

# Role of Islamic Banking on Entrepreneurship: The Key to Global Prosperity and Employment

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## Abstract

This research endeavors to answer the question and general perception in the west that Islam hinders entrepreneurship. The second objective is to explore the relationship between Islamic banking and finance and entrepreneurship. The paper also intends to investigate the prospective of Islamic banking and finance as a substitute source of funding and promoting entrepreneurship for all mankind irrespective of race, color, religion, and region.

Albeit every country has its exclusive defies, the global economy is facing a common threat is rising unemployment specifically among youth. Regimes all over the world have recognized the harshness of the crisis and are working hard to reverse the condition. There is a robust requirement to stimulate the entrepreneurship. Entrepreneurship has the capability to influence evolving tendencies to create business value and in the process, create more jobs. The study intends to explore the role of Islamic Banking on Entrepreneurship.

The study used survey based questionnaire for primary data gleaning. A sample size comprising of 228 Islamic banking clients/users engaged in running their own ventures. The convenience sampling technique was applied to generate data from the respondents.

The study results were encouraging. The study reveals that Islamic banking is promoting entrepreneurship and offering its services to all without any discrimination of caste, color, and religion. The study showed that it popular amongst all because it is interest free generous to all and not only providing capital but sharing loss and profit which is a strong motivation for establishing new ventures. Hence, generating economic activities and creating jobs.

**Anahtar Kelimeler:** Islamic banking, Entrepreneurship, access to finance, shared risk, equal opportunity, and socio economic justice

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## Introduction

The worldwide joblessness is increasing and estimated to worsen in 2016. This rising trend is continue and the total number of jobless expected to touches nearly 200 million for the first time ever. The worldwide economy is as yet winding underneath the effect of the latest financial calamity. Forward looking and emerging economies are tackling with the circumstances that the international retrieval has not only been an unemployment restoration but waning as well. Albeit every country has its exclusive defies, the global economy is facing a common threat is rising unemployment specifically among youth. Regimes all over the world have recognized the harshness of the crisis and are working hard to reverse the condition. The world leaders and rulers jointly need to take serious and instant step to create work opportunities or risk exaggerated social strains To attain this public and private sector partnership needs to be developed. There is a robust requirement to stimulate the entrepreneurship. Entrepreneurship has the capability to influence evolving tendencies to create business value and in the process, create more jobs.

The rich believers who have means are provoked how to invest and protected their wealth even though following the true ideologies of Islamic banking. Accumulation of money is outlawed due to ponded because it barricades the Muslim community to grasp socio-economic welfare (Qur'an 9:43). The coinage may be endowed impassively in conventional banking to receive secure and static usury. This genre of venture is believed to be illegal, therefore, destined and forbidden in Islam. Allah obligated allowed trading (bay) and prohibited interest (riba) (Al-Baqarah 2: 275; Ali, 1973; Faizal, Ridhwan & Kalsom, 2013). Allah pronounces O' you who have faith do not indulge in interest, swelling your usury numerous times (Al-Imran 3: 130). It is observed that novel business enterprise see it uncomfortable to get startup funds whereas the prevailing ventures discovery it problematic to have funds for business development (Balogun, Bustamam, and Johari, 2014). Nevertheless, in an attempt to realize their private enterprise imaginations, finance continues to be one of the main obstructions that these businessmen have to restrained (Maryam (2013).

It is a distinguished detail that conservative commercial banking structure offers financial intermediation facilities based on usury on possessions and obligations. Albeit, Islamic banking has established numerous types by which savings are organized and distributed to businesspersons without charging interest (Iqbal, Llewellyn, and Elgar, 2002).

This research endeavors to answer the question and general perception in the west that Islam hinders entrepreneurship. The second objective is to explore the relationship between Islamic banking and finance and entrepreneurship. The paper also intends to investigate the prospective of Islamic banking and finance as a substitute source of funding and promoting entrepreneurship for all mankind irrespective of race, color, religion, and region.

There is no split-up concerning entrepreneurial undertaking and religion in Islam rather Islam gives business and entrepreneurship an abode of great admiration (Solaiman and Yasmin, 2012) The stint *al-Rizq* is employed to envisage livings and resources of additional production, which has been cherished by the Prophet Muhammad SAW and established by Allah SWT (Aziz, 2011; Borhan and Aziz, 2009). The one of the approaches to attain legitimate profession is through entrepreneurship undertakings. The claims that Islam has the inclination to discourage prosperity and development (Weber, 1963) and Muslims generally are low in accomplishment (McClelland, 1961) have also been defied by Western intelligentsias. Numerous Muslim and western scholars have recognized the progressive environment of Islam and accepted its affirmative approach to affluence and the desirability of involving in industrious undertakings (Zapalska, Brozik, and Shuklian, 2005; Wilson, 2006). Moreover, Islam is a faith of facts and information (Sullivan, 2004) and Islamic folklore has all the time encompassed an optimistic attitude to economic undertaking and observed that the Prophet Muhammad SAW was a trader beforehand his prophetic assignment (Wienen, 1997). Consequently, scores Muslims earned high esteem and turn into successful entrepreneurs in the world (Faizal, Ridhwan, and Kalsom, 2013). The burden that Islamic religion does not inspire commercial demeanors is invalid (Hassan and Hippler, 2014). As a matter of fact, involving in industrious or commercial business undertaking is stimulated in the teachings of Islam (Kayed and Hassan, 2011; Adas, 2006). The above debate shows that Islam does not hindrance rather supports economic activity, prosperity, and entrepreneurship.

