) and sustainable development ($r = 0.749$). This suggests that the policy frameworks affects effectiveness of institutions and how public sees them, and long-term developmental outcomes.

The variable of substantial influence has the strong positive correlations with psychological and social barriers ($r = 0.837$), sustainable development ($r = 0.884$), and the inclusive socio-economic practices ($r = 0.772$). This indicates that perceived impact of the interest-free banking is closely related with the social acceptability and its role in nurturing the sustainable and inclusive institutions.

The somewhat lesser, the albeit significant, correlation with governmental regulatory concerns ($r = 0.640$) suggests that while regulations are crucial, their perceived impact is shaped by several economic and social factors.

Social and psychological barriers shows the strong links to the sustainable development ($r = 0.924$) and inclusive socio-economic practices ($r = 0.920$). This shows that we need to deal with perceptual, behavioral, and cultural, problems in to benefit from interest-free banking. These limitations are closely related with the sustainability outcomes and inclusivity, and it indicates that overcoming these obstacles is crucial for broader effectiveness and acceptance.

Sustainable development is strongly linked to the inclusive socio-economic practices ($r = 0.875$), and shows that the sustainable development is closely related to the financial systems which include everyone. This link shows that interest-free banking help the long-term development goals a lot by making it easier for the people from all walks of life to become involved and have the fair chance.

Table 3: Regression analysis

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	244.38	5	48.876	1884.06	.000b
Residual	3.995	154	0.026		
Total	248.375	159			
Coefficients ^a	B	Std. Error	Beta	t	Sig.
(Constant)	0.088	0.045		1.958	0.05
Prevalence of interest free banking services	0.257	0.023	0.281	11.128	0.00
Government regulatory problem	0.525	0.018	0.532	29.215	0.00
Impactful influence	0.031	0.019	0.037	1.671	0.10
Social and psychological barriers	0.215	0.029	0.232	7.499	0.00
Sustainable development	-0.021	0.034	-0.022	-0.63	0.53
a Dependent Variable: Inclusive socio-economic practices					

The regression analysis provides the significant insights into factors influencing the inclusive socio-economic behaviors as dependent variable. The model is vital since it has the F-value of 1884.06 and the significance level of 0.000. This means that independent variables explains the large part of differences in inclusive socio-economic behaviors. The large difference between regression sum of squares (244.38) and the residual sum of squares (3.995) shows that model is good in explaining the data and fits well.

When looking at individual coefficients, a constant term is worth 0.088 and it is slightly significant in 0.05 level. This means that there has the certain socio-economic practices which are already in place without independent variables. The essential predictor is government regulation difficulties, which have standardized beta coefficient of 0.532 and highly significant p-value of 0.00. This means that the regulatory frameworks having the big impact on inclusive socio-economic outcomes, and that changes to or problems with regulatory procedures having the big direct impact on inclusivity.

The prevalence of interest-free banking services has a strong and statistically robust positive influence on inclusive socio-economic behaviors, shown by a beta value of 0.281 and a p-value of 0.00. This means that making these banking services easier to get to and use is a big step toward making sure everyone can participate in the economy fairly. Similarly, social and psychological barriers have a significant positive connection (beta = 0.232, $p = 0.00$), indicating that tackling or mitigating these challenges might enhance inclusive practices, but their presence may also reflect intrinsic challenges in adopting behavior.

On the other hand, impactful influence does not have a statistically significant effect, as shown by a p-value of 0.10, even though it has a positive coefficient. This indicates that while there may be a perceived advantage, it is inadequate to significantly influence inclusive socio-economic behaviors within the context of this paradigm. Sustainable development has a negative, but statistically insignificant association (beta = -0.022, p = 0.53), suggesting that, in this research, it does not directly promote inclusive socio-economic practices, or its influence may be moderated by other variables.

