

Factors Influencing the Growth of Islamic Banking Industry in Sri Lanka from Employees' Perspective

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Abstract

The growing nature of the banking industry in Sri Lanka has made a tremendous change over time to start Islamic Banking in the country. Hence, this research aimed to evaluate the perceptions of employees in the growth potential of Islamic banks and Islamic windows of conventional banks in Sri Lanka. Data were collected from 181 employees working in the Islamic banking operated in Colombo city using a structured questionnaire. The survey employs an exploratory factor analysis & inferential method to examine the respondent's perception about the subject in Islamic Banking. The results revealed that the employees of Islamic banks perceive that Islamic banking in Sri Lanka is following Shariah and Islamic principles prescribed by the respective Shariah advisory boards. Further, they acknowledged that the objectives and practices distinguish from conventional banking to Islamic banking. The result also demonstrated that the employees hold a positive perception towards products & services, knowledge & skills gained in Islamic banking. Also, employees found a lack of knowledge regarding Islamic banking principles, products, and services within them. Further, the employee's perception towards products and service, skills and knowledge of Islamic banking has a significant positive impact on potential growth in Sri Lanka. Also, the Islamic banking industry in Sri Lanka has tremendous potential and growth, with the majority being non-Islamic. The study suggests that it is important to address the issue of the availability of well-trained and qualified employees and to implement a comprehensive educational program to improve the understanding of Shariah among Muslims and non-Muslims who are currently catering to the market as they are from the traditional background. The above-mentioned proposal would enable the

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industry to develop ethically and will lay the foundation for Islamic banking in the Sri Lankan market to be sustainable.

Keywords: Employees, Islamic banking, Perceptions, Sri Lanka

Introduction

In the name of Allah, The Most Compassionate, The Most Merciful. All praise is due to Allah, the Most Praiseworthy, and the Highest. May His peace and blessings be upon our beloved Prophet Muhammad (peace be upon him), his family, his companions, and all of his sincere followers.

1400 years ago, the Islamic economic system was developed on the peninsula of Arabia. This economic structure was based on the Islamic ideals laid down by Allah Almighty and the teachings of the Prophet Muhammad (PBUH). The key aims of these principles were to impose equity, ethics, and justice for all parties, regardless of race and religion. Current Islamic banking activity emerged on the international market four decades ago and it is accepted by more than 150 countries including prominent non-Islamic states in the global context.

Islamic banking is regarded as a system of interest-free banking. The interest is entirely forbidden by Islam, and as an injunction, it is incumbent on the holy Quran. Almighty, as forbidden by Riba (interest), but as the basis of the investment calls for trade-based banking or a scheme of benefit and loss sharing. "But Allah has permitted trade and has prohibited interest," according to the Holy Quran. (Verse:275 of Sura Bakara)

It was seen in the earlier phases of Islamic banking as theories and practitioners did not even have the faith to do experiments. Islamic banking, however, is no longer a theoretical idea in today's sense, and development has been measured by financial statistics & experienced by economists in the global village. The bulk of their banking & financial structures have been converted according to Islamic values by some Islamic countries such as Sudan and Pakistan.

Islamic banks have been set up in other Islamic nations and coexist side by side with traditional banks (i. e. the Western type). In non-Islamic nations, including the United Kingdom, the Bahamas, Cyprus, Denmark,

and Switzerland, the impotence of the establishment of Islamic finance has also been noticed. As it evolves in the global context, the formation of the Islamic banking system has many challenges. To compete with the traditional banking system, it will have to play a prominent role in establishing economic and social well-being while creating a robust Shariah-compliant system that must be integrated with the international financial system to be accepted worldwide.

To ensure that all procedures are within the Shariah guidelines, employees who work in the field of Islamic banking must have sufficient Shariah knowledge, expertise, and competence. Otherwise, the new traditional goods will be renamed in the name of Islamic banking again traditional banking comes into play. There are also several other ways that the Islamic Banking and Finance (IBF) can concentrate on, such as the identification and analysis of consumer real needs, the implementation of new investments to improve the activation of the macro and micro economy, the integration of modern technology into the products, and operation. Finally, in every aspect of service, whether it is large or small, the management must ensure the Shariah enforcement, which makes the real difference from the Traditional Banking System, it is worth conducting a study to get in-depth insight.

The present economic structure is inherently interest-based and has devastated the lives of many nations. "According to the Global Report on Islamic Finance -2016 (P.1), a classic example would be Almost half of the world's wealth is now owned by only 1% of the population. And 86 percent of the world's wealth is owned by the richest 10 percent of the world's population, and the wealthiest 1 percent alone accounts for 46 percent of global assets.

In the global sense, most economists widely agreed and acknowledged that Islamic finance must be executed and that it is undeniably the need of the hour (Kurram Ajaz Khan 2013). Also, Islamic banking is believed to contribute to the economic growth of Sri Lanka and to serve as a mechanism for overcoming the problems of liquidity and inflation in the region. The Islamic world's understanding of bringing in an alternative Shariah-compliant financial framework profoundly laid the

foundations for the foreign market to kick off Islamic banking (Kurram Ajaz Khan). Due to a variety of other factors that have arisen over the last four decades, other Muslim countries have built an economic environment ready for IB/IFIs to start Islamic banking.

The Islamic world's understanding of bringing in an alternative financial system consistent with Shariah deeply laid the groundwork for Islamic banking to kick off the foreign market (Kurra Ajaz Khan). Other Muslim countries have developed an economic environment ready for IB/IFIs to start Islamic banking because of several other factors that have emerged over the last four decades. One of the variables was the presence of three major groups of individuals waiting for the formation of IB/IFIs

1. Citizens who were still struggling with the traditional banking system, albeit unwillingly, because there was no Islamic alternative.
2. People who for religious reasons, cannot manage the traditional banking system at all.
3. People who wished to be their supervisors but were unable to provide the requisite guarantees needed by traditional banks to receive finance due to a lack of financial creditworthiness.

In addition to the above, from the perspective of the employee, few other factors have also been recognized that contribute to the need to develop Islamic banks in Sri Lanka. There were, there were,

- a) Muslim employees who worked in the conventional banking sectors were desperate to switch to Shariah-compliant banking operations, to make their income permissible according to Islamic teaching.
- b) Because their conflict with the values and beliefs of Muslims from a religious viewpoint, professionals with Islamic finance qualifications did not want to join the current traditional bank's operations, many accepted IB/IFIs as the alternative to contribute and demonstrate their abilities, which was the need for the hour among Muslim nations.
- c) Educational institutes that provide Islamic finance qualifications were eagerly awaited for Islamic banks to launch to create job

opportunities. People didn't have the confidence to learn Islamic since there were no openings in the market.

- d) Islamic banks will also establish work opportunities for Islamic finance students, as well as new fields of study and courses for potential students for those wishing to pursue their technical careers in Islamic banking.

Besides, through its funding services for those who are most deserving, Islamic banking can improve entrepreneurship in Sri Lanka. There is also a desperate need for Islamic banking, which can be a solution for emerging entrepreneurship. The country inevitably needed entrepreneurship growth to develop the country where small-time owners wish to borrow interest-free loan.

With its customary instrument based on shariah, Islamic financial services will improve microfinance at a low cost. During the recent financial crisis, Islamic banking will act as a supplement to traditional banking in contrast to conventional banks, Islamic banks are less affected. Hence, with these backgrounds, the study aims to investigate the factors influencing the potential growth of the Islamic Banking Industry in Sri Lanka from employees' perspective amidst the knowledge of the employees about Islamic Banking, competencies and skills of Islamic banking and marketing arrangement of Islamic Banking in Sri Lanka through the lens of employees' view.

Statement of the Problem

The concept of Islamic banking and finance was first introduced by Amana Investment in 1997 which was then converted into a fully-fledged Islamic commercial bank in 2011 (KPMG, Islamic Finance Country Report, 2011), Subsequently, a significant number of commercial banks have also started their windows of Islamic banking in Sri Lanka started from the year 2005 (CBSL, 2006). Hence, traditional banks also invest a colossal amount of money in the window of Islamic banking to increase their market share in its domain of activities. However, the growth and its potentiality of Islamic Banking is being still a question whether the industry is growing at a

significant level even though the industry growth of deposits shows an 8% growth in the traditional banking system (Amana Bank Annual Report, 2019). As a result, it should be important to deeply investigate the factors which influence the growth of the Sri Lankan Islamic banking industry.

Islamic banking, unlike traditional banking, is solely based on Shariah principles. It is of utmost importance that all workers and customers should have sufficient knowledge of the topic to recognize the fundamental distinction between the two banking principles and their *modus operandi*. Also, Islamic banking's success depends largely on the expertise, skills, knowledge, efficacy, and experience of the employees employed in those banks. Besides, there is a range of problems and issues facing the Islamic banking & finance industry that can potentially impact the overall success of the Islamic banking industry.