The Islamic alternate to accumulating and endowed in commercial bank is to investing in the mode of Allah, which comprised spending in business undertakings that are ethical, industrious and socially desired (Faizal et al., 2013). Prior study explained that commercial banks are still unwilling to offer finances to entrepreneurs and small medium enterprises (SMEs) to start business, whereas, Islamic banking and financing fulfills the anticipations of all Muslims offering satisfactory genre of financing, and interest loans to initiate ventures (Gunpath, 2014). Asyraf (2011) elucidated that the existing exercise of interest in the

conventional banking structure encompasses unfairness to the debtors as the interest on their advances has to be compensated regardless of the consequences of their business ventures. However, traditional banks repeatedly distinguish between the destitute and the opulent although Islamic and *sha'ria* law provides equal opportunity and forbids discernment between Muslim and non-Muslim clients (Gunputh, 2014). Entrepreneurship has to be invigorated in the underprivileged and war-ravaged societies and regions. Islamic finance has demonstrated to be influential in inspiring entrepreneurship in deprived and war stricken areas worldwide (Hassan and Kayed, 2011). One of the characteristics of Islamic banking & finance is to readiness to ponder societal wellbeing in funding a project (Bellalah, 2014). The provision of financial services via Islamic banking and finance to the poor stimulates local economies by increasing household income and therefore, creating demands for other goods and services (Abdelkader & Salem, 2014). Islamic banking is capable to offer its financial benefits to all provided they are adhere to Islamic principles and laws of tradesman ship.

## Literature Review

### Islamic Banking and Entrepreneurship

Entrepreneurship growth has turn into crucial to every nation that endeavors to realize development and growth, therefore funding for this segment has turn out to be critical in order to foster entrepreneurship. Islamic Banking and finance has developed as an evolving alternate to interest centered banking, and has developed promptly in the past twenty years or so, equally in Islamic and non-Islamic countries (Sarwer, Ramzan, Ahmed, 2013). It has been discussed that banking sector and entrepreneurship together perform an essential role in sponsoring economic progress (Covin and Slevin, 1991; Zahra, 1993; Yu, 1998; Salehi, 2008; Salehi et al., 2008). Entrepreneurship encompasses captivating concepts, transforming those ideas into goods and services. Moreover, initiating a business enterprise to introduce this product or service to market” (Johnson, 2001, p. 138). Entrepreneurial formation is anxious about all facets of the entrepreneur and entrepreneurship that deals with the dispute of how entrepreneurs craft and apply state-of-the-art thoughts and methods of undertaking projects (Valizadeh and Salehi, 2007). The justification is that the lending method comprising interest indicates to an unfair circulation of money. As a result Islamic banks are anticipated to make sure that capital is equitably distributed between applicants devoid of initiating least damage to persons who attained it legitimately (Ibn, 2006; Salehi, Hematfar, and Khatiri1 2011). Islamic banking is capable to serve all entrepreneurs without, even to non-Muslim

entrepreneurs if they agreed to trading laws and principles. Islamic banking is striving to inspire entrepreneurship among human being in general and Muslim communities in particular (Hassan and. Kayed, 2011). According to Rahman (2007) Islamic banking has a significant character for stimulating socio-economic improvement of the impoverish people and small medium entrepreneurs (SMEs) without asking any interest money (riba) and this interest free credit motivate business people to establish new firms and succeed (Abdelkader & Salem, 2014).