Hypothesis

H1: The nature of prevalence of interest free banking services in Karnataka is marginal and minimal

Table 4: Chi square 1

	Inclusive socio-economic practices					
Prevalence of interest free banking services	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Strongly Disagree	8	7	0	0	0	15
Disagree	0	8	6	0	0	14
Neutral	0	0	7	0	0	7
Agree	0	0	6	0	15	21
Strongly Agree	0	0	0	15	88	103
Total	8	15	19	15	103	160
Chi-Square Tests	Value	df	p value			
Pearson Chi-Square	260.713a	16	0.00			
Likelihood Ratio	211.181	16	0.00			

Table 4 shows a Chi-square analysis that looks at the link between the frequency of interest-free banking services and inclusive socio-economic practices. The cross-tabulation clearly shows a strong link between how respondents feel about the frequency of interest-free banking and how they feel about inclusive socio-economic activities. A substantial percentage of respondents who fervently advocate for interest-free banking services also robustly embrace inclusive socio-economic policies, including 88 out of 103 individuals in that category. Respondents who agree with the prevalence tend to group together in the higher agreement categories of inclusive behaviors. This shows that there is a strong positive relationship between the two variables.

Conversely, those who vehemently oppose or disagree with the popularity of interest-free banking services mostly reside in the lower echelons of inclusive socio-economic activities, namely those who strongly disagree and disagree. This pattern shows that when people think that financial services are less important, they also think that inclusion is less important. The distribution exhibits the clear directional trend that means when 1 measure agrees more, other measure also agrees more.

The statistical results helps this connection further. Pearson Chi-Square statistic is 260.713 with a 16 degrees of freedom, and p-value is 0.00, which means that it is very significant at the normal levels. This shows that there has the statistically significant link between availability of interest-free banking services and inclusive socio-economic behaviors. The likelihood ratio test, gave result of 211.181 at same level of significance, backs this up even more, showing strong link.

HO: There is no government regulatory problem related to the interest free banking services in Karnataka

Table 5: Chi square 2

	Inclusive socio-economic practices					
Government regulatory problem	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Strongly Disagree	8	0	0	0	0	8
Disagree	0	15	0	0	0	15
Neutral	0	0	13	15	0	28
Agree	0	0	6	0	7	13
Strongly Agree	0	0	0	0	96	96
Total	8	15	19	15	103	160
Chi-Square Tests	Value	df	p value			
Pearson Chi-Square	474.843a	16	0.00			
Likelihood Ratio	305.041	16	0.00			

Table 5 shows the Chi-square analysis which is the link between government regulatory concerns and comprehensive socio-economic practices. The cross-tabulation mentions the strong and systematic trend, and it indicates that the respondents' views on the regulatory challenges are closely linked to their views on inclusiveness. In this, all people who strongly agree with the government regulatory concerns are also in "highly agree" category when it comes to the inclusive socio-economic activities. This includes all 96 respondents. This shows that the people who strongly believes that the regulatory frameworks are linked to inclusive outcomes. Only those in lowest levels of the inclusive socio-economic practices has disagree with or disapprove of the government regulation concerns. All 8 respondents who strongly disagree with the regulatory concerns also strongly disagree with inclusive behaviors. Also, all 15 respondents who disagree are only in disagree group on inclusivity. This ideal alignment across categories have indicated the very stable response pattern, by demonstrating the strong link between two variables. The intermediate groups make this connection much stronger. People who are neutral or agree with the government regulations were split out over neutral, agree, and highly agree categories of inclusive socio-economic activities. They tends to agree more than disagree. This trend shows that as people get worried or informed about the regulatory issues, and their views towards inclusive socio-economic practices change. This shows positive and direct link. The statistical results support these facts. Pearson Chi-Square statistic is 474.843 with 16 degrees of freedom, and p- value is 0.00. This means that there has the very strong link between the issues with government regulation and the inclusive socio-economic practices. The probability ratio of 305.041, which is significant in 0.00 level, shows how strong this association is.

H1: There is the positive impactful influence of interest free banking services on the Karnataka society

Table 6 is the Chi-square research which looks at relationship between effective influence and an inclusive socio- economic behavior. It shows that there has the clear and statistically significant relation between 2 variables.

The response distribution shows the clear pattern: more people think that powerful person has impact, more they agree with inclusive socio-economic policies. This indicates that the respondents who recognizes more significant influence of interest-free banking systems are more likely to articulate their role in promoting a diversity.

An analysis of cross-tabulation indicates that the respondents who strongly approves the impactful influence mostly fall under strongly agree category of inclusive socio-economic practices, with 72 out of 87 respondents identified in this group. Also, many people who agrees with lot of influence are in agree and strongly agree categories of inclusivity, with the strong preference for very agree group.