The Islamic finance industry has trained the majority of professionals with traditional banking experience, according to the current situation in Sri Lanka. Therefore, they do not have basic Shariah awareness, which is an important component of the Islamic banking concept's success and growth. The views of the employees are merely a name change of existing goods with Arabic names due to lack of awareness & comprehension of Shariah principles and the product built on it (Lodhi, Kalim & Iqba, 2005).

Islamic banking and finance (IBF) in Sri Lanka grew 42 percent, corresponding to 50 billion assets in 2014, and is expected to double by 2020 (LBO, 2015). However, the lack of competence of Islamic bankers (Employees), the knowledge and awareness on the products of Islamic Banking and Finance and marketing arrangement by the Islamic Banks have remained a serious issue and the development of Islamic banking in Sri Lanka has to be addressed.

This has a further impact on the country's promotion and marketing of Islamic banking. In conclusion, the growth of the entire Islamic banking & finance industry is affected by all the facts listed above. Hence, serious questions have arisen whether the industry has a potential for survival and its growth in Sri Lanka? And this ambiguity must be seen first from the employees' perspective.

Justification of the Study.

The fact that every industry is dependent on human capital is a known factor. In particular, the financial services sector is highly dependent on human resources because it provides clients with direct contact with financial services. Since Islamic finance is relatively new to this market, employees, in particular, play a crucial role. They communicate with clients and illustrate the product and service. Much of the time, because of a lack of awareness, they are unable to describe the goods and their fundamental concepts. Thus, in terms of the facets of Shariah, employee acuity matters a lot. The mindset of additional workers influences the client's perception of the values of Shariah, the goods provided to them, and the level of service thereon. According to the statement of the Minister of Industry and Commerce "More than 85 percent of Lankan Muslims alone are unaware about IBF and how to join it.

To achieve significant growth in Islamic Banking and Finance (IBF), the national banking and finance industry must focus more on development efforts. A key factor is equipping Islamic bankers with the necessary knowledge to understand the differences between Islamic and traditional banking, enabling them to effectively promote real Islamic banking. The perception of bankers working in Islamic banks and units also plays a crucial role. According to a report by the Intelligence Units (RIU), only 18% of full-time employees currently hold a formal Islamic Finance qualification, a slight increase from 13.4% in 2012, highlighting a gap that impacts the sector's growth.

Research Aims & Objectives

The main objective of this study is to examine the expectations of staff working in both Islamic and Islamic branches of traditional banks about the future growth of Sri Lanka's Islamic banking industry. For this analysis, the following sub-objectives are also generated to explore the desired goal.

1. To examine the views on the knowledge of bankers concerning Islamic banking correspondence with Shariah
2. To analyze the views of bankers about the disparities between Islamic and traditional banks' goods and services.
3. To measure whether Islamic bankers have adequate knowledge, experience, skills, and professionalism to contribute to the growth of Sri Lanka's Islamic banking industry
4. To examine shortcomings in the proper marketing of Islamic banking for its development and visibility.

Research Question

1. This research is intending to answer the below mentioned.
2. Do bankers have adequate knowledge of Islamic banking principles and their compliance with Shariah?
3. What are bankers' views on the differences between Islamic and conventional banking products and services?
4. Do Islamic banking professionals in Sri Lanka have the necessary experience, training, and professional skills to support industry growth?

How do marketing practices impact the growth and visibility of Islamic banks in the Sri Lankan market?

Scope of the Study

The analysis is confined to Sri Lankan Islamic banking. It focuses on the views of only those employees who work in Sri Lanka with Islamic banking windows in Islamic banks and traditional banks. The research is also limited to assessing the future growth of the Islamic banking industry in Sri Lanka from the perspective of the employee.

Hence, the scope of the study is limited to the only employees who are currently working in Islamic banking windows and Islamic banks. Moreover, the concept of pure Islamic banking is not regulated by any Authority in Sri Lanka, the conventional banks created their windows of

Islamic banking under the conventional banking system. As a result, data collection in this regard is challenging on the pure Islamic banking concept.

Significant of the Study

There are few studies on this subject, according to the Islamic banking history of Sri Lanka so far. This research will also contribute significantly to the practical and theoretical aspects of the Islamic banking industry. In addition, in the context of the Sri Lankan banking industry, this study helps scholars who aspire to do a thorough study in this field.

Further, this study is significant for educational institutes that develop curriculum with regards to Islamic Banking in Sri Lanka. Finally, this study also helps policymakers to develop the concept and lay a foundation for regulation of Islamic banking in Sri Lanka

Practical Significance

- a) This study will help assess the expertise and skills of Islamic banking employees and will provide management with insight to take the appropriate steps to structurally develop their knowledge through gap analysis.
- b) This study will help service providers (IF) identify root causes of customer satisfaction and loyalty and thus encourage them to make targeted changes in critical areas to enhance profitability.
- c) This study will also allow members of the Shariah Board to understand the lack of knowledge of Shariah and take corrective steps to resolve the issue. More buyers would therefore be convinced of Shariah-based goods. It will therefore further develop the industry.
- d) It will also assist the universities of Sri Lanka in the creation of faculty programs in Islamic Banking and Finance.

Literature Review

Introduction

this chapter also critically reviews the previous studies reported on the definition of factors affecting the Islamic banking industry's potential growth in Sri Lanka. Eventually, this chapter finds a key conclusion that drawn the formation of the research gap.

Principles and Practice of Islamic banking & finance

The theory of Islamic finance is laid down in Sharia law, Islamic law The idea of the social order of fraternity and unity is the basis of Islamic finance, comprising financial transactions in banking and non-bank financial institutions. Islamic financial instruments and products are equity-oriented and focused on different types of profit-sharing and loss-sharing. Since Islamic banks and their customers are partners, risk-sharing and gains are the basis of both sides of financial intermediation.

Islamic banking and finance (IBF) are based on the Quran and Sunnah concepts, according to the key sources (Hassan and Latif, 2009). In other words, it is an ethical way to meet economic needs while understanding justice, equality, and moral values (Shah & Niazi, 2009). The Islamic economy is a comprehensive structure introduced in the Arabian Peninsula by the Prophet Muhammad (PBUH) 1400 years ago (Aden, 2014).

It was not a new philosophy, however, but it was later widely recognized during the global financial crisis (Andersen & Taylor, 2012) and considerable emphasis was placed on incorporating it into the current economic system, which is fundamentally based on interest (Mahomedy, 2013). Islamic banking has been one of the fastest-growing sectors and has been noted by both Muslims and non-Muslims (Iqbal and Molyneux, 2005; Bhatti 2007, 2008; Khan and Bhatti, 2008).

Further several experts and authorities of Islamic banks have reported that Islamic banks are generally not really or less affected by the global financial crisis compared to traditional counterparts because of salient features and characteristics of Islamic banking where all financial

transactions must be trade-based, asset-backed, and equity-based financing. Many analysts, like Wall-Street, have asserted that Islamic finance is the only realistic alternative to existing unsolved economic problems. (2011 Trabelsi)

Since Islamic finance is founded on Shariah-ruled principles, it forbids those elements that nullify the contract and harm society regardless of race or religion (Almazari, 2014). These are primarily interest (Riba), misunderstanding (Gharar), speculation, and gambling (Mysir). (Abduh and Chowdhary, respectively (2012). Islamic financial institutions often pay great attention to the above-mentioned elements because of this reason.

In addition, the aim of the Islamic economic system is to develop every individual's proper distribution of wealth and social well-being (Muhamad Abduh, Mohd Azmi Omar, 2012). Trabelsi criticized that, due to unequal distribution of income, the capitalist system was not a worldwide welfare economic system.

The real difference between Islamic finance and traditional finance is that these facts & practices (Manzoor, 2013). Since these facts make the real difference, it is of utmost importance that people involved in Islamic finance operations must have sound knowledge to measure the differences between actual Islamic finance and traditional finance.

According to Mahomed (2013), in order to understand the underlying concepts, individuals should have sufficient information to distinguish between the principles of Shariah in any product and service (Garbois et al., 2012). Without a proper Islamic banking structure, the above objectives are not feasible (Almazari and Dawood, 2014).

Expertise and well-known employees are a must to create a strong Islamic banking system, so they are the cornerstone, and failure and success depend to a large extent on them (Vahed & Vawda, 2008). Maybe their expectations play a critical role as well. Laldin (2008) pointed out that the main problems that need to be tackled are changes in management skills, Shari'ah law, and widespread acceptance of Islamic banking. Islamic banking industry started its functions few decades ago among the influence of well-established conventional banking and finance sector in Sri Lanka and it is developing gradually among the Muslims and other community

people. However, it is notable that in Sri Lanka where Muslims are living minority level, the Islamic banking and financial institutions have to confront a number of challenges in their daily functions and the development as well (Mohamed Haniffa Mohamed Nairoos, 2024)

Islamic Banking & Finance in Sri Lanka

The banking sector is the backbone of an economy in which it plays a key role in providing a source of finance and promoting economic activities (Dawood, 2014). This relates to Sri Lankans as well. In embracing, establishing, and initiating Islamic banking, Sri Lanka has been very proactive. And it was the first Islamic State to develop the activity of Islamic banking & finance within the SAARC countries.

