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GLOBALIZATION OF FINANCIAL MARKET OF ISLAMIC BANKING

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ABSTRACT

The main approach in financial market has been enlightened for global analysis of Islamic Banking. Islamic banking is growing at a galloping pace all over the world, even though its volume is quite low as compared to conventional banks but through its innovation and productive feature of banking facilitaties to their customers are very impressive in high ratio to Muslim customer as well as to non Muslims. Global Islamic average growth rate is momentously high year by year.

There is high potential for Islamic banking & Finance industry. It is recommended that the Islamic banking industry extends their network with customers desired products and share the benefit throughout the world. It was concluded that Islamic marketing was the main source of attraction for the customers. The social justification of this research was to explore the potential of Islamic Banking with maximize social market ethics.

Key Words: Mudarabah, Musharakah Riba, Muraba, Ijara.

INTRODUCTION

Islamic banking and Finance is based on shariah principles and which is the best system for human society. The Islamic banking and Finance is an equity based system that primarily relies on profit and loss sharing (PLS) modes, namely, Mudarabah (joint venture) and Musharakah (equity participation), to perform borrowing, lending and investment functions. Islam refuses interest and all of the exploitative components which destruct socio-economic justice. The Islamic financial system facilitates their customers on risk shares base which encourages market forces to determine yield of capital. The Islamic and Finance system make certain and accelerate the capital formulation on optimal rate which sustain economic phenomena and create wider opportunities. It is a value based and moral based system which represents individual as well as society as a whole. The Islamic banking system is four decades old. Its concepts imminently arrived in late 1940, and this system was espoused by Middle Eastern countries. Many reputable and well known Islamic banks came into being from 1970 to 1980 including NSC Bank, IDP, DIB, KFIT etc. In 1980, nascent industry took into new mood three Islamic countries Pakistan, Iran and Sudan took a step to transform their economics and financial region on Islamic streak. In the west the key financial market players inclusive Citi Bank, HSBC, ABN AMRO and others started their operation in Islamic banking to attract Muslims customers of middle east markets and enhance the productivity through innovative and creative market strategy, (Ngui, 2004).

Middle east is the pioneer in the Islamic Banking and finance backed by well off population. Islamic Banking and finance is gaining momentum in European countries and few of the Asian countires including Pakistan. (Khoirunissa, 2003).

OBJECTIVES OF THE STUDY

The main objectives of the study are as fallow:

1) To explore the potential of Islamic banking.
2) To recognize the value of social marketing ethics for the Islamic banking.

Islamic Banking:

Islamic banking is a system that provides financial services to its customers free of riba or interest. According to shariah or Islamic law, paying and receiving interest is prohibited in all transactions. This ban on interest makes the Islamic banking system fundamentally different from western style or conventional banking. The main source for the ban on interest is the Qur'an, the fundamental source of Islam. So serious is this ban that the Qur'an (2: 278) states that those who ignore the ban on interest are at battle with Allah and the Prophet Mohammad (PBUM). Islam deems the charging of interest as exploitative because the lender gains money from the needs or misfortunes of the borrower. Furthermore, interest creates unjustified and unjust property rights. According to the shariah, property can only be acquired in two ways: first, as a result of sharing labor and resources; second, through the transfer of assets – for example, an inheritance or a gift. Interest creates property rights that are inconsistent with either of the ways mentioned above (Qureshi, 1946).

Some Islamic scholars have developed economic reasons to explain the ban on interest as well. According to Saidi (2009) interest may cause to avert full employment by adding a predestine price to produce, due to higher cost production impede producer to hire more employees which contributes to higher unemployment. It is argued that international monetary crises are happening due to interest, (Rice, 2001). That is, countries in need of credit borrow money from other countries or international organizations. The high interests on these loans sometimes make it impossible for these countries to pay-off the loans and thus they get defaulted on their loans. The results could be financial crisis for these countries as well as the lenders. The effects of this could spread throughout the world and create an international financial crisis (Saeed et al., 2001).

There is, however, more to Islamic banking than only a ban on interest. For example, according to Islamic economic analysis, social stability and economic growth require honesty and a sense of community. In addition, banks and financial sectors, like any other facet of an Islamic culture, are intended to involve to a just social order through economic development and the equitable distribution of income and wealth (Naser et al., 1999). Every individual and every institution in the society are responsible for helping the poor to become productive members of the economy. Banks are no exceptions. By providing interest- and collateral- free financial resources consistent with Islamic principles and laws, banks become instrumental in encouraging the establishment of small businesses by people with no financial or real assets, the poor. These principles of Islamic banking link it to the principles of microfinancing (Othman and Owen, 2002).

