

## **Integrating Islamic Financial Literacy and Halal Literacy: The Future of the Halal Ecosystem**

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### **Abstract**

The halal industry encompasses more than just halal production and ingredients. The correct Halal business owners should concentrate on halal financing, also known as Islamic financing, in addition to halal production. Yet, it is important to compile an assessment of how well-versed in Halal and Islamic financing business operators are. This essay tries to bridge the gap between Islamic financial literacy and halal literacy on the attitudes of halal business producers towards the adoption of Islamic financing. The measuring and validity approach for halal literacy and Islamic financial literacy is proposed in this work. Islamic financial literacy and halal literacy are two key ideas that can influence how people behave and make decisions, particularly when using Islamic funding. Using true/false test questions with the option to select "don't know," Islamic financial literacy and halal literacy will be evaluated. The scoring will next be examined using the Weighted Least Square approach to test the concept validity using Confirmatory Factor Analysis (CFA). The goal of this work is to advance theoretical understanding, particularly by suggesting measurement criteria for Islamic financial literacy and halal literacy. The policymaker is also expected to benefit from this study's understanding of consumer literacy, particularly from the standpoint of the Halal industry's producers.

*Keywords:* Islamic Financial Literacy; Halal Literacy; Islamic Finance; Integrative Model of Behavioural Prediction; Attitude;

## Introduction

The first word spoken when the Quran was revealed was iqra, which means to read, learn, and comprehend (Al-Quran Surah Al-Alaq 96:1–5). Islam is a religious tradition that values literacy. Islam places a great value on learning, education, literacy, and intellectual endeavours. Throughout Islamic history, it has been demonstrated (Aisha Stacey, 2009). The Al-Qur'an put a lot of stress on how to handle money and wealth. *Zakat* is mentioned several times, for instance in Surah at Taubah 9:60, and performing *Haj* is mentioned several times, for instance in Surah Ali Imran 3:97. A Muslim must have both the physical and financial resources to complete the *Haj*, especially in light of the fact that this pilgrimage is becoming more and more expensive. Islam encourages Muslims to make waqf and sadaqah donations. Islam really offers advice on how to make money, spend it, save it, manage wealth, make investments, and many other financial-related topics. People all across the world are dealing with difficult economic issues in this age of globalisation, which are caused by ignorance, spending more than one's income can support, choosing a luxury lifestyle, and other unethical business practises.

### Basic Literacy Concept

Several professions, including the study of consumer behaviour, have conducted extensive research on literacy. Literacy is typically linked to knowledge, demonstrating that information is one factor in determining a person's conduct. It is also mentioned in Surah Al-An'am of the Holy Qur'an that knowledge or literacy is important for a Muslim to be able to distinguish between what is permitted and forbidden in Islam.

*“how is it that you do not eat of that over which Allah's name has been pronounced even though He has clearly spelled out to you what He has forbidden you unless you are constrained to it?”<sup>85</sup> Many indeed say misleading things without knowledge, driven merely by their lowly desires. But your Lord knows well the transgressors”.* (6:119).

According to the verse above, a person may deceive others about his actions if they are unaware of what Halal is and what is Haram. In this work, a study on the relationship between halal literacy, Islamic financial literacy, and attitudes towards the adoption of Islamic finance is offered. This study also makes an effort to offer a measuring and validity strategy for Islamic financial literacy and halal literacy. To determine the level of literacy for Halal and Islamic finance among halal company producers, halal literacy and Islamic literacy need to be measured.

Also, by combining halal literacy with Islamic financial literacy, it is crucial to comprehend the impact of both elements on the attitude of halal company producers towards the adoption of Islamic finance.

## Objectives

- To explore Islamic Financial Literacy and Halal Literacy.
- To suggest metrics for halal and Islamic financial literacy.
- To understand Islamic Financial Literacy in Islam.
- To examine Islamic finance products in light of India's current legal system.

## Methodology

The study is mainly based upon the collection of secondary data. The secondary data was collected from various sources of publications such as Magazines, Journals, Research articles, Internet and un-published thesis.

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## Halal Literacy

The word halal means lawful in Arabic and the word haram implies forbidden in English. Both Halal and Haram are obvious (the Hadith, n.a). Unfortunately, Muslim people, particularly those who run Halal businesses, still lack awareness and comprehension of Halal. Halal and haram are typically solely understood in terms of how items are produced. Some elements of halal, too, warrant concern. It's because Halal in Islam refers to all aspects of life.