H1: There is positive relationship between Islamic banking and entrepreneurship

### **Islamic Banking and Access to Finance**

It is almost implausible for fresh entrepreneurs, impotent to come across the bank's threatening safety requirements, to obtain a credit to initiate a new venture or to expand a prevailing business (Iqbal, Llewellyn, and Elgar, 2002). It is observed that start-up businesses find it uncomfortable to access startup financing albeit the present ventures find it tough to get access to credit for improving their businesses according to the needs (Balogun, Bustamam, and Johari, 2014; Maryam, 2013). Nevertheless, in an attempt to realize their entrepreneurial fantasies, money becomes of the most serious obstructions which are encountered by most of start-up businesspersons (Maryam (2013). Prior study discloses that access to finance is challenging and start-up capital generally is arranged from private savings, comrades and domestic sources (Syed, 2011). Islamic banking has the leading characteristics that can provide funds on the way to just monetary and business improvement of the entrepreneurs (Rahim, 2007). Islamic banks offering loans to small medium enterprises (SMEs) which have the prospective ideas but lacks financial resources (Wajdi, 2008). The accessibility of Islamic banking Sharia acquiescent resources and their efficient management will augment creativeness amongst the poor people both Muslim and non-Muslims equally (Wilson, 2007). Islamic banking in the past years has been very effective all over the world that traditional commercial banks are also providing *shar'iah* compliant Islamic financial services (Abou-Gabal and Klinger, 2011). It is stated that Islamic financing proved to be useful and achieved mile stones in poverty alleviation, development of small medium enterprises through Islamic finance system besides liberating the poor's generally and Muslim community from the traditional interest (riba) based financial structure (Widiyanto and Abdul Gafar, 2010). Islamic banking is recognized for its interest free model and works successfully in various

countries including Bahrain, Malaysia, Pakistan, Turkey, Saudi Arabia, Jordan, Iran, Sudan, United Kingdom, Singapore, and Switzerland (Bellalah, 2014).

H2: There is a positive relationship between Islamic banking and access to finance

### **Islamic Banking and Shared Risk**

The shared risk phenomenon profit and loss sharing system may upsurge the size of investments and consequently generate additional employment. According to Salehi, Hematfar and Khatiri (2011) the interest based arrangement make possible and suitable only for those assignments whose anticipated earnings are higher than the cost of debt. Whereas under the Islamic shared risk and profit & loss sharing (PLS) system instead of interest inspired shared entrepreneurs and getting involve industrious action and include both parties in profit and risk sharing between lender and borrower (Dhumale, Sapcanin, 2008, p.1-2).

The Islamic banking cuddles the values of risk sharing, moral and spiritual objectives, and the elevation of social and economic wellbeing beyond profit maximization (Anas, 2009). Conventional banks are involved in the interest and basic amount on the credit whereas in Islamic banking, profits and losses are shared, and banks will accept a return only if a venture is successful such that Islamic banks are disposed to finance resilient projects, even the entrepreneur does not have credit track (Imam and Kpodar, 2010). Islamic financial arrangement implicates the financier to have a share in the business venture through a partnership with the prospective businessman who lacks financial resources to initiate business (Hassan and. Kayed, 2011). Islamic finance may embrace the part of Mudarib and Musharakah partner in case a counter party in vain to encounter its duties in getting postponed sum and taking supply of goods (Febianto, 2012). Islam prohibits risk shifting and Islamic banking promotes risk sharing. Consequently, Muslims have established extremely refined expertise of risk sharing partnerships which was the desire of the world (Çizakça, 2014).

H3: there is a positive relationship between Islamic banking and shared risk (share profit & loss)

### **Equal Opportunity**

It is revealed that interest based dealings shift risks from the financier to the entrepreneur, hence Islamic banking inclined risk sharing to risk shifting (Askari, Iqbal, Krichene, Mirakhor, 2012 p 52-53). The Islamic Banking business is offering

exceptional and distinctive facilities for both Muslims and Non-Muslims all over the globe and the forthcoming small and medium enterprises miens promising if they were to select an Islamic financial institute (Nazeer, 2012; 2013). Islamic finance rudimentary codes are an asset- based financing partnership where investor and entrepreneur share profit and loss (SPL) Islamic finance mostly associated with risk taking and profit and loss sharing between partners (Elsiefy, 2013; Ahm1d, 2013). Islam and Islamic banking forbids risk shifting and promotes risk sharing. Consequently, Muslims have established over the years a greatly cultured risk sharing partnership competence (Çizakça, 2014). It is argued that Islamic banking discontinue the discriminative barriers and bids equal opportunity to all promising manufacturers by captivating immaterial resources, such as education, skills, and experience as security as physical properties (Ahmed El-Galfy, 2012). The perception of partnership established on shared risk (profit and loss sharing PLS) model is the fundamental principle in Islamic finance (Elsiefy, 2013). The Islamic banking provides equity-based profit and loss sharing between bankers and business owners which stimulate the alignment of their interests, escalates risk sharing, and foster entrepreneurship for fresh businesses which depend exclusively on equity financing (WB & IDB Report, 2015).