The concept of Islamic banking and finance was first introduced by Amana Investment in 1997 Which is converted into a fully-fledged Islamic commercial bank in 2011(Amana bank,n.d) (KPMG, Islamic Finance Country Report, 2011) few prominent business personalities initiated this private limited company. The need aroused to convert to the commercial bank by request of a majority of clients. However, there was no regulatory framework to accommodate as an Islamic entity. (KPMG, Islamic Finance Country Report, 2011)

On the other hand, one of the few non-Islamic countries that had legislation for the Islamic banking sector was Sri Lanka. The Banking Act was amended on the representation made in parliament considering the need in 2015, and it was considered to be the historical achievement of the Islamic banking industry in Sri Lanka, whereby the Central Bank legitimized and controlled Islamic banking.

As the supreme authority, another central bank became responsible for licensing and controlling all Islamic banks and Islamic finance and leasing firms. Amana Bank was granted a license to start functioning as a commercial bank under the supervision of the Central Bank of Sri Lanka in 2011 (KPMG, Islamic Finance Country Research, 2011) (CBSL).

This unusual approach formed the basis for the country's rapid growth of Islamic banks. In the South Asian Association for Regional Cooperation (SAARC) countries, Sri Lanka was also ranked as one of the fastest developing countries in terms of Islamic financial structure (Bakshi and Penkar, 2014).

Amana Bank was approved in 2011, and during the following two years, almost all major traditional banks, including Bank of Ceylon, Peoples Leasing, Commercial Bank, Hatton National Bank, National Development Bank, Seylan Bank, and MCB Bank, began developing Islamic banking units.

Islamic Finance divisions were also set up by several finance firms and leasing companies. Lanka Orix Leasing Company is a big player in the leasing field of Islamic finance (Kamil, 2015). Within the space of fewer than 15 years, the major milestones in the growth of this industry were quickly achieved.

The banking sector of Sri Lanka has remained a pillar of the economic growth of the country. Also, both traditional and Islamic banks are part of Sri Lanka's dual banking system. Retail, advanced, wholesale banking operations consist of the traditional banking market. In addition, retail and wholesale banks that offer a range of Shariah (Islamic Law) compliant goods and services are part of the Islamic market.

Today numerous Islamic financial institutions in the country are demonstrated as the leading Islamic financial centre in the country. Numerous Islamic financial institutions in the world are seen today as the country's leading Islamic financial hub. According to Seneviratne (2013), the Islamic market for finance has an approximate market of around 300 billion rupees, with a total deposit base of almost 35 billion rupees and a total loan base of 25 billion rupees.

Meanwhile, Islamic banking and finance (IBF) in Sri Lanka has risen by 42 percent and 50 billion assets in 2014, according to the Ministry of Trade (LBO, 2014). Amana Bank is the only full-fledged Islamic bank in Sri Lanka today and caters to all segments of individuals, including none of the Islamic faiths. It also provides, like other traditional commercial banks, truths of goods and services.

Islamic banking in Sri Lanka has grown with 19 providers offering Shariah-compliant products, but expansion has been limited due to a lack of trained professionals. Many employees transitioning from conventional banks struggle with delivering Shariah-compliant solutions, hindering the industry's potential. Employee perspectives are essential for future growth and development.

IBF products and services

Principles of Shariah Compliant Products & Competitiveness

Islamic finance products are Shariah-compliant, emphasizing asset-backed financing, ethical banking, and fairness. Unlike traditional banking, they are contract-focused rather than commercially driven, highlighting key distinctions in operations.

Riba (interest) is one of the main reasons for many Muslim clients to convert to an Islamic bank, as stated earlier. Many scholars advocate that riba-free Islamic goods are (Ahmad & Hassan, 2007; Usmani, 2002; Jan, Ullah, & Asutay, 2015).

Further Hassan and Ahmed (2002) conducted a study on the employees and customers of Islamic banks “found that customers are not interested in doing banking transaction with Islamic banks because they thought that only the name of banks have been changed and the riba which is prohibited in Islam is still in practices”. Jamaldeen, (2012) argued, “that the Islamic banks have to develop financial products that conform to Shariah Because of the probation of certain elements in transactions”.

The products must ensure the features as convention products that are sold on the market, according to Kakakhel, Raheem, and Tariq (2013), though it should be within the Shariah context and require a basis. In addition, most Islamic goods were introduced as an alternative to traditional products, they argued.

Islamic financial institutions should consider the requirements and dynamic world of the young generation to stay competitive, and Islamic banks need to be more innovative and imaginative about new products. (In 2013, Abduh & Idrees). As per Almunani (2013), most traditional goods

are currently based on specifications and are embedded in the latest technology.

In addition, Bukhari & Qudous (2012) stated that the goods must be target-oriented, so individual and corporate customers must be attractive and attractive. In addition, as per the latest trend, thus taking into account the development of technology and the evolution of demand from financial markets, products/services need to be produced on a timely basis.

Khattak & Rehman (2010) argued that the products that Islamic banks give their customers must be successful. In addition, as the global village grows, they subsequently articulated the need for improvements for customers.

To stay competitive in the market, financial institutions must create fresh, needs-based innovative products (Curak, Poposki and Pepur 2012), and the relationship between financiers and borrowers with these new innovative products is called a collaboration in which risk is attached instead of being borne by a single party. (2014 PWC).

To compete with each other, these IFIs tend to bring new products to the market to enhance their reputation and also to increase their market share, Hassan, Kayed, and Oseni (2013) said. In response to market demand, as new products become increasingly inventive, complex in nature, and diverse, there is a possible misinterpretation of maqasid shari'ah of the contracts, laws, or even the concept used (Arif, Khan, & Iqbal, M., 2013).

According to Sheikh Taqi Usmani (2008), most of the Sukuk in the market are not Shariah Compliant. Further Imady & Siebel, (2006) indicates "that the new product must also have the element of consumer protection to ensure that risk is managed properly for the sake of justice for all. This is in line with the Islamic teaching that IFIs should be built based on a societal foundation or upon religious principles that may help institutions introduce products designed and price-based on the principle of societal equality"

In addition to the above, customers concentrated on the cost of goods and quality of service, which were also recognized as important factors for the future growth of Islamic banking and the attraction of

customers to Islamic banks (Dusuki & Abdullah, 2007). In the future, Islamic financial intuition should have the infrastructure and capacity to identify customer demands for the growing (Echchabi & Olaniyi, 2012).

While they have tremendous connection and devotion to Islamic banking products and services, Gait & Worthington, (2015) In addition, a few primary reasons were listed as the preferences of customers for selecting Islamic banking products and services. Religion, competitiveness, community service, and special programs are these

Islamic Banking Products & Category

The banking sectors are classified as need-based, individual and corporate, according to the current banking standard, needing different products to meet their needs. The traditional banking system has a borrower and lender relationship, so the compensation is shared on the fixed interest, while Islamic banks and their clients are partners (Bujang Masli, 2010); whereby the distribution of costs and profits is focused on both sides of the financial intermediation.

In Islamic banking, client-to-bank fund transfers (deposits) are based on income sharing, typically calculated monthly on an ex-profit basis. Bank-to-client fund transfers (financing) involve profit-sharing, either through a mutually agreed ratio, as in Mudarabah, or a fixed-rate ratio (Imady & Siebel, 2006). These rates vary by institution and contract.

Table 1: Islamic Banking products offered by Islamic banks in Malaysia by business segment

CONSUMER SEGMENT	PRODUCT NAME	CONTRACT USED
Deposit	Current account	• Wadiah (safekeeping)
	Saving account	• Mudharabah (profit sharing)
	Staff deposit account	• Qard Hassan (benevolent)
Credit	Credit card	• Tawarruq (cost-plus sale)
Financing	House financing	• Bai Bithaman Ajil - BBA (deferred payment sale)

		• Musharakah Mutanaqisah (diminishing partnership)
	Personal financing	• Murabahah (cost plus) • BBA (deferred payment sale) • Bai Inah (immediate cash)
	Vehicle financing	• BBA (deferred payment sale)
	Staff financing	• Qard Hassan (benevolent)
CORPORATE SEGMENT	PRODUCT TYPE	CONTRACT USED
	Trade financing	• Wakalah (agency) • Mudharabah (profit sharing) • Murabahah (cost plus)
	Asset-based financing	• Ijarah (leasing), • Istisna (purchase order)
	Corporate investment	• BBA (deferred payment) • Ijarah (leasing) • Istisna (purchase order) • Murabahah (cost plus) • Mudharabah (profit sharing) • Musharakah (profit and loss sharing)

(Source: The Journal of Applied Business Research – July/August 2013)

It includes, according to the table above, almost all items which are sold on the international market. The Mudharabah & Musharaka discussed by El-Galfy and Khiyar (2012) are solid items that lead to real economic development. Since gains & losses are shared. This is one of the major obstacles that economic growth policymakers face in encouraging risk-sharing rather than debt funding.