According to Salehudin (2010), halal literacy refers to the capacity to distinguish between halal and haram goods and services in accordance with Shariah (Islamic Law). Before customers are prepared to adopt a product or service, they will go through the processes of information, persuasion, decision, and confirmation. This is why halal literacy is crucial (Rogers, 2003). Halal Literacy was defined in this research as the capacity of an individual to distinguish between Halal and Haram goods and services according to Shari'ah Law. Halal and Haram,

however, are not determined by humans. Humans lack the authority to determine what is halal and what haram is. According to Al-Qaradawi (2001), the only standard for determining what is halal and what is haram is the guidance provided by Allah in the Quran. Only Allah has the authority to enact laws and to impose restrictions. Is endorsed in the Holy Qur'an in Surah Luqman:

*“Do you not see that God has subjected to you whatever is in the heavens and whatever is in the earth, and He bestowed upon you His blessings, apparent and hidden, and from People are those who argue about God without knowledge, guidance, or an enlightening book.” (31:20).*

The Quranic verse above makes it quite apparent that nothing is Haram until it is expressly and unequivocally banned by the Shari'ah. Knowing what is permitted and forbidden in Islam requires knowledge that is directed by the Qur'an.

#### Proposed Measurement on Halal Literacy

Salehudin (2010) examined the level of halal literacy using two techniques: test-based assessment and self-evaluation. Salehudin (2010) created six items for the self-evaluation technique, and each item passed both the Confirmatory Factor Analysis final test and the pre-test Alpha Cronbach test (CFA). Only 15 of the 25 items generated for the test-based technique (Salehudin, 2010) passed the pre-test, and only ten of them were acceptable for the CFA test.

The test-based approach will be used for this investigation. Given that literacy is considered as an outcome variable for the sake of the overall model fit and the particular coefficient estimates, test-based evaluation appears preferable to self-evaluation, with the latter occasionally producing incorrectly signed parameters (Finnie & Meng, 2005).

The following measures were created from *“The Lawful and the Prohibited in Islam (Al-Halal Wal Haram Fil Islam)”* chapter 2 on Food and Drink section by Sheikh Yusuf Al-Qaradawi (2001):

Table 1: Proposed Measurement for Halal Literacy

CODE	ITEMS	KEY
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HFL 01	Eating animal carcasses is permitted (halal).	N
HFL 02	It is permissible (halal) to consume animal blood (blood that flows).	N
HFL 03	It is forbidden (haram) to consume pork.	Y
HFL 04	Animals that are killed without mentioning Allah's name are permissible (halal) for consumption.	N
HFL 05	Consumption of foods used as offerings in paganism is permitted (halal).	N
HFL 06	Fish and locust carcasses are OK for consumption (halal).	Y
HFL 07	Fish and locust carcasses are OK for consumption (halal).	Y
HFL 08	(Darurah), haram food can be consumed to survive.	Y
HFL 09	Medications containing lard can be ingested at any time and in an emergency.	N
HFL 10	Eatable pig that was killed while reciting the name of Allah.	N
HFL 11	It is forbidden (Haram) to consume hunted deer.	N
HFL 12	It is Halal to consume beef that has been slaughtered by Ahlul Kitab (Christians and Jews).	Y
HFL 13	Alcohol consumption is prohibited (Haram).	Y
HFL 14	It is permissible to consume halal foods that have alcohol in them.	N
HFL 15	Drink some alcohol as medicine are allowable	N
HFL 16	Selling alcohol is acceptable as a source of revenue.	N
HFL 17	A Muslim may present alcohol to a non-Muslim as a gift.	N
HFL 18	Muslims are permitted to give alcohol as a gift.	N
HFL 19	We can eat at a restaurant that serves alcohol.	N
HFL 20	We can eat at restaurants that also serve Halal dishes, such pig.	N
HFL 21	Alcohol can be kept at home even if it isn't being consumed.	N
HFL 22	It is permissible to take drugs.	N
HFL 23	It is permissible to smoke cigarettes.	N
Note: Y= True    N= False		

## The Concept of Islamic Financial Literacy

Despite previous proposals, a clear practical definition of Islamic financial literacy is still absent. The concept of financial literacy, on the other hand, varies widely but often refers to the same context. However, what exactly is Islamic financial literacy? Some people can merely contend that shariah compatible aspects are simply added to financial literacy to make it Islamic financial literacy.