H4: There is positive relationship between Islamic banking and Equal opportunity for all

### **Socio-economic Justice**

The Islamic economic arrangement is capable to deliver numerous genre of financing on the basis of investment and erected-on economic justice, equal opportunity and distributive justice (Mohamed, 2013). It is described that Islamic banking does not trust in discrimination breakdowns these barrier and bids an equal opportunity to all so as to stimulate socio-economic justice midst prospective partners (Abdel Hamid Abdouli, 1991). It is argued that like traditional financing approaches, Islamic financing is not focused around soundness of the borrower but relatively on the worth-ness and effectiveness of the project (Nidal El-Ghattis, 2011). The purpose of Islamic banking is to convey larger justice and attempt to realize socio-economic growth. Islamic financial arrangement can work as a device to nurture economic progress and human wellbeing (Ahmed El-Galfy, 2012). It is believed that encouraging risk-sharing instead of debt financing, reduces poverty and inequalities which are the necessary objectives of that need to be addressed by economic development policy makers (Ahmed El-Galfy, 2012). According to the theory of Islamic banking and finance the banks will fulfill various needs of society which bring superior socio-economic justice to people

(Usmani, 2009; Kaleem, 2008). Islamic banking is system arranges all features of Muslim life, and therefore, involved in unworldliness and social justice (Sarwer, Ramzan, Ahmed, 2013). Islamic banking services have most significant influence on individual's minds as well as on the whole society (Imtiaz1, Murtaza , Abaas , Hayat, 2013). It is worth mentioning that Islamic banking offers equal opportunities to business owners for getting finance to initiate and establish new business enterprises in Malaysia to augment social wellbeing of the common people and poors (Aziz, 2010; Azia, & Yousuf, 2014). The facility of financial amenities to the low income people supports thus, to decrease their susceptibility by growing their earnings and to progress economic security (Abdelkader & Asma Ben Salem, 2014).

H5: There is positive relationship between Islamic banking and socio-economic justice

## **Methodology**

### **Population**

The population of the study comprised on the Islamic banking clients/consumers who are baking with the Islamic banking. The total 296 questionnaire were distributed to entrepreneurs in geographical area of Rawalpindi and Islamabad. The total questionnaires received were 228 which were properly filled which were considered and analyzed in this study. Hence, the response was 78 percent. The response rate was very much encouraging due to personal efforts and hard work of the authors.

### **Sample of the study**

The sample size of this study consists of Islamic banking consumers/clients (account holders) who were engaged in running self-business as entrepreneurs. The sample size consists of 228 entrepreneurs within the geographical area of Islamabad and Rawalpindi.

### **Sampling technique**

The present study employed convenience sampling technique for primary data gleaning

### **Instrument of the study**

The approach of current study is quantitative therefore; the survey based questionnaire was used to primary data gathering.



## **Procedure of the study**

In this study a survey based questionnaire was used for primary data gleaning. In this regard two teams were formed and enumerators were trained before starting physical data collection. One team was supervised by corresponding author in Rawalpindi while the other team was working under the auspicious of co-author in Islamabad. The researchers were approached senior management of the Islamic banks in person in twin cities branches and briefed about the research. After the briefing the concerned were addressed questions raised by the managers were answered successfully. Later on data gleaning was started with the help of banking staff. Lists of those clients were obtained from the Islamic bank branches who were running their own businesses in twin cities of Rawalpindi and Islamabad.

All respondents were personally approached by the research teams in Rawalpindi and Islamabad respectively. Before distributing the questionnaire all the questions were explained to all respondents for getting accurate responses. Each participant provided one questionnaire only and was explained and encouraged to answer all questions properly and accurately.

The questionnaire was divided into two sections. The first section was based on demographic questions such as gender, age, qualification, discipline and length of experience. The second section consists of questions about variables like Islamic banking, entrepreneurship, access to finance, shared risk, equal opportunity and socio-economic justice or simply economic empowerment.

To review the characteristics of respondents and collected data descriptive statistics were performed. Descriptive statistics were used for the purpose of gaining a descriptive overview of collected data. In order to compare average-scores of variables, among various groups of respondents, each variable was focused separately as proposed (Janssens et al., 2008). Descriptive statistics, usually, encompass three kinds of indicators: central tendency measures, frequency distribution, and dispersion measures. Reliability is the degree of consistency that is between the multiple measurements of a variable as suggested (Nunally, 1970; 1978; Hare et al, 2004; Hair et al., 1998; 2006).

The Questionnaire instrument was selected for data gathering as it is helpful for the respondents to be accurate according to aims and more specific in replying to the research inquiries. A survey based instrument was proposed to be the most appropriate for this kind of research (Minnit et al 2006; Wang et al 2007; Paulose, 2011).

## Measurement

Entrepreneurship scale was developed Ajzen (1991). This model has been used in various past studies. This entrepreneurship model was divided in three parts such as EI, PA and PBC. Entrepreneurship Personal Attitude (PA) was measured by using five items of the entrepreneurship scale by (Ajzen, 1991).

The access to finance was measured by using a scale developed by (Rosly, 2005). The scale discussed critical issues on Islamic banking and financial markets: Islamic economics, banking and finance, investments, takaful and financial planning. The present used five items of the scale to measure access to finance (Rosly, 2005).

Equal Opportunity scales along with sub-scales were developed by a group of scholars (Ormerod, Lawson, Lytell, Wright, Nye, Perry, Drasgow, Fitzgerald, Kusznir, and Rynczak, 2005). The study measured equal opportunity was measured by using five items of the same scale.