As a result, to achieve better socio-economic growth and bring greater justice to society as a whole, poverty and inequality would be

minimized. Therefore, as it contributes positively to macroeconomic stability, the Islamic banking and financial system will serve as an instrument to promote economic development and benefit humankind.

Islamic banking is growing rapidly in asset base, outreach, and product lines in terms of success and growth (Ullah, 2015). The lack of knowledge of Islamic bank products and services (mirror company, 2014) is one of the key problems that have been highlighted. According to Zainol, Shaari, and Ali (2008), Islamic bankers have a favorable view of the products and services of Islamic banks.

Ali and Farrukh (2013) highlighted that Islamic bank employees are optimistic and well-trained, while Ramzan et al. (2012) emphasized customer trust and the need for staff training and innovation. Bouheraoua & Dusuki (2011) stressed the SAC's role in ensuring Shariah compliance.

Experience and Skills of the Islamic Banking Employees

Islamic finance is guided by a strong vision and includes many facets that support humanity as a whole (Ahmed, Shaukat, & Islam, 2013). All operations and activities of Islamic financial institutions must be Shariah-compliant in order to achieve the above goal (Visser, 2013).

The ultimate achievement of Islamic finance is to achieve success by ensuring Shariah enforcement in all transactions and it makes the fundamental distinction between Islamic banking and traditional banking operations (Jabbour, 2013). In order to comply with Shariah, Shariah principles must be strictly enforced in their operations.

A skilled authority should oversee Islamic banking guidelines and their implementation, ensuring full Shariah compliance in all business activities and relationships (Siddiqui & Usmani, 2014). Management must adhere to Shariah standards, while employees should receive proper training and knowledge of Islamic law principles to maintain compliance (Uppal & Mangla, 2014).

Shariah Knowledge

To achieve Shariah compliance, appropriate Shariah training should be provided to employees, which will substantially represent day-to-day work and provide exposure to career growth (Shafii, Salleh, Hanefah, & Jusoff, 2013).

Experts argue that the lack of Shariah's understanding of Islamic bank staff and their lack of understanding of the underlying concepts of Islamic contracts and transactions may be a significant obstacle to the growth of the workforce (Hasan, 2011). Dewa and Zakaria (2012) Arguing in favor of understanding and alignment with Shariah.

Employees engaged in Islamic banking operations must in their opinion, possess Shariah expertise, which is an integral and imperative necessity. Anwar (2013) noted that the skills, abilities, expertise, performance, and experience of employees and management contribute to the success of Islamic banking and are largely dependent on it.

Regardless of the organization, whether financial or non-financial, employees play a key role in the growth, advancement, and ambassadorship of an entity, representing core values and an important marketing instrument (Harris, 2007). Islamic financial institutions need to have amply qualified and trained personnel (human capital) to sustain, remain competitive, expand and evolve under market conditions (Aziz, 2005).

Training can be defined as a systematic organizational process that provides employees with the skills, attitudes, and abilities to help organizations execute their tasks and visions" (Jabbour, 2013). In particular, the global market rivalry has increased the value of employee training as a means of enabling service companies to effectively perform their services (Zumrah, Boyle, & Fein, 2013).

Islamic financial institutions should design basic and unique training in order to achieve the best results and to maximize the capacity of employees. According to Srivastava & Agarwal(Gustiawan, 2013) (2014).

"The success of Islamic banking largely depends upon the expertise, skills, knowledge, efficiency, and experience of employees' working in those banks" Additional employees need to gain sufficient knowledge to

distinguish between Islamic and traditional in order to facilitate real Islamic banking (Dewa, & Zakaria, S. 2010).

Islamic banking is still in its infancy as compared to global market stats, and employees and management contribute to growth and success. Further observations are highly dependent on them. (2013 by Beck, Demirguc, & Merrouche).

Since Islamic finance is a relatively recent entrant to the global market and is focused on the Shariah, the competence of employees has remained serious from the beginning, which needs to be addressed. (2011: Malik, Malik, & Mustafa; 2013: Anwar; 2014: Zamil). Management has to provide staff with sufficient training from time to time to increase the quality of service (Ford, 2014).

The above statement indicates that creative programs and methods for training Islamic bank employees and financial institutions need to be created (Gustiawan, 2013). This is because in most cases, the quality of the workers currently employed in these institutions does not meet the requisite requirements for performing Islamic banking duties (Dewa and Zakaria, 2012).

Training & Development

The Institute of Islamic Banking and Insurance (1999) emphasizes training in Islamic banking to enhance workers' expertise, competence, and professionalism with a focus on morality. Islamic financial institutions prioritize comprehensive planning, distinguishing them from conventional counterparts.

Islamic finance has two forms of teaching, both academic and Shariah training (Naveed, Iqbal, Javed, & Hamad, 2014). Furthermore, Khattak, Wasim, & Majeed, (2013) listed that staff of Islamic banks and financial institutions require the technical aspect of the combination of two fields which includes knowledge of the technicalities of traditional banks' practices but must ensure that all transactions are Riba-free. & the facets of Shariah.

This includes the contractual forms of finance and investment that comply with Shariah, such as Murabaha, deferred selling, Salam, Istisna, Ijarah, Mudharabah, and Musharaka. The Shariah rulings are therefore based on contracts. Since banking activities are focused on contracts, these types cover all the essential elements of Islamic banking practice, including the deposit and mobilization of funds, in addition to the provision of banking services.

It is a recognized factor that only when the company provides them with all the requisite tools, including logistical, administrative control, training, equipment, and management support, can employees deliver quality services to customers (Srivastava and Agarwal (2014)). This is also verified by Zeithaml (2000) by claiming that “satisfied employees make for satisfied customers (and a satisfied customer can, in turn, reinforce employees’ sense of satisfaction in their jobs).”

They discovered, according to the research conducted by Bowen and Scheider (1988), that front-line workers play a vital role in representing a company to potential customers, shaping knowledge and actions, as well as customer evaluation. The role of front-line staff in the delivery of a quality service was further verified by Congram and Friedman (1991).

This argument is further reasserted by Zeithaml (2000,p.) “...the employee’s relative strength of identification with an organization’s goals, objectives and values could impact on service delivery. Identification with the organization’s goals, objectives and values is referred to as organizational commitment.”

Employee’s commitment to the organization

Concerning the above, Katz (1996) urges that when organizations pay in the form of financial compensation and training, loyalty to organizations can be expected from workers. On the other hand, Ismail and Makhbul (2000) discovered that, relative to other variables, training and job growth have a significant and optimistic relationship with employee loyalty.

He emphasized that according to Zeithaml (2000), workers should be empowered with sufficient expertise and knowledge relevant to their

current job in order to make an accurate decision. Islamic bankers hold optimistic views about the goods and services of Islamic banks, according to Zainol, Shaari, and Ali (2008). In terms of Islamic banking objectives, other employees produced insufficient information.

It was also noticed that the majority of employees had adequate product awareness, but lacked experience before entering Islamic banks. Therefore, management had to know Shariah enforcement & product and service technical knowledge. According to Ali and Farrukh (2013) statement, however, employees were found to be optimistic, well-trained, and knowledgeable about products and services.

Also, a study conducted by (Khan, Asghar, and Zaheer, 2014) shows that most Islamic bank employees in Pakistan have negative views of Islamic banking activities, some of which claim that Islam does not have such current guidelines, while others assume that guidelines are available but not enforced in their actual terms. Overall, the literature revealed that the workers lacked awareness and skills relevant to the comprehension of Islamic banking & finance principles and practices.

Awareness

The growth of Islamic banking is largely driven by public awareness and promotion efforts. Research shows limited understanding of key Islamic banking terms, even in Muslim-majority countries. Studies highlight the lack of awareness among non-Muslims, as well as challenges like unclear Sharia implementation and inconsistent standards. Additionally, past research on the topic has largely relied on literature-derived variables, with no formal theory developed specifically for Islamic finance.