### Basic concept of Islamic Finance

In Islamic finance, there are numerous financing options, including equity, debt, and derivatives. These four primary areas include Islamic banking, Takaful & Retakaful, Islamic capital markets, and Islamic interbank money markets (HDC, 2014). Islamic banking often oversees Islamic funding activities. The division of Islamic finance known as Islamic banking or Islamic financial institution. Fiqh Muamalat is a type of banking based on Shari'ah (Islamic law) (Islamic rules on transactions). The Quran and the Sunnah served as the foundation for the Fiqh Muamalat norms and regulations. Moreover, it may also be founded on other secondary sources of Islamic law, such as the views reached through Ijma, analogy, and individual justification among experts of Shari'ah (Ijtihad). The fundamental principle of Islamic finance includes the prohibition of Riba' (Interest), the prohibition of Gharar (Uncertainty) and the prohibition of Maysir (gambling). Besides, using and dealing in certain forbidden commodities, share profits and risks also prohibited in business, zakat and Takaful. Islam uses a number of different techniques for finance, but the most common ones are Mudarabah, Musharakah, Murabahah, Istisna, Ijarah, and Quard Hassan.

### Financial Literacy in Islam

Many studies that have been published explore Islamic finance, Islamic banking services, Islamic financial institutions, tactful, and the capital market. The products of Islamic financial institutions that are compliant with shariah are also discussed in many studies. Zakat, sharia-compliant investments and transactions, endowments, will execution, orphan's property management, and property administration in accordance with Islamic teachings are only a few of the tasks that must be carried out in Islamic finance. The author of this study will contend that financial literacy in Islam encompasses a larger range of topics. This comprises (i) fundamental financial planning, which includes *takaful*, pension plans, and shariah-compliant investments, and (ii) basic money management, which includes setting aside money for emergencies and future needs. (iii) *Zakat*, law of inheritance (faraid), and wasiyah. (iv) Charitable giving, *waqf*, and *sadaqah*.

## **(i) Basic wealth management – earning, consumption and saving**

### Earn halal income

Islam urges and requires Muslims to earn income and be independent to fulfil the family and their needs. Allah (SWT) said in the Quran Surah Al-Baqarah 2:172:

*“Believers! Eat of the pure things wherewith We have provided you for sustenance and give thanks to Allah if it is Him that you serve.” (2:172)*

He also said in Surah Ali Imran 3:130:

*“Believers! Do not swallow interest, doubled and redoubled, and be mindful of Allah so that you may attain true success.” (3:130)*

In another hadith, the significance of halal revenue was emphasised. "O people, Allah is good and He thus accepts only that which is good," declared the Prophet Muhammad (Peace Be Upon Him). In Islam, it is crucial to make halal income and spend halal money.

### Consumption

Islam also commands Muslims to meet their needs and requirements within their limits. Islam forbids engaging in extravagant behaviour when it comes to spending. Allah (Subhanahu Wa Talala) declared in Surah Al-Isra 17:26–27 of the Quran:

*"Give to close relatives their due, as well as the poor and 'needy' travellers. And do not spend wastefully. (17:26). Surely the wasteful are 'like' brothers to the devils. And the Devil is ever ungrateful to his Lord. (17:27)."*

Spending excessively or indulging extravagantly, as is typical of affluent lifestyles, may contribute to a debt culture. The Prophet (peace and blessings of Allah be upon him) is reported to have said in his prayers: *"I seek refuge with You from the sins and from being in debt."* Someone said to him: "Why do you so frequently seek refuge with Allah from being in debt?" The Prophet replied, *"A person in debt tells lies whenever he speaks, and breaks promises whenever he makes (them)."* Narrated by sahih al-Bukhaari (832) & Muslim (589).

This highlights the importance of being debt-free for us. Although Allah permits it, paying back debt is indeed a big responsibility. Consequently, the need of documenting debt or credit transactions was stressed in Surah Al-Baqarah 2:282–3.