The socio-economic scale was developed by (Kahf, 1999). The socio-economic justice was measured by using six items of a scale based upon the principles of Socio-Economic Justice in the Contemporary Fiqh of Zakah by (Kahf, 1999).

## Analysis and Results

Table-1

Group Statistics (N=228)

	Variable	Mean	No of items	t-value	Cronbach alpha	p-Value
1	Islamic Banking	3.7822	3	3.663	0.70	0.000
2	Entre personal attitude	3.9020	6	19.411	0.79	0.000
3	Access to Finance	3.8140	5	12.249	0.70	0.000
4	Shared Risk	3.9780	4	4.732	0.72	0.000
5	Equal Opportunity	3.7526	5	4.977	0.70	0.000
6	Socio-economic Justice	4.0154	6	1.964	0.74	0.000

The Table-1 analysis and results disclose the mean, standard deviation, t-value, p-value and reliability of each variable included in the questionnaire. The mean results of each variable demonstrate that almost all respondents are agreed because the mean value is near to level of agreement (agreed=4) and most of the respondents are in favor of “Islamic banking and all

dependent variables, i.e., entrepreneurship, access to finance, shared risk, equal opportunity, and socio-economic justice. It is palpable from Table-1 that the respondents have the highest level of agreement regarding the Islamic banking and entrepreneurship. In the context of data reliability the table-1 shows that Islamic banking (3 items) 70 percent, entrepreneurship (6 items) 79 percent, access to finance (5 items) 70 percent, shared risk (4 items) 72 percent, equal opportunity (5 items) 70 percent, and socio economic justice (6 items) 74 percent reliability. The table-1 further illustrates that t-value for all variables are greater than the bench mark and the significance level of each variable ( $p .000$ ) consequently all variables are highly significant as shown in table-1.

**Table-2: Demographic statistics  
Frequency Distribution with respect to “Sample Profile”**

Variables	Number of Responses (N=228)	
	Frequency	Percentage (%)
<b>Gender</b>		
Male	149	65.0
Female	79	35.0
<b>Age</b>		
25-30 years	30	13.0
31-35 years	107	47.0
36-40 years	52	23.0
41-45 years	14	6.0
46-50 years	16	7.0
51-55 years	4	2.0
56-60 years	3	1.0
61-75 years	2	1.0
<b>Education</b>		
Matriculation	31	13.0
Intermediate	22	10.0
Bachelor	61	27.0
Master	78	34.0
M. Phil	27	12.0
PhD	9	4.0
<b>Discipline</b>		
Management Sciences	84	37.0
Social Sciences	61	27.0
Natural Sciences	21	9.0
Computer Sciences	27	12.0
Medical Sciences	19	8.0
Agricultural Sciences	16	7.0

<b>Experience</b>		
3-5 years	105	46.0
6-10 years	75	33.0
11-15 years	24	11.0
16-20 years	19	8.0
21-25 years	5	2.0

The table-2 explains that 149 or 65 % are male and 79 or 35 % of all the respondents are female who are dealing with Islamic banking and running their ventures. As far age group is concerned the highest number of entrepreneurs falls in 31-35 years of age group. The table-2 displays that 107 or 47 % respondents are running their ventures with the help of Islamic banking. The reason is that people who fall in this age group are educated, young and energetic and have sufficient experience to establish their own businesses. As a result they are dominating this field. As the age group increases the number of entrepreneur decreases as evident from the table-2 and when it reaches to highest level of age, i.e., 61-75 years the number of entrepreneurs who like to join this profession is only 2. The youngest group of people who are in the age group of 25-30 years is 30 or 13 percent. This group is not dominant because they are not yet decided and in the process of decision making what occupation to choose. 72.9 % young women fall in the age group of 21-30 years. When education is taken into consideration the results are interesting. The bachelor degree holders join this profession as they have attained good education and understand the business dealings. The graduate who establish their own ventures are 61 or 27 %. The highest number of people who start their own firms are 78 or 34 %. After matriculation a small number of people establish their businesses and gradually it increases as the education level increases but beyond master level of education it again start decreases as shown in the table. The MS/M. Phil and PhD degree holders are 27 or 12 % and 9 or 4 % respectively as marked in table-2.

The table-2 further describes that field of education plays pivotal role in entrepreneurship. Those who studied management joined entrepreneurship are 84 or 37 % and this dominates the field of education. It is followed by the social sciences and 61 or 27 % people of the total 228 joined entrepreneurship. If we analyse carefully then management sciences become part of social sciences which is equal to 145 or 64 % participate in entrepreneurship, hence it is

more dominating field of study who establish their own ventures. The 75 or 33 percent people establish their own business ventures when they have 3-5 years of work experience. As the experience grows the more number of people create new businesses. The table-2 depicts that when experience goes between 6-10 years 105 or 46 % people have their own enterprises. As experience increases but business ventures does not increase in the same way rather it start decreases as people are settled and they don't want to have new experiments. At this stage they like to consolidate their established businesses.