Conceptual Framework

Hypothesis Development

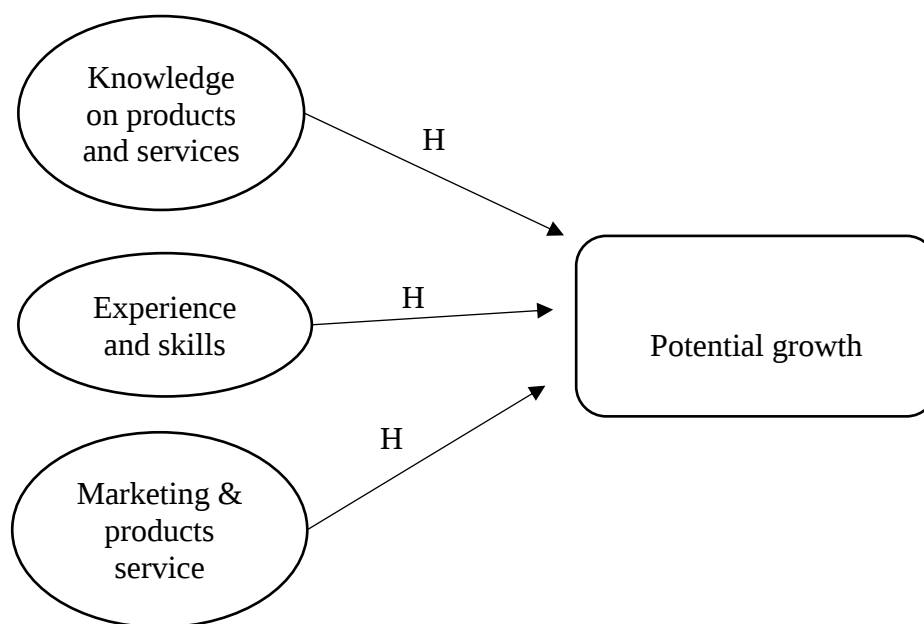


Figure 1. Conceptual Frame work

The proposed model portrays the relationship between different variables from the perspective of the employee towards potential development. Such as goods and services, knowledge and talents, product and service marketing.

Since employees employed in Islamic banks have a clearer understanding of the practices of Islamic banks, it is, therefore, necessary to know what they perceive about the practices about the factors above that

comply with Shariah. The employees' overall views are related to the future development of Sri Lanka's Islamic finance industry.

Employee`s View towards Islamic Banking Product and Services

The views of employees on Islamic banks' goods and services were found to be significantly positive (Zainol et al., 2008). They found that, based on Islamic values, Islamic banking goods and services were distinguished by Shari'ah. In terms of scale and customers and efficiencies, it could positively and directly impact the growth of Islamic banks. The following theory will be formulated based on discussion and proof.

- **H01:** The Knowledge of employees concerning Islamic banking products and services does not affect the growth of Islamic banking in Sri Lanka.
- **HA1:** The Knowledge of employees about Islamic banking products and services affects the growth of Islamic banking in Sri Lanka.

Employees' View towards Experience and skills

Ali and Farrukh (2013) considered Islamic banks' employees to be well experienced and optimistic. Islamic banking workers had ample knowledge about the goods and services, according to Zainol et al. (2008).

Anwar (2013) noted that Islamic banking's success was largely dependent on employee and management expertise, skills, knowledge, performance, and experience. It was noted that the expertise, experience, and skills of employees could increase an organization's performance and that the experience and skills of employees have a positive relationship with Islamic banks' growth. The following theory is formulated according to these arguments.

- **H02:** The viewpoint of employees on the knowledge and skills acquired by Islamic banks does not affect the future growth of Islamic banking in Sri Lanka.

- **HA2:** The perspective of employees on experience and skills acquired in Islamic banks has an impact on the future growth of Islamic banking in Sri Lanka.

Employees View towards Marketing products & Service

The main contributors to the growth of Islamic banking in Sri Lanka are public awareness and promotion (Anwar, 2013). Public awareness could be generated via various instruments that are part of the marketing of Islamic banks' goods and services.

Further contributing to the growth of Islamic banking in the country is the willingness of banks and the government to support Islamic banking. The following hypothesis is generated to understand the attitudes of employees towards the marketing of Islamic banks' goods and services with potential growth.

- **H03:** The view of employees towards the marketing of products and services does not have an impact on the potential growth of Islamic banking in Sri Lanka.
- **HA3:** The view of employees on the marketing of products and services has an impact on the potential growth of Srilankan Islamic banking.

Research Methodology

Initially, this chapter describes the various approaches to research methods and how they will be used in this report. The research methods and data collection techniques and instruments that will be used in this analytical analysis will then be discussed in this section. The chapter will also concentrate on population determination, sampling methods, and data analysis methodology.

Research Philosophy & Strategy

This research adopts a positivist approach, emphasizing measurable observations and statistical analysis to explore opinions and beliefs. Using a quantitative method, it identifies patterns and relationships through descriptive and inferential analysis. Systematic questionnaires, based on literature, are analyzed with statistical tools, ensuring accuracy and providing structured insights to achieve study objectives.

Instruments of Research

Quantitative research will be conducted to produce the numerical data where a standard self-administrative questionnaire will be developed by Zainol et al. (2008) adopting studies. Further descriptive analysis using charts and inferential analysis will be performed by SPSS (Statistical Package for the Social Sciences V22). Pearson Correlation was conducted to test the hypothesis presented above.

Pearson correlation is carried out as it helps to calculate how well the variables are related and is the most common correlation test of the statistics as well. In addition, it helps to establish a linear relationship for this analysis between the independent variables and dependent variables defined. (How to Statistic, 2017)

Data Collection Methods

The study uses surveys to gather insights from employees in Islamic banking windows and banks in Sri Lanka, focusing on industry growth and future development. Questionnaires were distributed via printed forms and Google Forms. This approach provides valuable perspectives on the current state and potential expansion of Islamic banking in the country.

Operationalization

Table: 1 Operationalization

Variables	Indicators	Dimensions / Research Questions	Source
Independent variables	Employee's Knowledge of Islamic Financial Products and Services	Current Islamic Banking Products & Services	Salman Iqbal. (2015).
		Financial products & Services fulfill the financial needs of all segments of people including employees	Salman Iqbal. (2015).
		Products are sufficient for the growth of the industry	Salman Iqbal. (2015).
		Islamic Financial intuition should introduce new Shariah-compliant products,	Salman Iqbal. (2015).
	Employee's Experience and Skills of Islamic banks & Finance	Prior experience & knowledge about Islamic Banking Process	Salman Iqbal. (2015).
		Clear and efficient training and technical exposure on the products and services	Salman Iqbal. (2015).
		Shariah training can certainly improve organizational commitment as it enables employees in bridging their performance	Salman Iqbal. (2015).
		there is a carrier development prospect while working in an Islamic financial institution	Salman Iqbal. (2015).
		the Employees are equipped with the required skills to solve customers' problems within the Islamic framework	Salman Iqbal. (2015).

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	Employees' view on the marketing of Islamic banking products and services	Management shows commitment in marketing Islamic Finance products and services for all sects of people	Salman Iqbal. (2015).
		The management taken initiative in creating public awareness regarding Islamic finance products and services	Salman Iqbal. (2015).
		Islamic Finance advertisements	Salman Iqbal. (2015).
		using social media & the Internet as marketing tools to impact the growth industry	Salman Iqbal. (2015).
		Institution supports/involve in economic activities such as CSR, as part of the marketing promotion	Salman Iqbal. (2015).
		Islamic financial institute promote Mobile & Internet banking technology to attract the customers	Salman Iqbal. (2015).
	Employees' view on the potential growth of Islamic Banking in Sri Lanka	Islamic banking product and services will increase in all sectors in the future	Salman Iqbal. (2015).
		Islamic Finance Qualification & Experience will certainly impact on the growth of Industry	Salman Iqbal. (2015).
		Opening new Islamic finance windows to promote Products & Services has an impact on the growth of the Islamic Industry	Salman Iqbal. (2015).
		Islamic banks are introduced to promote the social and welfare of the economic system	Salman Iqbal. (2015).

Source- Developed for the study purpose, but questions adopted from the above-mentioned sources

Sample Size and Selection Procedure

The research population consists of employees of the full range of Islamic banks and regular banks that provide Islamic banking products and services under the Islamic financial Institution window. (Table 2)

Table 2: Islamic Financial Institutions

Islamic Financial Institutions	
Full-Fledge IB	Window Operation IBU
Amana Bank	Commercial Bank Ceylon PLC (Al Adalah' IBU)
	Bank of Ceylon (An-Noor IBU)
	Hatton National Bank (Al Najah IBU)
	MCB Bank Ltd (Islamic Banking Division)
	NDB Bank Ltd (Shareek Islamic banking)

Table 3: Employees Category statistic

Employees Category statistic				
	Junior - Executive	Executive and Above	Total	Interacting with Customer
ABL	422	296	718	396
HNB	15	4	19	15
NDB	3	1	4	3
MCB	10	7	17	16
BOC	2	3	5	5
			763	435

Method for Sampling

The study uses convenient sampling, focusing on frontline employees in Islamic banks for their relevant insights. A sample size of 196, based on Anderson's (1996) guidelines, ensures a 95% confidence level for a population of 400-500. This approach evaluates employee perspectives on Islamic banking products, services, skills, and marketing, aligning with similar studies (Loo, 2010; Rustam et al., 2011; Abdullah, Sidek & Adnan, 2012) that used comparable sample sizes.

Presentation and Data Analysis

Data Analysis

The detailed questionnaire prepared as mentioned earlier was analysed using the data statistics package (SPSS 200) collected for this study. Before data collection, the validity of those grown using factor analysis was explored. The pilots with the thirty models then checked the reliability of the constructions using Cronbach's alpha table score for pilot testing of all variables.