### Savings

According to conventional economic ideas, everyone should save money since it is helpful. Islam discourages lavish spending, but it does not regard saving as a virtue (Zaheer 2008), and instead highlights the importance of infaq (spending to win Allah's favour) as one of the most important acts of piety. The argument against saving is stated in the Qur'an's Surah At-Tawbah 9:34–35 and is as follows:

*“O believers! Indeed, many rabbis and monks consume people’s wealth wrongfully and hinder ‘others’ from the Way of Allah. Give good news of a painful torment to those who hoard gold and silver and do not spend it in Allah’s cause. (9:34). The Day ‘will come’ when their treasure will be heated up in the Fire of Hell, and their foreheads, sides, and backs branded with it. It will be said to them, ‘ ‘This is the treasure you hoarded for yourselves. Now taste what you hoarded! (9:35)”*

Spending should be done in moderation, not excessively, and with the intention of earning Allah's favour. On the other side, excessive saving could potentially deprive others and should be avoided. Yet, Islam categorically does not forbid man from looking for treasure or from having wealth. In actuality, several of the Prophet's companions were quite wealthy, including Uthman al-Affan and Abd Rahman bin Auf. Islam did, however, forewarn against the risks associated with excessively accumulating riches, whether individually or collectively, to the point of building properties out of avarice. It may eventually lead a person to lose sight of the fundamental reason for living, which is to submit to and obey the Almighty God. This is due to the fact that people have a propensity to give in to the lure of material stuff. As demonstrated by the Prophet's companions, jihad is therefore necessary. They had money, but they used it to advance Islam and the will of Allah SWT.

Islam also promotes moderation and reason. Because Allah SWT has given extremely specific instructions on how wealth is to be earned and used, it should not be exploited or mistreated. Wealth is a test that Allah SWT uses to see if His followers would follow His instructions for acquiring and disposing of riches. As a result, owners of wealth are totally responsible for their actions on the Day of Judgment. An individual must comprehend the

discipline of Islamic financial planning in order to safeguard, accumulate, conserve, and share wealth in accordance with Islamic Shari'ah (Ma'sum Billah, 2012).

**(ii) Financial Planning – *takaful*, pension scheme and investment.**

*Planning on Current and Future Finance*

According to Ma'sum Billah (nd), financial planning in Islam has a broad definition that links to the idea of vicegerent and encompasses more than just the process of acquiring riches (khalifah). Also, he stated that financial planning is a discipline of wealth management that takes into account everyone's demands, including those who do not currently have any wealth. Everyone is committed to the financial planning process, which began with revenue generation and continues through the phases of spending and wealth accumulation.

Hasnol (2013) pointed out that financial planning encompasses the fundamental management of wealth or income, which includes allocating revenue to expenses, using credit, and saving money. While retirement planning and *takaful* may be included in future planning. To cover the cost of their children's or grandchildren's education and other emergency purposes, they will need to save for the future. Yet, financial planning should be made available to the underprivileged as well as the wealthy. It was suggested that micro *takaful* be integrated with different poor-financing programmes, such as microfinance (Rose, 2014).

*Shariah Compliant Investments*

The majority of individuals are financially literate, but they lack the self-assurance necessary to make wise choices and act decisively. Thus, it is essential to educate the public about the financial options that are accessible on the market that are compliant with shariah. Discussions about *sukuk*, investment certificates, the stock market, etc., would be beneficial to increase interest in and public awareness of Islamic investment. To earn the clients' trust in Islamic financial institutions, it is also necessary to make all investment concepts, contracts, and product operations obvious to them.

**(iii) Zakat, law of inheritance (*faraid*) and wasiyah**

*Zakat*

The hadith and the Qur'an both clearly state that zakat is compulsory. The obligation of the wealthy to pay zakat is explicitly stated throughout the al-Qur'an, and it is really always cited following the requirement to do salah (prayer). According to Surah At-Tawbah 9:103 of the Qur'an, Allah commanded the Prophet to gather zakat.

*'Take from their wealth 'O Prophet' charity to purify and bless them, and pray for them—surely your prayer is a source of comfort for them. And Allah is All-Hearing, All-Knowing.'*

To those who refuse to pay *zakat*, Allah states the penalty in Surah At-Tawbah as mentioned above in the verse 9:34-35.