Islamic vision of socio-economic justice is based on abolishing interest and all other exploitative elements from the economic sphere. The Islamic financial system facilitates lending, borrowing and investment functions on a risk-sharing basis. This allows market forces to determine the productivity of capital rather than fixing it in priori as an “interest rate” to sabotage the free market mechanism and encourage speculative use and hoarding of capital. The Islamic financial system ensures the optimal rate of capital formulation and its efficient utilization leading to a sustainable economic growth and fair opportunities for all. It is a value-based system that primarily aims at ensuring moral and material wellbeing of the individuals and society as a whole.

Development of Islamic Banking:

The notion growth of Islamic banking system expands impetus on the mid of 1940. Islamic research scholars, for instance Ahmad, (1952), Qureshi, (1946), Siddiqi, (1967), Al-Arabi, (1966), Al-Sadr, (1974) and Maududi, (1961), have extensively contributed to the progression of the Islamic banking system. The massive invasion of petrodollar at the end of 1970 has gained sound momentum in numerous Islamic banks in the Middle Eastern region countries, approx 300 Islamic financial Institutions (IFIs) are around there more than 50 countries, Capital worth US$ 500 to 800 bn, and there average yearly expansion of 15 percent (Arekat, 2006).

The Islamic banking and finance discipline are nearly four decades old. The conceptual developments of Islamic banking took place in late 1940s and in the next two decades. They got to a point of yielding a model which was adopted in the Middle Eastern countries to fulfil their aspiration of having their own banks. Many reputable Islamic banks came into being in 1970s that included Nasser Social Bank Cairo (1972), Islamic Development Bank (IDB) (1975), Dubai Islamic Bank (1975), Kuwait Finance House (KFH) (1977), Faisal Islamic Bank of Sudan (1977) and Dar Al-Maal Al-Islami (1980). In early 1980s, the nascent industry took the world by surprise when three Muslim countries, namely, Iran, Pakistan and Sudan decided to transform their economies and financial sector on Islamic lines. The Western financial market players such as Citibank, ABN AMRO, HSBC and others established their own Islamic windows or subsidiaries to attract petrodollars' deposits from the Middle East and Muslims clientele in local markets. The Islamic banking and finance system continued to grow by seeking innovation and diversity of products, clientele and markets. It has been growing in areas such as Sukuk, Takaful, hedging funds, Mutual Funds, private equity and assets management, wealth management, real estate, corporate finance, liquidity management, treasury, derivatives, swaps, future and forward market, Islamic Stock Exchange and Dow Jones Islamic Index.

Islamic banking and finance activities are mainly clustered around three parts of the world that include the Middle East, South Asia and Southeast Asia. The Middle East, overwhelmingly populated by Muslims, is a motherland of Islamic banking and finance. Islamic banks enjoy strong support from rich individuals, governments and other state institutions in the Middle East. The majority of regulatory and other supporting bodies of the Islamic banking and finance industry are located in the Middle East. The Gulf countries have decided to merge their monetary and central banking systems by 2010. These developments will bear far-reaching impacts on the Islamic banking and finance industry in the Middle East and worldwide. Referring to South Asia, Islamic banking has been recently revived in Pakistan under the duel banking system. Bangladesh has been following more rigorous Islamic banking policies under the increasing market and public demands. India and Afghanistan may adopt Islamic banking operations in the near future. Three Southeast Asian countries, namely, Indonesia, Malaysia and Singapore are promoting the most comprehensive and advanced version of Islamic banking and finance in their region so as to attract Islamic business and finance from the Middle Eastern countries and elsewhere. The government of Sudan has recently adopted more pragmatic approach to promote the Islamic banking and finance practice in the region. Islamic banking and finance is gaining momentum in the USA and European countries. These countries are now more willing to bring changes to their banking and tax laws so as to allow the Islamic banking and finance practice in their markets. The increasing number of ethically-based business organizations and individuals worldwide are dealing with Islamic financial institutions. The Middle East, Southeast Asia and South Asia are the main emerging hubs of Islamic banking and finance. It will hold 40 per cent to 50 per cent of total savings of the Muslim population (estimated as large as 1.5 billion) worldwide within next eight to ten years.