Pilot Study

Pilot Test

A pilot study was conducted with 30 participants from financial institutions in Sri Lanka's western region, including Islamic windows. Questionnaires were distributed, collected, and analyzed using SPSS (20.0), with reliability tests performed. Based on findings, some questions were revised, and the final version was approved by the supervisor.

Pilot Results Test

Table 4: Statistics of reliability

Summary for Case Processing				Scale	Reliability Statistics	
Cases		N	%		Cronbach's Alpha	N of Items
	Valid	30	100	All Variables	0.739	27
	Excluded	0	0			
	Total	30	10			

According to Cronbach's Alpha, it produced 0.739, which is above the required criteria and it confirms that the variables have the adequate reliability to conduct the survey further with real data that were collected.

Demographic Profile of Respondents

As mentioned before, a total of 200 questionnaires circulated 181 questionnaires were returned by the respondents. This shows the response rate of 90.06 percent. The following Tables show the details of respondents' profiles.

Gender of Respondents

Table 5:

Gender					
Valid		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	170	94%	93.9	93.9
	Female	11	6%	6.1	100
	Total	181	100	100	

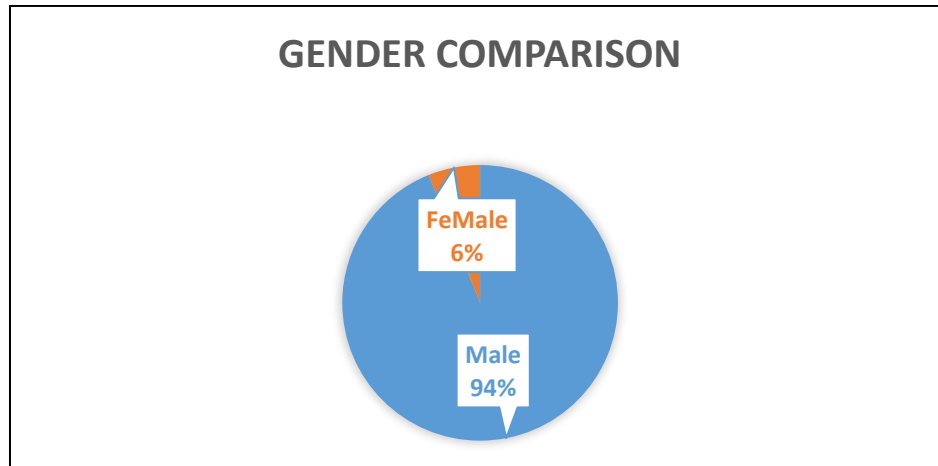


Figure 1: Gender Comparison

The results indicate that 94% of the respondents were male and 06% were female. The researcher concludes that as opposed to women, more males took part in study. It also indicates that less women are contributing to the Islamic finance market. According to a survey conducted in several countries, the female contribution to Islamic finance has been lower over the past decade for a number of reasons.

According to Dr. Zeti Akhtar Aziz (2017) “The rising involvement of women in Islamic finance has some potential to play a role in tackling the human resources bottleneck in Islamic finance. However, for this to happen, many Muslim countries would have to introduce enabling legislation guaranteeing gender equality and equal opportunities in the workplace”.

Age of Respondents

The purpose of this question is to determine the age category of respondents involved in the research process. In addition, the findings would be useful for assessing the contribution of age to the Islamic finance industry.

Table 6: Age

Age					
Valid		Frequency	Percent	Valid Percent	Cumulative Percent
	Less than 20 years	97	54%	53.6	53.6
	20 and less than 40 years	79	44%	43.6	97.2
	40 and less than 60 years	5	3%	2.8	100
	Total	181	100	100	

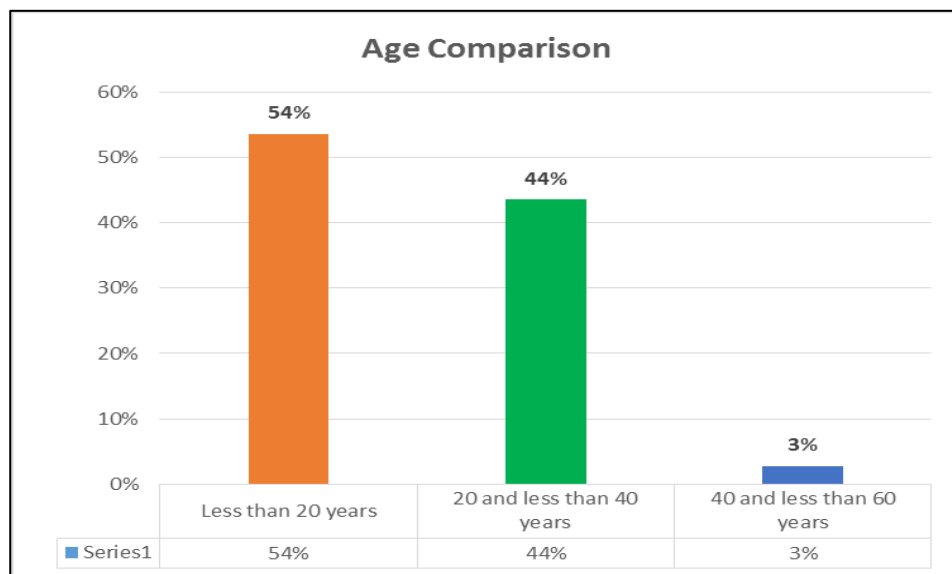


Figure 2: Gender Comparison

The response to this question indicates that almost 54% of the employees were below 20, 44% were between 20 and 40 years of age, only 3% were

between 40 and 60 years of age, and none of the employees were above 60 years of age.

Religious Belief of Respondents

Table 7: Religious Belief

Please indicate your religious belief					
Valid		Frequency	Percent	Valid Percent	Cumulative Percent
	Buddhism	25	14%	13.8	13.8
	Islam	151	83%	83.4	97.2
	Christianity	5	3%	2.8	100
	Total	181	100	100	

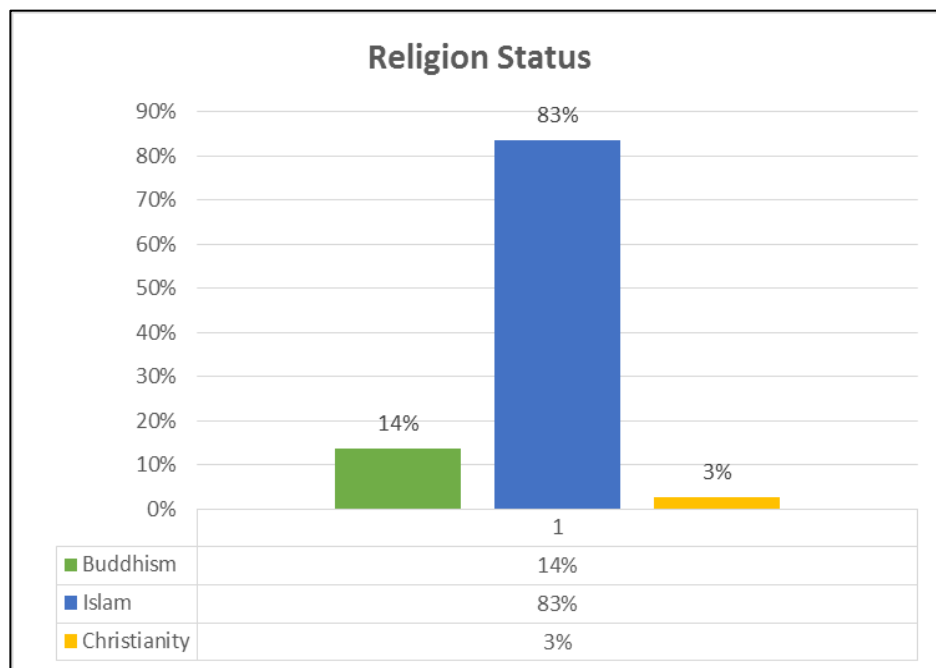


Figure 3: Gender Comparison

The purpose of this question is to determine the contribution of all religions, including the Islamic religion, to the Islamic finance industry. Islamic belief is between 83% and 14% of Buddhism, 3% of Christianity, according to the above results. Since Islamic finance is founded on Shariah values, most Muslims enter the industry because of religious reasons, but it is the remarkable contribution of other faiths.

