



A study of “Islamic Banking” as an ethical alternative to conventional banking system with special reference to its prospects in Patna

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Abstract : India with a 13% Muslim population, the highest in a Non Islamic Country and second highest in the world, is still a financially neglected lot (www.academia.edu, 19th Sept., 2013). The size for Islamic Bank will be very large as the Indian population is above 100 crores and Muslim population itself is about 15 crores and on the name of religious faith, they are looking for interest free banking and finance system. Islamic Banking is a banking system which is based on the principles of Islamic law with three main objectives - abstinence from interest, profit and loss sharing and ethical investment. This banking system is running successfully around the globe in

many countries with proper amendments in their respective laws.

In India, Islamic Banking system will serve, as a powerful effective tool to address the problem of poverty and unemployment. It will act as an ethical alternative to the conventional banking system. Small traders and petty entrepreneurs who could not avail credit facilities from commercial banks due to burden of heavy interest rates, can enjoy the facilities of interest free banking and open up to new ventures. It will be a boon for a state like Bihar which is financially less developed. Islamic Bank is open for all, whether a Muslim or not. It is evident from the fact that 40% of the clients of Islamic Banks are Non Muslims in Malaysia (www.dnaindia.com, 30th March, 2012). Out of the 110 respondents surveyed in Patna region, as high as 64% strongly feel that Islamic banking will be a boon for our nation and will foster economic development. It will also lead to large inflow of funds and help in income disparity reduction. As per the present RBI guidelines, however Islamic banks cannot fit into our financial framework until and unless proper amendments are made in Banking Regulation Act 1949.

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