Table-3 **Descriptive Statistics (N=228)**

	Variable	Mean	Std. Dev.	Skewness		Kurtosis	
				statistics	Std. error	statistics	Std. error
1	Islamic Banking	3.7822	.64640	-.952	.161	2.166	.321
2	Entre personal attitude	3.9020	.62803	-.980	.161	2.237	.321
3	Access to Finance	3.8140	.51461	-.1.179	.161	4.727	.321
4	Shared Risk	3.9780	.56449	-1.027	.162	3.614	.321
5	Equal Opportunity	3.7526	.49973	-.196	.161	.265	.321
6	Socio-economic Justice	4.0154	1.07268	11.268	.161	15254.5	.321

The table-3 explains the descriptive statistic and demonstrates the direction of response. The mean value that is (3.7822) of Islamic banking reveals that all respondents are agreed that Islamic banking plays vital role. Likewise the mean value for entrepreneurship (3.9020) displays that Islamic banking enhance the entrepreneurship as well as access to finance and shared risk values (3.8140) and (3.9780) are also close to category four which means agree and these mean values depict the response rate of potential respondents is in positive side. Whereas the mean value for equal opportunity (3.7526) expose positive and also responded agreed. The mean value for socio-economic justice (4.0154) is close to four which fall in the category of agree and hence response rate is also positive and agreed. The table-3 further gives the information about reliability of data and shows the consistency of the outcomes. Inner appropriateness of the whole scale is the most widely and accepted measure of reliability. Coefficient alpha determines it and is also known as Cranach's alpha. In the context of reliability of data, Islamic banking with reliability of 70percent, entrepreneurship with reliability of 82 percent, access to finance reliability of 70 percent, (80 percent), shared risk with reliability of 72 percent, equal opportunity with reliability of 70 percent and socio-economic justice with reliability of 74 percent which expresses the data is reliable.

Table-4

## Correlations Matrix

		IB	E personal attitude	Access to finance	Shared Risk	E opportunity	S E just
		1					
Islamic banking	Pearson Correlation						
	Sig. (2-tailed)						
	N	228					
E personal attitude	Pearson Correlation	.791(**)	1				
	Sig. (2-tailed)	.000					
	N	228	228				
Access to finance	Pearson Correlation	.630(**)	.450(**)	1			
	Sig. (2-tailed)	.000	.000				
	N	228	228	228			
Shared Risk	Pearson Correlation	.408(**)	.301(**)	.249(**)	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	228	228	228	228		
E Opportunity	Pearson Correlation	.314(**)	.388(**)	.311(**)	.310(**)	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	228	228	228	228	228	
Soci-eco justice	Pearson Correlation	.110	.194	.081	.116	.125	.111
	Sig. (2-tailed)	.047	.003	.225	.357	.711	.049
	N	228	228	228	228	228	228

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

The Table-4 establishes that there is significant correlation between Islamic banking and entrepreneurship. It is clear from the results that Islamic banking enhances 79 % in entrepreneurship and at 5% level of significance Islamic banking and entrepreneurship are positively and significantly correlated. Likewise, the table-4 results show that Islamic banking is playing vital role and it helps to access to finance at the rate of 63 % and at 5 % level of significance it is evident that Islamic banking and access to finance are positively and significantly correlated. Similarly, Islamic banking is successfully encourages shared risk between lender and the borrower and the results show that Islamic banking increases the shared risk concept by 40 % and at 5% level of significance Islamic banking and shared risk are positively and significantly associated. Correspondingly, the table-4 displays that Islamic banking is providing Equal opportunity to all and the value of equal opportunity 31 % and at 5 % level of significance Islamic banking and equal opportunity are positively and significantly interrelated. Equally the table-4 exhibits that Islamic banking is offering socio-

economic justice to all and Islamic banking is enhances 11 % socio-economic justice or economic empowerment and at 5 % level of significant Islamic banking and socio-economic justice are positively and significantly correlated.

It is clear from the table-4 results that Correlation between Islamic banking and entrepreneurship (0.791 and p value .000) is positive and significant. Besides that it shows that the connected between Islamic banking and access to finance (0.630 and p value .000) is positive and significant. Similarly, the association between Islamic banking and shared risk (0.408 and p value .000) is positive and significant. Likewise, the concomitant between Islamic banking and equal opportunity (0.314 and p value .000) is positive and significant. In the same way it is evident that relationship between Islamic banking and socio-economic justice is positive and significant. The table-4 exhibits that Islamic banking is positively and significantly influencing all variables like entrepreneurship, access to finance, shared risk, equal opportunity and socio-economic justice. Concomitantly the study claims that Islamic banking is not only promoting entrepreneurship but at the same time facilitating access to finance, shared risk, equal opportunity and socio-economic justice also.

