ISLAMIC BANKING: WHY INDIA SHOULD MOVE TO ISLAMIC BANKING

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ABSTRACT
Islamic banks, also called as participatory banks, are those financial institutions that are based in their objective and operations on the Islamic law, the shariah. Islamic banking is based on interest free banking and allows only profit and loss sharing based banking. Today that Islamic banking industry showing an average growth rate of 17%-20% annually and comprises around 375 institutions in 75 countries, with an asset under management ranging between US $1.66-2.1 trillion, with expectations of market size to be $3.4 trillion by end of 2018 (Ernst & Young), according to Standard & Poor's Ratings Services the potential market is $4 trillion worldwide, therefore this can be a tool for enhancing economic development in India. India is thriving, but Indians are not. Over 3 lakh farmers have committed suicide in India since 1995, due to financial burden. One percent of Indians own 53% of country’s wealth. At the other end of the pyramid poorer half of our country jostles of 4.1% of nation’s wealth (CREDIT SUISSE, 2015). With these issues, growing Islamic Banking and Indian socio-economic problems, this paper is going to find the growth of Islamic banking worldwide and will try to find out how Islamic banking can provide great opportunities to invigorate the Indian economy with the participation of previously excluded Muslims in Shariah-compliant banking and at the same time could lead to substantial inward investment to boost India’s further development. Furthermore it investigates the implementation of the Islamic banking system in India.

KEY WORDS: Credit Suisse, Ernst & young, Islamic banking, Pyramid, S&P.

References