Table 6: Chi square 3

	Inclusive socio-economic practices					
Impactful influence	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Strongly Disagree	8	8	0	0	0	16
Disagree	0	7	13	0	8	28
Neutral	0	0	0	0	8	8
Agree	0	0	6	0	15	21
Strongly Agree	0	0	0	15	72	87
Total	8	15	19	15	103	160
Chi-Square Tests	Value	df	p value			
Pearson Chi-Square	199.365a	16	0.00			
Likelihood Ratio	174.963	16	0.00			

This trend shows the strong positive relationship, and it means that when the people see interest-free banking as more important, they also see it as the way to promote the fair socio-economic progress. Also, persons who strongly disagree or dissent with the lot of influence are likely to be in lowest levels of inclusive socio-economic practices. The Individuals who were strongly disagree mostly occupy the strongly disagree and disagree categories of inclusiveness, those who disagree are distributed among disagree, neutral, and highly agree categories, but with less consistency relative to higher levels of agreement. The indifferent group shows a tendency to agree more with inclusive acts, which might mean that they are changing how they think about inclusivity, even if they are not sure how it will affect them. The statistical results support these observations. With 16 degrees of freedom and p-value of 0.00, Pearson Chi- Square value of 199.365 shows that there has very strong link between the influential influence and the inclusive socio-economic behaviors. The probability ratio of 174.963, is significant in same level, backs up reliability and strength of link.

HO: There are no social or psychological barriers related to the interest free banking services in the Karnataka

Table 7: Chi square 4

	Inclusive socio-economic practices					
Social and psychological barriers	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Strongly Disagree	8	8	0	0	0	16
Disagree	0	7	6	0	0	13
Neutral	0	0	13	0	0	13
Agree	0	0	0	7	31	38
Strongly Agree	0	0	0	8	72	80
Total	8	15	19	15	103	160
Chi-Square Tests	Value	df	p value			
Pearson Chi-Square	297.898a	16	0.00			
Likelihood Ratio	233.213	16	0.00			

Table 7 shows the Chi-square analysis which looks at relationship between psychological and social barriers and inclusive socio-economic practices. The study shows that there has the strong and statistically significant relation between 2 variables. The cross-tabulation shows the clear link between how people see social and psychological barriers and how they feel about an inclusive socio-economic behavior. This means that these barriers having the big effect on how inclusive outcomes are.

The comprehensive examination of data indicates that the respondents who unequivocally recognize presence of psychological and social barriers mostly fall under strongly agree category of inclusive socio-economic practices, with 72 out of 80 respondents in this group.

Likewise, many individuals endorsing these impediments are situated within agree and strongly agree categories of inclusion, with significant prevalence in highly agree category. This trend suggests that the respondents who are recognizing these challenges value significance of inclusive socio-economic practices, perhaps reflecting awareness that overcoming these barriers is essential for achieving inclusion.

Also, those who are strongly oppose or disagree with social and psychological barriers are generally found at lower levels of inclusive socio-economic practices. People who strongly disagree are put into "strongly disagree" and "disagree" groups of inclusivity. People who just disagree are put into "disagree" and "neutral" groups. The neutral group aligns with neutral category of inclusive behaviors, exhibits the comparable response pattern across both variables. The statistical results strongly support these facts.

The Pearson Chi-Square value of 297.898, with 16 degrees of freedom and a p-value of 0.00, shows that there is a very strong link between social and psychological barriers and inclusive socio-economic practices. The probability ratio of 233.213, which is also significant at the same level, adds to the evidence for the strength of this association.

H1: The role of interest free banking services in Karnataka towards sustainable development and financial inclusion 2035 is positive & progressive.

Table 8: Chi square 5

	Inclusive socio-economic practices					
Sustainable development	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Strongly Disagree	8	8	0	0	0	16
Disagree	0	7	6	0	0	13
Neutral	0	0	7	0	0	7
Agree	0	0	6	7	53	66
Strongly Agree	0	0	0	8	50	58
Total	8	15	19	15	103	160
Chi-Square Tests	Value	df	p value			
Pearson Chi-Square	242.492a	16	0.00			
Likelihood Ratio	191.556	16	0.00			

Table 8 shows the Chi-square analysis, which looks at the relationship between sustainable development and inclusive socio-economic practices. It shows that there is a strong and statistically significant association between the two variables. The cross-tabulation shows a clear and ordered

pattern in how people answered, which means that those who agree more with sustainable development also support inclusive socio-economic activities more strongly.