Although *zakat* is the third pillar of Islam and something that every Muslim must do, many people still refer to it incorrectly as *zakat* fitrah (on person), which is only required of every household once a year, during Ramadan, prior to the performing of the '*Eid ul Fitr*' prayer.

#### Law of inheritance

It is mentioned in Al-Quran Surah An Nisa 4:5-6:

*"Do not entrust the incapable 'among your dependants' with your wealth which Allah has made a means of support for you—but feed and clothe them from it, and speak to them kindly." (4:5). "Test 'the competence of the orphans until they reach a marriageable age. Then if you feel they are capable of sound judgment, return their wealth to them. And do not consume it wastefully and hastily before they grow up 'to demand it'. If the guardian is well-off, they should not take compensation; but if the guardian is poor, let them take a reasonable provision. When you give orphans back their property, call in witnesses. And sufficient is Allah as a 'vigilant' Reckoner." (4:6)*

These verses, according to Muhammad Azhar bin Hashim (nd), offer some advice on money management and the promotion of financial literacy. It emphasised how orphans' wealth should be handled, how only individuals with good judgement should handle wealth or property, and how Islam considers financial literacy as a crucial component of wealth management. His interpretation of the lyrics placed emphasis on the need for someone with financial literacy to manage riches in a proper and effective manner (not only of sound mind but is apt in financial knowledge and skills). Because of this, the orphans must undergo testing before being given access to the assets. This command emphasises the importance of financial knowledge from an Islamic perspective. Muslims should

be financially literate because it is one of the most crucial areas of their lives and is necessary for them to fulfil their religious obligations.

### Wasiyah

A *wasiyah* is a legally binding document that expresses a person's wishes regarding the recipients of their estate (other than their heirs). Similar to a gift, it can only be granted following the beneficiary's passing and cannot exceed one-third of the estate's entire assets. Validity of the *wasiyah* mentioned in Surah Al-Ma'idah 5:106 of the Qur'an:

*"O believers! When death approaches any of you, call upon two just Muslim men to witness as you make a bequest; otherwise, two non-Muslims if you are afflicted with death while on a journey. If you doubt 'their testimony', keep them after prayer and let them testify under oath 'saying', 'By Allah! We would never sell our testimony for any price, even in favour of a close relative, nor withhold the testimony of Allah. Otherwise, we would surely be sinful.'" (5:106)*

### **(iv) Charity donation/sadaqah, and waqf**

#### Charity donation (hibah)/sadaqah

Hibah, also known as a gift for charitable purposes, is the voluntary transfer of assets made by the donor without any expectation of return and completed during the donor's lifetime. It is referenced in Surah Al-Baqarah 2:177 of the Qur'an.

*"Righteousness is not in turning your faces towards the east or the west. Rather, the righteous are those who believe in Allah, the Last Day, the angels, the Books, and the prophets; who give charity out of their cherished wealth to relatives, orphans, the poor, 'needy' travellers, beggars, and for freeing captives; who establish prayer, pay alms-tax, and keep the pledges they make; and who are patient in times of suffering, adversity, and in 'the heat of' battle. It is they who are true 'in faith', and it is they who are mindful 'of Allah'." (2:177)*

### Waqf

A *waqf* (plural: awqaf) is a permanent endowment of property made by a Muslim as a continuing act of almsgiving. In order to achieve equitable income and wealth distribution, the Prophet (PBUH) introduced the idea

of *waqf* as a way to introduce intergenerational social investments into society. With the creation of specialised assets for a variety of humanitarian purposes, *awqaf* has played a significant role in the social and economic development of Muslim societies since the early days of Islam. The legitimacy of *waqf* is always cited by Muslim scholars from Surah Al-Qasas 28:77 of the Qur'an.

*“Rather, seek the ‘reward’ of the Hereafter by means of what Allah has granted you, without forgetting your share of this world. And be good ‘to others’ as Allah has been good to you. Do not seek to spread corruption in the land, for Allah certainly does not like the corruptors.”(28:77)*

Islamic financial literacy is a broad notion that covers a variety of topics, as this section has covered. It must be created and spread by a number of groups and industries. Islamic financial literacy is said to have an impact on a person's attitude towards their financial practises, particularly when it comes to differentiating between conventional and Islamic funding. It was also considered that someone who does not understand Islamic finance will make poor financial decisions when choosing between conventional and Islamic financing.

