

# ENVISIONING THE ROLE OF ISLAMIC BANKING AND FINANCE IN INDIA:

## An Assessment

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### Introduction

Islamic finance refers to the financial activity where the *Shari'ah* govern the entire procedure of commercial activities and provisions. The Islamic finance system, in the light of *fiqh ul muammalat* (Islamic commercial jurisprudence/law) refrain and screen its financial practices and procedures from *riba* (usury/interest) and replace it with PLS (profit/loss sharing) mechanism, thus highlighting the juristic maxim of *al - ghurm bi al - ghunm* that is, profits are followed by taking/sharing risks (Mohammad Ayub, 2007). With this basic requirement, the products, instruments and procedures having *Gharar* (uncertainty) and *Maiser* (gambling) involved should also be avoided (M. Tahir Mansuri, 2007). Islamic banking and finance have appeared in the global corporate sector only after the establishment of Islamic Development Bank - Jeddah (from here onwards IDB) in 1975, the emergence of IDB as inter-governmental institution is regarded as the important step in the emergence of Islamic banking and finance industry, as IDB-Jeddah in addition as financial institution is also the supporting agency for the global emergence of Islamic banking and finance (IB&F is used for Islamic banking and finance hence forth) system