

Prospects and Problems of Islamic Banking: A Case Study of Aurangabad District

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Abstract : Islamic banking is a finance system based on the principles of Shariah law. Charging interest is prohibited in Islam. Instead of charging interest the lender shares some part of profit or loss with the borrower, there is a great need for Islamic banking after the collapse of leading Wall Street institutions notably Lehman Brothers and other global finance institution, economic recession, Islamic banking have emerged as an alternative to conventional banking. Islamic banking is growing at the rate of more than 15% not only in Muslim countries, but also in secular and modern industrialized countries like U.K. Japan, France, Singapore, Hongkong. India with a total population of about 184 million about \$ 1.5% Muslim deposit interest is lying unclaimed in different Indian banks, as there are no banks based on shariah laws approved by the RBI. When we take the example of Kerala state in India, almost 26.2% population is Muslim. Thus thousands of crore of rupees earned in interest is suspended accounts. In Kerala alone Rs. 40,000 crore and in Jammu and Kashmir Rs. 50,000 crore as interest earned on deposit of Muslim are lying unclaimed. By 2050, Indian Muslim population would be the largest in the world. It will surpass Indonesia. The Muslim population is likely to exceed 18% i.e. 310 mn. Muslim population will increase four percentage points from 14% to 18%. This paper studies the problems and prospects of Islamic banking in India. India has 29 states and Maharashtra is one of them. In the Maharashtra state is Aurangabad district. According to census 2011, Aurangabad city population is 51.07% is Hindu .Muslim is the second most popular religion with approximately 30.79. There are branches of Islamic banking run by Anjuman e Islam in many parts of India by the name of Al- Khair Baitul Mal which is a nongovernment organization. Its branch is in Aurangabad. The main objectives of this study are: 1. To find the scope of Islamic banking. 2. To study and analyze the prospects and problems of such organizations in Aurangabad district. 3. To create awareness about Islamic banking. 4. To study the functions of the organizations based on Islamic banking rules. 5. To encourage non-Muslims to invest in Islamic banking. The methodology used will be primary as well as secondary data. This is helping the weaker section of the society to obtain sources for trade and business. This paper finds that there is sufficient scope of Islamic banking in the region.

Keywords : Aurangabad, conventional banking, Islamic banking, Riba (interest)

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