Islamic banking and finance in South Asia:

The South Asia region holds enormous potentials to become a hot spot of Islamic business and finance activities. The majority of Muslim population in South Asia inhabit in five countries – Afghanistan, Bangladesh, India, Maldives and Pakistan. Muslims are sovereign in four countries and form the largest minority in the fifth country – India. The economies of India and Pakistan have experienced an accelerated growth over the years. A large number of wealthy investors and Islamic financial institutions from the Middle East are interested in undertaking business and investment activities in Indian and Pakistani markets. Presently, Islamic banks are functioning in Bangladesh and Pakistan only but there are bright chances that they will start functioning in Afghanistan and India in the near future. Afghanistan may find Islamic banking as a tool to attract huge sums of donation, qard-e-hasanah and venture capital from Islamic business and financial institutions worldwide. The top officials at Afghanistan International Bank have been working to develop a feasibility report on launching a fully dedicated Islamic bank in Afghanistan. Since the Islamic banking and finance industry is a rapidly growing segment of the global finance, it may offer enormous business and finance opportunities to India. A number of foreign and local financial institutions that include Citibank, Grindlays, Standard Chartered, HSBC, ICICI Bank India and Kotak Mahindra are already offering limited Islamic banking products and services to Indian Muslims. Recently, the Reserve Bank of India (RBI) has undertaken a feasibility study on establishing a fully dedicated Islamic bank in India, which findings are yet to be publicly known. Taking note that over 120 million Indian Muslims and their growing desire to do faithful banking, the RBI should provide wholehearted support for the development and growth of Islamic banking practice in India.

Bangladesh:

The Islamic banking affairs in Bangladesh started in early 1980s. The first Islamic bank – Islami Bank Bangladesh – was established in 1983. The development and growth of the Islamic banking industry in Bangladesh took a very steady course over the years. Right now there are six Islamic banks working alongside 43 conventional banks in Bangladesh. They include Islami Bank Bangladesh, Oriental Bank Bangladesh, Al-Arafah Islami Bank, Social Investment Bank, Shahjalal Islami Bank, Export Import Bank of Bangladesh and Bank Al-Falah. A number of conventional banks in Bangladesh offer Islamic banking products through their own Islamic windows. In 2005, the Islamic banking deposits accounted for 13 per cent of the total banking deposits and its investments represented 5 per cent of total investments in the banking sector of Bangladesh. Recent developments and innovations in the Islamic banking and finance industry have not yet received a serious notice in Bangladesh. In 2005, however, the government of Bangladesh established a high-powered committee to suggest amendments into existing Insurance Act to introduce Islamic insurance operations in the country. Some Bangladeshi Islamic banks are interested in promoting Shariah-compliant securitization financing in the corporate sector of Bangladesh. The people of Bangladesh hold reservations over the government policies on Islamic banking. The Islamic Shariah supervisory councils in Bangladeshi Islamic banks should be made an autonomous body to oversee the Shariah compliance of Islamic banks in Bangladesh. The government should establish separate regulatory and institutional systems for Islamic banking practice and share the experience and resources of the international Islamic banking industry to promote truly innovative, competitive and Shariah based Islamic banking practice in Bangladesh.

Pakistan:

The Islamic banking movement originated in Pakistan in 1980. The efforts for transforming the economy and financial sector of Pakistan on Islamic lines were made over 22 years but all in vain. However, Islamic banking activities have been revived in Pakistan under the duel banking system since 2002. Presently there are five full-fledged Islamic Banks. viz: Meezan Bank Limited, BankIslami Pakistan Limited, Dubai Islamic Bank Pakistan Limited, Burj Bank and Al Baraka Islamic Bank (Pakistan) Limited with 1304 Islamic Branches of Conventional Banks and Sub Branches of full-fledged Islamic Banks across 87 cities of Pakistan. Their accumulated deposit is Rs.868 Billion along with the asset portfolio held Rs. 1014 Billion, (SBP, Islamic Banking Bulletin, Oct-Dec, 2013).

The Islamic banking deposits are expected to worth US$13 billion, 10 per cent of the total banking deposits in Pakistan by 2014, (Sula and Kartajaya, 2006). A number of domestic and international financial institutions such as Askari Bank of Pakistan, House Building Finance Corporation of Pakistan, National Bank of Pakistan, Qatar International Bank and Standard Chartered Bank are committed to open new or more Islamic branches or subsidiaries in Pakistan. All conventional banking branches are required to open Islamic windows under the recent directives from the State Bank of Pakistan. Islamic insurance and finance activities are taking shape in Pakistan. The Securities and Exchange Commission of Pakistan has been engaged in developing a proper regulatory framework for the Islamic insurance industry in the country. Three Islamic Insurance companies, i.e. Takaful Pakistan Limited, Pakistan Kuwait Takaful Company Limited and Pakistan Qatar Takaful Company Limited has started their operations in Pakistan.