#### *Proposed Islamic Financial Literacy Assessment*

The measurement items for Islamic financial literacy in this study were generated based on Islamic finance principal and Islamic finance method. The items focus on the main type of Islamic finance method in Islamic bank which are Mudarabah, Musharakah, Ijarah, Murabahah, Istisna and Quard Hassan.

Table 2: Proposed Measurement for Islamic Financial Literacy

CODE	ITEMS	KEY
IFL01	The Islamic financial system has no interest.	Y
IFL02	Gharar refers to uncertainty and deception and not allowable in Islamic finance	Y
IFL03	It is not speculation to purchase shares during a brief price fluctuation.	N
IFL04	One goal of Islamic finance is the preservation of wealth.	Y
IFL05	It is OK to sell a product before we have control over it.	N
IFL06	A financial institution that practises Islam may engage in profit-sharing investments with you (Mudarabah).	Y

IFL07	An Islamic financial institution uses the profit-sharing system for making loans ( <i>Musharakah</i> ).	Y
IFL08	Lease financing is offered by an Islamic financial institution ( <i>Ijarah</i> ).	Y
IFL09	The trade financing method used by Islamic financial institutions is termed <i>Murabahah</i> .	Y
IFL10	Industrial funding is provided through Islamic banking institutions ( <i>Istisna</i> ).	Y
IFL11	Islamic financial institutions could offer charitable loans referred to as <i>Quard Hassan</i> .	Y
IFL12	In <i>Mudarabah</i> , the sole person responsible for losses is the capital donor.	Y
IFL13	A partner in <i>Musharakah</i> who invests RM1,000 of investment capital has the right to declare upfront that his or her profit would be RM1,000 per year.	N
IFL14	The asset is typically not returned to the lessor in <i>Ijarah</i> .	N
IFL15	In a trade credit management arrangement using Islamic financing, the buyer is known as the borrower ( <i>Murabahah</i> ).	N
IFL16	The price must be set from the start in order for the <i>Istisna</i> to be valid.	Y
IFL17	The borrower in <i>Quard Hassan</i> is only obligated to pay back the loan's initial balance.	Y
Note: Y= True N= False		

## **Islamic Finance in India**

With only a few participants in the systemic sector, Islamic Finance in India is still in its infancy. By 2019, there were \$73 billion in Islamic finance assets across the entirety of South Asia. The vast majority came from Pakistan and Sri Lanka, with very little from India.

Due to the ambiguity in the Indian legal system, banks have never been able to participate in Islamic financing, also known as Islamic Banking. The Banking Regulation Act of 1949 favours "banking with interest," while several regulations, such as those limiting profit-sharing businesses, prohibiting ownership of real estate other than banking assets, imposing SLR requirements, etc., make it difficult for "banking without interest" to operate. The Banking Regulations Act may prevent banks from engaging, but other financial organisations, such as NBFCs, are free to follow the road. It is important to emphasise that there is no particular legislative prohibition against Islamic finance.

Instead of creating a separate framework for Islamic banking, the RBI's committee on the Medium-Term Roadmap on Financial Inclusion recommended in its report that a separate window be established for Islamic

financial products. However, according to multiple media reports, the RBI said it is not pushing the growth of Islamic banking any further because "wider and equal opportunities are available to all residents" in answer to an RTI filing. So, even though entities other than banks may sell Islamic financing products, bank participation will be suspended until RBI takes further action. Due to this, the majority of the capital pool is restricted from this area.

### **With India's present legal system, offering Islamic Financial products**

The straightforward answer to the question of whether Indian laws need to be changed to support Islamic banking is yes. Only once these regulatory steps are accomplished can banks be expected to participate in Islamic finance. Islamic finance cannot be practised without the RBI amending the Banking Regulation Act, 1949, according to the majority of literature in this area. Nothing prevents other institutions from participating in Islamic finance, even though banks may play a significant role given the size of the capital pool at their disposal. In our perspective, given India's current regulatory system, non-banking organisations can offer the majority of Islamic Financial instruments. The same is summarised in the Table below:

Name	Feature	Permissible legal structure in India
<b><u>Profit Sharing Models</u></b>		
Musharakah	All partners must participate in equity, invest, and manage the business; earnings are divided according to a pre-determined ratio, and losses are allocated based on equity contributions.	Contracts allowing for profit-related payments without

		diluting control are permissible in all types of companies.
Mudarabah	A profit-sharing arrangement where one party invests funds while the other provides the entrepreneurial drive; or where the financier offers capital while the client oversees the project. An established ratio is used to divide the profit.	You can implement partnership and joint venture frameworks.
Qard Hasan	Charitable loans with no interest and profit margins that are paid back in instalments. A reasonable service fee is acceptable.	Such loans are offered by a number of trusts in India for charitable reasons.
Wakalah	An approval for the lender to carry out certain transactions on the client's behalf.	Agency Contract
Hawalah	A commitment made by the lender to take on some of the client's obligations in exchange for payment. The client reimburses the financier whenever the liabilities come to maturity.	Invoice/Bill discounting.
<b><u>Asset Backed Finance</u></b>		
Murabahah	A deal between a bank and one of its clients, typically for financing commerce. The consumer pays the original amount of the ordered products plus a profit margin that was agreed upon by the two parties, and the bank purchases the goods. Repayment in a set number of instalments.	Credit Sale Contract.

Mu'ajjal	Purchase with postponed delivery: A sales agreement in which the bank pays the price up front and the customer agrees to deliver the products to the designated party later.	Deferred sale Contract.
Ajaar Ijarah Ijarah Mutahia Bittamluk	Lease and Hire Purchase: An agreement whereby a bank rents out equipment to a customer in exchange for a rental charge; at the end of the lease period, the customer will purchase the equipment at an agreed-upon price less any prepaid rental fees.	Leasing and Hire purchase.
Sukuk	Sukuk are the total and undivided ownership interests in a physical asset as they pertain to a certain project or investment activity. Because of this, a sukuk investor actually owns a portion of the asset that is related to the investment rather than a financial obligation that the bond issuer owes.	Ownership participation certificates.
<b><u>Insurance products</u></b>		
Tadamun, Takaful	Islamic insurance that involves shared risk.	Profit-share contracts may or may not be subject to IRDA restrictions, depending on the circumstances.

### **Bringing Islamic Financial Literacy and Halal Literacy Together**

*“But here you are, killing each other and expelling some of your people from their homes, aiding one another in sin and aggression; and when those ‘expelled’ come to you as captives, you still ransom them—though expelling them was unlawful for you.<sup>1</sup> Do you believe in some of the Scripture and reject the rest? Is there any reward for*

*those who do so among you other than disgrace in this worldly life and being subjected to the harshest punishment on the Day of Judgment? For Allah is never unaware of what you do.” (2:85)*

According to the verse above (Qur'an 2:85), Muslims must adhere to all of Islam's laws and prohibitions. Based on Islamic law, every step of the business process should be Halal. When a person in business engages in Halal production, all associated services must be Halal. Businesses or companies may need to finance their operations. Equity finance, debt financing, and lease financing are all types of business financing. Islamic financing and conventional financing are the two options available. Islamic financing should be utilised as a Halal food producer because Halal encompasses all facets of life, including business (Salehudin, 2011).

Ishak and Man (2011) had a discussion on integrating Islamic and Halal finance according to the Qur'an and the Sunnah. Ishak and Man (2011) added that integration between the two sectors is crucial since, despite being required by Shariah, the halal goods sector is not required to be linked to Islamic finance. On the other hand, Mohamed, Ramli, Abd Aziz, and Yaakub (2014) organise a conversation among particular Malaysian authority bodies on the integration between Islamic finance and the halal industry. According to Mohamed et al (2014), by connecting the halal business and Islamic banking, it can result in a harmonic system where both sectors support one another. Yet, it was discovered that those authoritative bodies concentrated on various Halal issues.