Table-5 **Regression Model Summary (N=228)**

Variable	R	R Square	Adjusted R Square	Std.Error of the estimation	Beta	t-value	Durbin Watson	sig
Islamic Banking Responsive								
Entre personal attitude	.791	.625	.623	.38540	.791	19.411	2.114	.000
Access to Finance	.632	.399	.396	.39983	.632	12.249	1.938	.000
Shared Risk	.401	.091	.086	.53953	.401	4.732	1.928	.000
Equal Opportunity	.314	.099	.095	.47545	.314	4.977	1.519	.000
Socio-economic Justice	.110	.012	.008	1.06852	.110	1.96	2.061	.047

The Table-5 designates the beta value for Islamic banking has.79.1 % influence on entrepreneurship which is a significantly high value but justifiable in management. The table-5 indicates that t-value 19.411 is highly positive and p value (.000) is highly significant. Durbin Watson is considered that relationship exist among the variables whether it is positive/negative or zero. The value of Durbin Watson which is close to 2, therefore, it represents that there is significant positive relationship between Islamic banking and entrepreneurship.

The Table-5 labels the beta value for Islamic banking has 63.2 % effect on access to finance, that is significantly high value but acceptable in management. The table-5 further specifies that t-value for access to finance (12.249) is highly positive and p value (.000) is highly significant. Durbin Watson is reflected that relationship existed among the variables whether

it is positive/ negative or zero. The value of Durbin Watson value (1.938) shows that it is less than 2 which is acceptable, therefore, it characterizes that there is positive and significant relationship prevails between Islamic banking and access to finance.

The Table-5 describes the beta value for Islamic banking has 40.1 % impact on shared risk which is a significantly high value but admissible in management. The table-5 furthermore specifies that t-value for shared risk (4.732) is highly positive and p value (.000) is highly significant. The table-5 shows that Durbin Watson is deliberated that relationship exists among the variables, whether it is positive/ negative or zero. The value of Durbin Watson (1.928) which is that is lower than 2 which is adequate, hence, it denotes that there is positive and significant relationship between Islamic banking and shared risk.

The Table-5 pronounces the beta value for Islamic banking has 31.4 % sway on equal opportunity which is a significantly high value but permissible in management. The table-5 moreover, identifies that t-value for shared risk (4.977) is highly positive and p value (.000) is highly significant. The table-5 shows that Durbin Watson is deliberated that relationship exists among the variables, whether it is positive/ negative or zero. The value of Durbin Watson (1.519) which is lesser than 2, subsequently, it symbolizes that there is positive and significant relationship between Islamic banking and equal opportunity.

The Table-5 enunciates the beta value for Islamic banking has 11.0 % influences on socio-economic justice which is a significantly high value but acceptable in management. The table-5 furthermore distinguishes that t-value for socio-economic justice (1.96) is highly positive and p value (.047) is highly significant. The table-5 shows that Durbin Watson is deliberated that relationship exists among the variables, whether it is positive/ negative or zero. The value of Durbin Watson (2.061) which is adjoining to 2, subsequently, it symbolizes that there is positive and significant relationship between Islamic banking and socio-economic justice. The table-5 shows that Islamic banking has positive and significant influence on all the variables.

### **Discussion and Conclusion**

The primary intention of this study was to investigate whether Islam and Islamic instructions hamper economic undertakings? The present study reveals that Islam and Islamic rules does not hindering economic activities generally and entrepreneurship particularly. The study repels the inaccurate burden that the Islamic faith does not stimulate entrepreneurial conduct and entrepreneurship is. Actually, the truth is the other way round and entrepreneurial activities are inspired and even commanded in the instructions of Islam. The study divulges that Islamic commandments principally financial sections are very imperative for Muslim people, therefore, in Islamic world specifically in Muslim population countries like Pakistan the initiation of Islamic banking is playing pivotal role. Islamic banking is playing critical role to cultivate economy and engender economic progression.



The main purpose of the study was to explore the role of Islamic banking towards entrepreneurship. The present study discloses that Islamic banking is playing critical role to promote entrepreneurship among men and women in Muslim society all over the world. Islamic banking has become an extensive and fastest emerging industry during the last thirty years or so. The current portrays that Islamic banking is nicely positioned to inspire both entrepreneurs and entrepreneurship. The results show that there is a strong and positive relationship between Islamic banking and entrepreneurship (Razak et al., 2007; Ashfaq et al., 2010; 2011).

The inability of financial resources is a major hindrance in promoting entrepreneurship. This study displays that Islamic banking lends a helping hand to those handicapped entrepreneurs and offers existing and probable entrepreneurs with desired halal funds to initiate and develop their ventures. The Islamic banking provides financial facilities to the poor people and helps them to decrease their susceptibility by growing their incomes and to expand economic safety (Abdelkader & Asma Ben Salem, 2014).