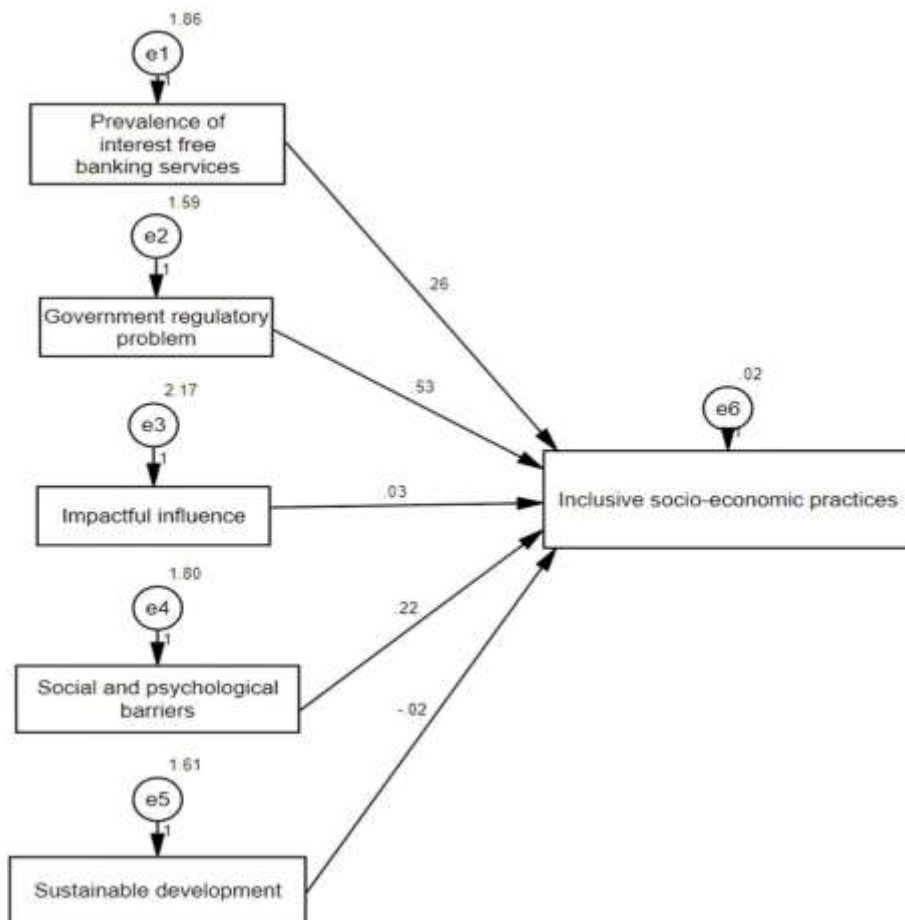
A further look at the chart shows that most of the people who strongly support sustainable development are also in the "strongly agree" group for inclusive socio-economic practices, with 50 out of 58 respondents falling into this group.

Similarly, advocates of sustainable development mostly reside within the agree and strongly agree categories of inclusiveness, with a significant majority in the strongly agree category (53 respondents). This is one of the strong positive link, suggests that those who are prioritizing the sustainable development strongly recognize and support the inclusive socio-economic practices.

Also, many people who strongly oppose or disagree with sustainable development are in bottom of list of inclusive socio-economic activities. People who strongly disagrees are only in "strongly disagree" and "disagree" groups of inclusion. People who disagree are categorized between "disagree" and "neutral" groups. The neutral responders align closely with neutral category of inclusive behaviors, so reinforcing consistency of response patterns across these variables.

The statistical results highlights importance of this connection. The Pearson Chi-Square statistic is 242.492 with 16 degrees of freedom, and p-value is 0.00. This means that there has the very strong link between sustainable development and inclusive socio-economic activity. 191.556 probability ratio, which is significant at 0.00 level, shows that findings are reliable and strong.