Academic Qualification Respondents

Table 8: Academic Qualification

Academic Qualification					
Valid		Frequency	Percent	Valid Percent	Cumulative Percent
	High school	32	18%	17.7	17.7
	Diploma	34	19%	18.8	36.5
	Bachelor / Professional	43	24%	23.8	60.2
	Post graduate (Master / PhD)	72	40%	39.8	100
	Total	181	100	100	

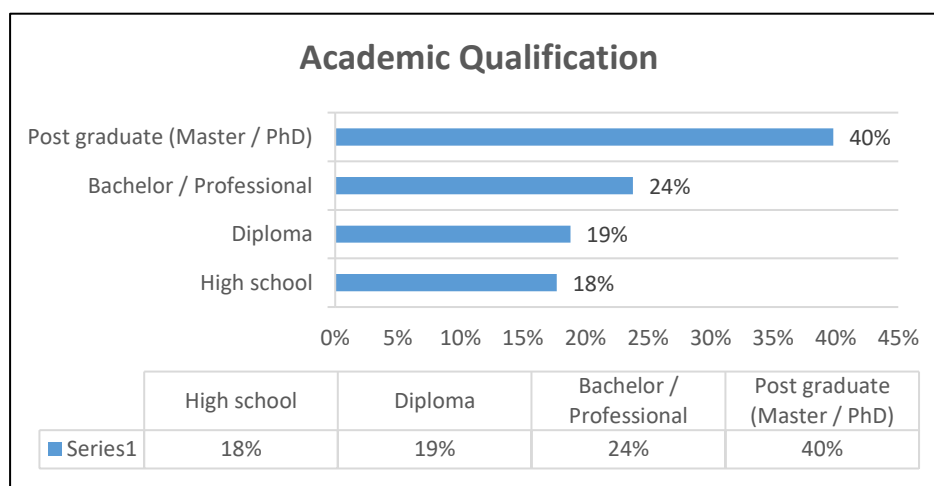


Figure 4: Academic Qualification

The purpose above question is to determine the Qualifications of the employees, currently catering to the industry. Results show 18% of employees poses only high school qualifications. While 19% of the employees pose diploma-level qualification, further the results are quite impressive in terms of degree level qualification. 24% of employees have bachelor/professional qualifications and 40% of employees poses post-graduate/Master/Ph.D. level qualifications.

Islamic Finance Qualification Respondents

Table 9: Islamic Finance Qualification

Do You have Islamic Finance Qualification?					
Valid		Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	86	47.5	47.5	47.5
	No	95	52.5	52.5	100
	Total	181	100	100	

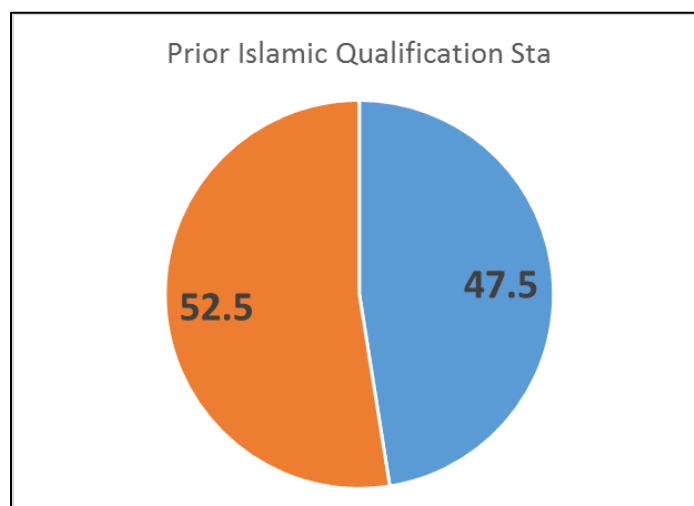


Figure 5: Prior Islamic Qualification

The purpose of including this particular Question is to evaluate the qualification of employees whether the employees poses Islamic finance qualifications pertaining to the industry. The above results depicted that almost half of the employees don't pose any qualification attached to Islamic finance. The Islamic finance industry needs to address this issue which is means for growth.

Job Category Respondents

Table 10: Islamic Finance Qualification

I am working under the capacity of:					
Valid		Frequency	Percent	Valid Percent	Cumulative Percent
	Junior Executive	23	13%	12.7	12.7
	Executive	20	11%	11	23.8
	Senior Executive	31	17%	17.1	40.9
	Manager	58	32%	32	72.9
	Senior Manager	49	27%	27.1	100
	Total	118	100	100	

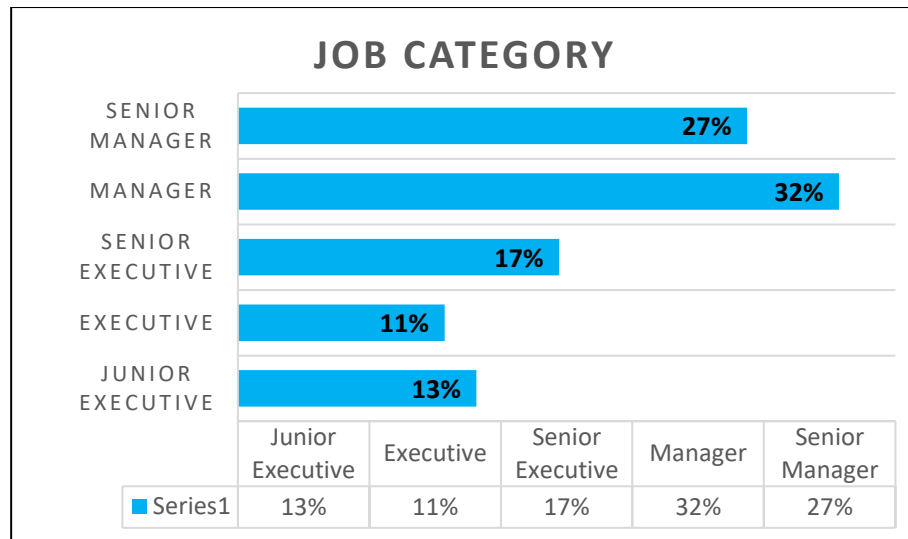


Figure 6: Job Category

The purpose of including this Question is to evaluate the contribution of employees from the capacity that they work in the organization. This is a critical factor to measure the growth of the industry due to two reasons. They are experienced and qualifications. Based on these factors job category is decided. According to the above results a highest number of employees (32%) are working in the manager capacity. Further 27% of respondents are working at the senior manager level, while 11% of employees work in the capacity and the rest employed. as a junior executive.

Measurement of Reliability of the Instrument

Table 11: Reliability Statistic

Case Processing Summary				Scale	Reliability Statistics	
Cases		N	%		Cronbach's Alpha	N of Items
	Valid	181	100	All Variables	0.723	27
				Product & Service	.634	5
	Excluded	0	0	Employees Competence	.574	6
	Total	181	100	Marketing	.668	6
				Potential Growth	.735	4

Furthr, the inter-item reliability of each variable is also confirmed using Cronbach's Alpha. Table: 3, presents the score for each variable. As the Alpha score for each variable is greater than the cut-off point, i.e. 0.50 (Santos, 1999), this confirms the inter-item reliability of the instrument. Then the data analysis began with descriptive statistics in explaining the Profile of Respondents.

Validity Testing

Face Validity

In order to ensure the Face validity of the prepared questionnaire before distribution, it was deliberated with my supervisor who had to share her insights &also further validity was done by conversing with a few industry experts who also shared their opinions on the said questionnaire

Content Validity

Since the pilot test had already been completed, the questionnaire was subsequently changed slightly.

Correlation Coefficient Analysis

Correlation coefficient analysis allows you to measure the strength of a linear relationship between two series or numeric variables. The coefficient can take any value between +1 and -1. The value of + represents a perfect positive correlation, which means that two variables are precisely related and the other variable increases as one variable increases. However, if the value is -1, it indicates a correct negative correlation was increasing the value of a variable to zero means that the variables are completely independent. Since the other variables (Sanders, Louis, Thornhill, 2016) are data numerical forms of variables, Pearson's product-moment correlation coefficient (BMCC) will be used to estimate the strength of the relationship. Pearson communication is conducted to help measure how variations are related and are the most common measure of interactions in statistics. Furthermore, it helps to establish a linear relationship between the identified variables,

Correlation between Islamic Banking Product and Services

Correlation between Product & Services and Potential Growth

		PGTOTL	PSTOTL
PGTOTL	Correlation by Pearson	1	.135
	Sig. (2-tailed)		.071
	N	181	181
PSTOTL	Correlation by Pearson	.135	1
	Sig. (2-tailed)	.071	
	N	181	181

Employee's view on Products & service is one of the important variables to determine the growth of the industry. According to the above results, the Pearson correlation is a positive relationship between product & service and potential growth. The strength is weak (Cohen, 1998) as the score is .135. Moreover, this shows it is statistically insignificant with the p-value of 0.071 which is higher than the alpha 0.05. Therefore, the Null Hypotheses

(H01) are accepted and the alternate hypothesis (Ha1) is rejected. This indicates that the Employee's View towards Islamic banking products and services does not have an impact on the growth of Islamic banking in Sri Lanka.

Correlation between Experience and skills and Potential Growth

Correlation between Experience and skills and Potential Growth

		PGTOTL	ECTOTL
PGTOTL	Correlation By Pearson	1	.225**
	Sig. (2-tailed)		.002
	N	181	181
ECTOTL	Correlation By Pearson	.225**	1
	Sig. (2-tailed)	.002	
	N	181	181

**. Correlation is significant at the 0.01 level (2-tailed).

According to the above results, the Pearson correlation is a positive relationship between employee's competence and potential growth. Moreover, the strength is weak (Cohen, 1998) as the score is .225. Moreover, this shows it is statistically significant with the p-value of 0.002 which is less than the alpha 0.05. Therefore, the Null Hypotheses (H02) are rejected and the alternate hypothesis (Ha1) is accepted. Which indicates that Employee's View towards experience and skills gained in Islamic banks impact potential growth of Islamic banking in Sri Lanka.