The study further claims that Islamic banking is getting popularity among the young and educated people as they feel easy access to finance due to interest free products, risk sharing activities and strong ties with the religion. Islamic banking offers equal opportunity to all entrepreneurs to start and strengthens their enterprises. Islamic banks work as welfare organization to promote trade and economic activities in line with the instructions of Islam to provide a number of interest-free products/service (Ashfaq et al., 2010; Abdelkader & Asma Ben Salem, 2014).

### **Limitation**

The study is carried out in a limited geographical area. It needs to be concentrated on more broader geographical spectrum and area

Due to time and other constraints the study was conducted in a limited region and sample size was also small. It needs to be carried out on a larger size sample.

Another limitation was the culture. It was carried out in a same culture predominantly Muslim and eastern culture. The study needs to be conducted in multicultural environment.

The study was carried out in Muslim dominated religion and culture. The needs to be replicated in other religion dominated countries and cultures also.

### **Future Research Avenues**

This research was conducted in Muslim dominated areas and countries. The results are encouraging, therefore, it is required to replicate the same study in those countries where Islamic banks are working but the religion is not Islam to see and explore how they react to this phenomenon.

The study spectrum needs to be broaden and for that reason some other variable may also be included and tested such as **trust, economic activity, cost effectiveness and service standard, and culture** in the future.

The future research needs to find out the success factors in those countries where the Islam is not followed as religion but still they are offering Islamic banking.

### **Conclusion**

The current study elaborated that there is a direct and positive relationship between Islamic banking and entrepreneurship. The table-1 explains that mean values, t-values and p values (3.7822, 3.663, and .000) and (3.9020, 19.411, and .000) are positive. The table-4 displays the Pearson value and p value (.791 and p value .000) which shows that Islamic banking and entrepreneurship are positively correlated. The table-5 exhibits the beta values, t-values, and p values (.79, 19.411, and .000) for Islamic banking and entrepreneurship which represents a positive and significant association between the two variables. Therefore the first hypothesis is upheld and accepted. Islamic banks are considered to attract individual customers mainly due to their religious orientation. The study results are in line with the prior literature and studies (Abdullah and Kassim, 2009; Abdullrahim, 2010; Khafafa & Shafii, 2013).

It is further expounded that there is a direct and positive association between Islamic banking and access to finance. The table-1 further clarifies that mean values, t-values, and p values (3.8140, 12.249, and .000) are positive. The table-4 Pearson values and p values (.631, and .000) which indicate that Islamic banking and access to finance are positively connected. The table-5 unveils that beta values, t-values, and p values (.630, 12.249, and .000) for Islamic banking and access to finance represent positive and significant correlation between Islamic banking and access to finance. Subsequently, the second hypothesis is sustained and

recognized. Islamic banks are getting popularity due to interest free products, risk sharing activities and strong ties with the religion (Ashfaq, et al., 2011; Aziz, 2010).

The study illustrated that there is a straight and positive affiliation between Islamic banking and shared risk. The table-1 elucidates that mean values, t-values, and p values (3.9780, 4.732, and .000) are showing positive trends. The table-4 Pearson values and p values (.408, and .000) which designate that Islamic banking and shared risk are positively coupled. The table-5 further exposes the regression model representing the beta values, t-values, and p values (.401, 4.732, and .000) for Islamic banking and shared risk characterize positive and significant connection between Islamic banking and shared risk. Therefore, the third hypothesis is upheld and accepted. Islamic banking is spread across the whole universe and received wide acceptance by both Muslims and non-Muslims (Iqbal & Molyneux, 2005; Abedniya & Majid, 2011).

The study demonstrated that there is a direct and positive association between Islamic banking and equal opportunity. The table-1 illuminates that mean values, t-values and p values (3.7526, 4.977, & .000) show positive relationship. The table-4 depicts Pearson correlation values and p values (.314 & .000) which explains that Islamic banking and equal opportunity are positively combined. The table-5 expresses the regression model and denotes the beta values, t-values, and p values (.314, 4.977, & .000) Islamic banking and equal opportunity describe positive and significant affiliation. Consequently, the fourth hypothesis is uphold and accepted. The results of this research are in line and argue that Islamic banking breaks discriminative barrier and offers an equal opportunity to all potential producers (Ahmed El-Galfy, 2012; Aziz, & Yousuf, 2014).

The research established that there is a direct and positive correlation between Islamic banking and socio-economic justice. The table-1 validates that mean values, t- values, and p values (4.0154, 1.964, & .000) which shows positive affiliation. The table-4 portrays Pearson correlation values and p values (.110 & .047) that explicate that Islamic banking and socio-economic justice are correlated. The table-5 demonstrates the regression model and designates the beta values, t-values and p values (.110, 1.96, & .047) for Islamic banking and socio-economic justice pronounce positive and significant relationship between these variables. Therefore, the fifth hypothesis is maintained and accepted. The Islamic economic

system is able to provide multiple financing modes based on investment and built- on economic justice, equal opportunity and distributive justice (Ashfaq et al., 2010; Issam, 2013)