Structural Equation Model



Dependent	Independent	Estimate	S.E.	C.R.	P
Inclusive socio-economic practices	Prevalence of interest free banking services	0.257	0.009	27.941	0.00
Inclusive socio-economic practices	Government regulatory problem	0.525	0.01	52.875	0.00
Inclusive socio-economic practices	Impactful influence	0.031	0.009	3.694	0.00
Inclusive socio-economic practices	Social and psychological barriers	0.215	0.009	23.05	0.00
Inclusive socio-economic practices	Sustainable development	-0.021	0.01	-2.159	0.03

The structural link analysis explains direct effects of many independent elements on the inclusive socio-economic practices, which provides the deeper understanding of relative importance of each element. The results indicates that the all variables, except for sustainable development, shows the negative connection, positively and significantly affect the inclusive socio-economic practices, as shown by their critical ratios (C.R.) and p-values. The Government regulatory concerns are recognized as paramount predictor influencing the inclusive socio- economic practices, demonstrating the highest estimated value of 0.525 and the strong critical ratio of 52.875. This means that the regulatory frameworks are important for getting inclusive outcomes. A well-organized and the helpful regulatory framework makes things inclusive, which shows that the policy changes are required to get many people involved in society and economy.

The Interest-free banking services are having the very positive impact, with the estimate of 0.257 and the critical ratio of 27.941. These findings emphasized that the increased accessibility and uses of these financial services significantly promotes inclusive socio-economic development. It argues that making the interest-free banking easier to access and understand might immediately lead to more people being able to utilize it and more fair development. Social and psychological barriers have a significant and positive influence, shown by an estimate of 0.215 and a critical ratio of 23.05. This suggests that these elements are intricately connected to inclusive behaviors, perhaps indicating that tackling behavioral, cultural, and perceptual problems might markedly improve inclusiveness. The strength of this link shows how important social acceptability, trust, and awareness are for the smooth running of financial institutions.

The impactful effect, albeit a modest estimate of 0.031, remains statistically significant, shown by a critical ratio of 3.694 and a p-value of 0.00. This means that even while its effect is not as strong as other elements, it is still an important part of promoting fair socio-economic practices. The perceived effectiveness and influence of interest-free banking systems thereby foster inclusivity.

Sustainable development demonstrates a statistically significant negative correlation with inclusive socio-economic practices, with an estimate of -0.021 and a p-value of 0.03. This negative correlation is unexpected and may indicate the presence of indirect effects, mediation, or confounding influences with other variables in the model. This suggests that, under this exact analytical framework, the sustainable development may not foster instantly inclusiveness and it need the more scrutiny to clarify its significance.

V. FINDINGS AND SUGGESTIONS

This study discussed about the Interest free banking products and its influential impact on the inclusive socio- economic practices. The NBFCs dealt in the financial services such as the loan, investments, insurance, fund transfers and services. It plays the significant role in the India. This study, investigated

the particular impactful influences of the NBFCs to provide the interest free loans that helps poor sections. From the observations, it is found that the structural link analysis explains the direct effects of the several independent elements on inclusive socio- economic practices, that provides deeper understanding of the relative importance of each element. Also, the results indicates that all variables, except for the sustainable development, shows negative connection, positively and it significantly affects inclusive socio-economic practices, by their critical ratios (C.R.) and p-values.

VI. CONCLUSION

This study investigates the influences of NBFCs to provide the Interest free loans in Karnataka. The primary data is collected from the NBFC beneficiaries in North Karnataka. Also, it deals with some benefits of the interest free loans which are provided by the Taqwa Credit Co-Operative Society (Bhatkal/Bangalore) and Muslim Co-operative Bank Ltd (Mysuru). Primary data is collected from 150 NBFC beneficiaries by providing the structured questionnaire through Google form. Also, this study used the Likert 7-point scale to capture the in-depth perceptions and opinions with the impacts of the NBFC beneficiaries. Then the Secondary data are also collected from the many published sources that helps to find the existing research gaps. The Data analysis is done by utilizing the SPSS and the correlation, regression & ANOVA. It also uses the SEM model to provide the outcome of study which determine the impactful influences of the interest free banking products in North Karnataka NBFCs. Finally, this study provides some of the strategies and the solutions to effectively manage the Karnataka NBFC for their impactful influences.

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