

Islamic Banking and Finance in the Corporate Sectors of India and Sri Lanka: An Empirical Estimation

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Abstract

Islamic banking and finance has shown substantial growth over the past few decades, thanks to its profound and human-welfare oriented divinely ordained principles of operation. While passing through a series of developmental stages since its inception in the corporate sector during 1970s, it has turned into a globally recognized, significant and sizeable finance industry operating, throughout East and West, with the aid of Shari'ah (Islamic canon law) based novel and viable tools and techniques, compatible with the demands of modern day customers. From the academic point of view "Islamic Economics, Banking and Finance" has amply received attention even from the world's renowned academic institutions/Universities that brought its insertion as one of the novel academic disciplines in the current educational scenario.

Whereas the varied and wide-ranging aspects of Islamic Banking and Finance in the business sector of Middle-East and Western countries have been highly deliberated over, there is paucity of the same with regards to Muslim minority countries particularly of South Asian region. This paper, in this direction, is an endeavor to highlight Islamic banking and finance development in the business sector of India and Sri Lanka, as being the countries, in South-Asia, with a considerable size of Muslim populace calculated as minority there.

Islamic Banking and Finance in Corporate Sector: An Overview of India and Sri Lanka

The application of the theoretical framework of Islamic economics, banking and finance on a significant level was witnessed in the final quarter of the 20th century. This was to gear up the material developments (within the bounds of Islamic canon law), which were manifested mainly in four directions, as given by Khurshid Ahmed (2000).

Firstly professional economists and bankers pondered over the foundations laid down by the 'Ulama, Fuqaha and intellectuals of early period and tried to build the framework of Islamic economics at an academic level. Secondly, establishment of Riba (interest)-free financial investment avenues and institutions were taken into consideration at an academic level. Thirdly universities, research institutes, international professional organizations (including some western institutes) came into