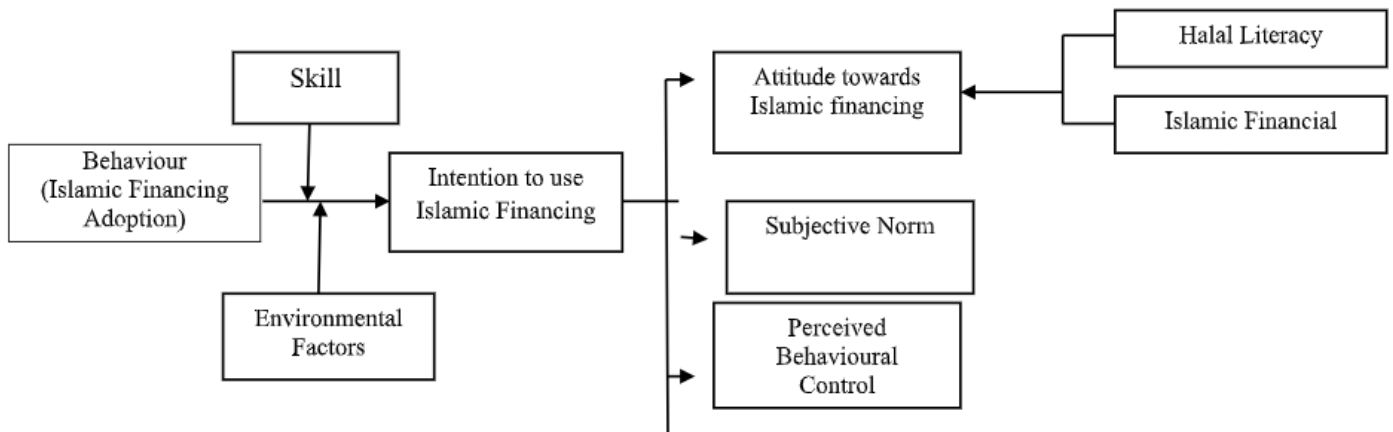
Integration is crucial to understanding why some halal business producers chose not to use Islamic financing in their operations. It is crucial to understand whether there is a relationship between the two elements that can affect how business owners feel about using Islamic financing. It contributes to the creation of a strong economic foundation on which a set of shared values may be constructed, as well as outlining the contours of a future global economy. The World Halal Forum 2015 placed a strong emphasis on the integration of Islamic finance and the halal business because it has the potential to be a new source of revenue. But, integrating it will take a lot of work. In spite of their involvement in the Halal food industry, many companies do not use Islamic funding, according to a Reuters research of 250 Halal production companies. Only 50% of the businesses passed the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) test, according to the research.

This study on halal and Islamic financial literacy as factors influencing the mindset of halal business owners towards adopting Islamic financing for the firm suggests the integration between halal and Islamic finance. To determine the impact on halal business owners' attitudes regarding the use of Islamic financing, the level of

literacy on halal and Islamic finance will be evaluated. The level of halal literacy alone might not be enough to gauge a person's favourable view of Islamic finance. By connecting halal literacy with Islamic financing literacy, it may be possible to see clearly how these two elements interact to influence a halal business owner's willingness to use Islamic financing.

### **Integrated Model of Behavioural Prediction: Theorizing Halal Literacy and Islamic Financial Literacy into Attitude Toward Islamic Finance Adoption**

The integrated model of behavioural prediction (Fishbein, 2000; Fishbein & Yzer, 2003) was employed for this study to bridge the gap between halal literacy and Islamic financial literacy. This is so that the theory can be used to explain any behaviour (Fishbein, 2008). The expansion of the Theory of Planned Behavior is this hypothesis (Ajzen, 1985). In this study, the moderators between intentions and actions in embracing Islamic financing will be skills and environmental factors. Because conduct is not always predicted by purpose. Even when a person has the appropriate mindset, internal and external behaviour may prevent them from acting in the way they intend.



*Fig.1 Proposed Theoretical Framework*

## Conclusion

The goal of this work is to advance theoretical understanding. The proposed measurement for Islamic financial literacy and halal literacy can aid policymakers in comprehending consumer literacy levels, particularly from the standpoint of Halal business producers. The focus of the Islamic financial attitudes dimension is on awareness and confidence in identifying sources of finance and allocating/spending funds they own in accordance with halal, beneficial, and sharia standards. The aspect of Islamic financial behaviour, on the other hand, considers behavioural planning indicators and selects the source and method of earning money in accordance with sharia and allocates it accordingly. The measurement should be used in other businesses, such as the pharmaceutical and cosmetic ones. According to the report, Islamic banking offers numerous advantages over traditional banking, the most important of which is that it has the ability to expand financial inclusion, which is essential if India hopes to soon become a global economic power. Yet, India has resisted using Islamic banks. The same is probably due to political factors rather than economic ones.

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