Correlation between Marketing products & Service Potential Growth
 orrelation between Marketing and Potential Growth

		PGTOTL	MKTOTL
PGTOTL	Pearson Correlation	1	-.031
	Sig. (2-tailed)		.682
	N	181	181
MKTOTL	Pearson Correlation	-.031	1
	Sig. (2-tailed)	.682	
	N	181	181

According to the above results, the Pearson correlation is a negative relationship between Marketing and potential growth. Moreover, the strength is weak (Cohen, 1998) as the score is -.031. Moreover, this shows it is statistically insignificant with the p-value of 0.682 which is higher than the alpha 0.05. Therefore, the Null Hypotheses (H01) are accepted, and the alternate hypothesis (Ha1) is rejected. This indicates that the Employee's View towards the marketing of products and services does not impact the potential growth of Islamic banking in Sri Lanka.

Discussion and Conclusion

Frequency of Demographic Profile

The demographic profile consists of gender, age, religion, education level, Islamic finance qualification, designation. From the total respondents, there are 94% male and 06% females. These results show their lack of female contribution towards the Islamic finance industry. These findings indicate to focus on the female contribution.

In terms of age the respondents represent the following category. From the total respondents, 54% of employees were below 20, 44% were from 20 to 40 years and only 3% were from 40 to 60 years of age and none of the employees was above 60 years of age. According to the above results, mostly youngsters age between 20-40 are contributing to the industry which is a positive sign for growth.

Religious belief also contributes to a great extent as far as the Islamic finance industry is a concern. According to most of the above results of the respondents (83%) were Muslims. While a total of 17% of other faith represented as 14% of Buddhism, 3% Christianity respectively. This info to gives a direction for the practitioners to pay attention to recruit more from the other faith since the majority of the population is dominated by none Muslim in the Sri Lankan context. Also to expand the market share & for growth, it is mandatory to focus on the other faith.

Another important factor is the academic qualification which impacts any industry especially it impacts the financial service sectors largely. According to the above results, it showed a positive sign in-terms of academic qualification. Out of 181 respondents, 40% were Post graduated (Masters/Ph.D.). and 24% were Bachelor / Professional, 19% were Diploma holders. Only 18% of having High School qualification. If we summarize the qualified employees as per above result there were 65% employees had Bachelors and Masters qualification which means more than 50% were qualified in terms of academic qualification.

Islamic Finance qualification is one of the most important criteria for the growth of the Islamic fiancé industry. According to the above study, more than 50% of employees have respondents have confirmed that they have no Islamic finance qualification. Though 65% of employees had academic qualifications but lack of Islamic qualifications. This study provides a vital indication for the practitioners to take the necessary steps to educate the employees on the relevant areas.

Designation of the employees is also another considerable factor for this study. The commitment and contributions are based on the employee's designation. The rights and authorities are given based on the designation. According to the results, 13% of the junior executive, 11% executive, 17% senior executive, 32% manager, and 27% are senior Managers. Of the total respondents, 59% of the employees were manager and senior manager level. As mentioned earlier position of employees matters a lot when it comes to decision making. Due to the fact employees designation impact the growth.

Correlations

Perceptions of Islamic banking products and services

Employees in Islamic banks tend to have a positive view of Islamic banking products and services, likely because they are directly involved in the daily operations. However, the weak correlation (.135) suggests that this positivity doesn't strongly influence how they promote Shariah-compliant products to customers. A possible reason is that employees working in Islamic windows at conventional banks face challenges in fully understanding Islamic banking concepts. Furthermore, their knowledge about the core objectives of Islamic banks is often limited. The findings point to the need for more focused training to bridge the knowledge gaps in products and services.

Perceptions on the training and experience gained in Islamic banking

The study reveals a positive but weak correlation (.225) between training, experience, and Islamic banking growth, with significant results (.002). Over 50% of employees lack prior experience or academic background in Islamic finance, though most feel confident handling products and services. This confidence may stem from the expansion of Islamic banking through conventional windows. Employees acknowledge Islamic banking's growth potential in Sri Lanka but emphasize the need for enhanced training and knowledge.

Perceptions on the Marketing Products in Islamic banking

The results about employees' views on Marketing the products & service were quite abnormal. It produced a negative correlation between Marketing & potential growth. Also generated a very weak score (0.031). Further, it is insignificant (0.682) and the null has been accepted. Though the statistical results are insignificant according to the practical scenario it is significant. Considering the above fact the employees are not focused on the marketing aspect for the Sri Lankan market. Also, the mass Media have not been utilized as per the potential.

Perceptions of the potential of Islamic banking

From the analysis, it has been revealed that the perceptions of bankers towards Islamic banking are dependent on the banks with which they work. The two-way analysis suggests that employees in Islamic banks are more positive than their counterparts in conventional banks. This might be due to their wider involvement in the arena of Islamic banking.

Conclusion

The sole purpose of conducting this research was to evaluate the perceptions of employees towards the knowledge of Islamic banking products and services, training and experience gained in Islamic banking, marketing the products on the growth potential of Islamic banking in Sri Lanka. The findings yielded that most of the respondents have positive perceptions of the Islamic products and services, training & skills gained. However, the perception of Marketing depicted negatively. Further employees' perception of potential growth was very positive.

As per the above findings, it seems to be in line with Zainol et al. (2008) who also observed a positive perception of employees about the products and services of Islamic banks, their experience and skills, and the potential of Islamic banks. Further, it was observed that a significant number of employees did not have sufficient knowledge about Islamic banking before joining Islamic banks.

Recommendation

As per the above study, the recommendation below elaborated as follows. Islamic finance has certain unique characteristics that will be beneficial for the whole of humanity only if the underlined principles are followed. To protect saintliness, Islamic finance practitioners must ensure the Shariah rulings have adhered to in every aspect. To achieve real success & growth, the employees should possess adequate knowledge about the subject matter. The management must take greater initiative in providing their employees with sufficient knowledge of and exposure to the rules of the *Shariah* and

the principles governing Islamic banking. This is to ensure that the employees are well equipped with the knowledge to handle their customers and to perform their duties. Based on the knowledge and experience one could contribute whether is Product & service, Training, and development or Marketing.

To promote the Islamic finance products & achieve the desired growth, the management must ensure the employees are equipped with adequate Product knowledge. The employees recruited from conventional banking experience (qualified/not qualified) should be given thorough knowledge before they engage in promotional activities. Also, Management must have standard training procedures and qualified trainers to achieve the above goal. Further customer financial services needs must be analyzed through a systematic process and new products must be developed accordingly. This will help to attract new customers and retain competition in the market. Provided these products must be vetted by the Shariah Committee and other relevant authorities before the launch.

Knowledge is crucial for success, and while Islamic finance is growing, employees need stronger Shariah knowledge. Proper training in Islamic banking products and services can boost employee confidence and performance. Management should budget for training programs annually and offer financial support for professional courses. Additionally, incorporating Islamic finance into Advanced Level exams can prepare newcomers with foundational knowledge, ensuring a more skilled workforce for the industry's future growth.

The Islamic finance industry needs to improve its marketing efforts, including advertising, promotion, and awareness. It's recommended to use social media and technology while ensuring Shariah compliance. Awareness programs should be held in universities, schools, and religious places, and public outreach in small towns and villages is essential. Additionally, brochures should be available in all three languages, and self-learning platforms like YouTube should be utilized for education. Management should also organize seminars and workshops to expose employees to innovations.

Acknowledgments

I sincerely appreciate the Department of Fiqh and Uṣūl al-Fiqh, Abdulhamid Abu Sulayman Kulliyah of Islamic Revealed Knowledge and Human Sciences, International Islamic University Malaysia, for fostering a supportive academic environment that greatly contributed to the conceptualization and successful completion of this research.

A special note of gratitude is extended to Prof. Dr. Bouhedda Ghalia for her invaluable guidance, support, and encouragement throughout this research journey. Her insights and expertise have been instrumental in shaping the study, and I am deeply appreciative of her mentorship.

Conflict of Interests

We hereby declare that this research is free from any conflicts of interest. It has been conducted independently, without any financial, institutional, or personal influences that could compromise its findings or interpretations.

Authors' Contributions

Prof. Dr Bouhedda Ghalia and I collaboratively contributed to the conceptualization and research design of this study. I took primary responsibility for data collection, data analysis, and interpretation of the findings. Additionally, I prepared the initial draft of the manuscript, while Prof. Dr Bouhedda conducted a critical review, made essential revisions and refinements, and performed additional analyses before finalizing the manuscript for publication

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