Sukuk are becoming a viable funding source for development projects in Pakistan. The first international Sukuk of worth US$600 million were issued by the Government of Pakistan in 2005. The local Wapada Sukuk Ijarah of worth PKR11 billion (US$181.36 million) were issued in early 2006. The first Islamic equity index has also been launched to promote the Islamic business and finance activities in the Stock Exchange Market of Pakistan. Recently, the government has promulgated new prudential regulations to revive Mudarabah companies in the country. Pakistan is the home of over 170 million people, with Muslim representation about 97 per cent. The Islamic banking and finance industry should experience a very promising growth in this overwhelmingly Muslims dominated country. The Islamic banking and finance industry in Pakistan faces two core challenges at the moment. First, the government needs to restore the shattered confidence of people by undertaking truly pragmatic and devoted efforts in promoting the Islamic banking system in the country. Secondly, Islamic financial institutions need to prove a point that their products and services are truly competitive and based on Islamic Shariah principles.

Performance of Islamic Bank in the World:

The Islamic Banking performance outlook is momentumly on peak as per World

Islamic Banking Competitiveness Report 2013-14 report Islamic Banking assets are set to cross USD 662 bn in Year 2013 and based on a Compound Annual Growth Rate-CAGR' of 19.7% through 2013-18, with total assets reaching USD 1.6tn across mainly in Gulf Market. Asset of Islamic Banking are expected to grow USD 3.4tn up to 2018 in the world. At the present the Islamic banking presence approx 50 countries, which is a phenomenal sign in a new financial sector. Many of said remarkable expansion in Islamic Finance Industry over the last period and the rate of growth is sensational. The report has reveal that total assets of Islamic banking Industry in the PGCC region is 34% of assets of Islamic banks in the global world. It is expected that Islamic Industry will grow in the PGCC region in the current year and it will open the new avenue for the stakeholder in worldwide region, Islamic banking assets are expectedly grow by USD 1.5 trillion by the end of this year with an cumulative growth rate of up to 20%.

At the 20th Anniversary (WIBC) World Islamic Banking Competitiveness in Bahrain is begin vigorously a new record in year 2013 with more than 1300 members from 50 countries, more than 60 partners, sponsors and market leaders celebrate the Islamic Finance globally with success and prosperous which is a sign of forge ahead in upcoming year. The agenda of 20th Anniversary WIBC 2013 to focusing on Industry by transform to improve global competitiveness across the board of Islamic Finance Industry, Inclusive by regulatory, Shariah Compliant, Promoting Strategy, Operational and Risk Management to encompass the Islamic Industry has potential to build censorious mass and has successfully meet the expectation of clientele and investors.

Islamic Finance Industry is growing at a galloping pace with approximate 15% to 20% per annum rate of growth as compare to conventional banking industry. Global Islamic Assets held by commercial banks positioned at USD 1.3 Trillion in 2011, but industry has surpassed 40% rate of growth over in 2013 by USD 1.8 Trillion as per research by Ernst & Young. Islamic banking Industry has robust pace of growth expecting by researcher that Global Islamic Assets would be USD 2 Trillion in the end of 2014, and Islamic Banking Industry has set the record rate of growth by 19% last four years (www.main.omanobserver.om). The industry has intense spotlight by the declaration of the news of HSBC, with Shariah Complaint as HSBC Amanah held asset of USD 16.7 Billion, which is the 2nd largest Islamic Window Banking in the Global world. As stated by Ernst & Young's Global Islamic Banking Center, Islamic Banking Assets with Commercial Banks in the Gulf Cooperation Council - GCC stood at USD 445 Billion at the end of 2012, up from USD 390 billion in year 2011, with the prospect for the industry remaining relatively explicit in the year 2013. This stand for a 14% year-on-year develop, which is much lower than the five year average of 19%. Qatar has sound market where Islamic Banking assets are expectedly grown high in year 2012 by 23%, Meanwhile Islamic Banking assets with Commercial Banks in the GCC grew up by 14% in the year 2012, which is a symbol of potential of the industry. As stated by market census muslim population is expectedly grow The population, percentage of muslims, Islamic baking assets and percentage of total assets are shows in the table.1 and figure.

Below by 35% in the next 17 years, rise from 1.6 billion in 2010 to 202 billion up to 2030. The raise of population is the sign of raise Islamic financial market among youthful consumers elegantly.

Table 1: Country-wise muslims and assets

Country	Population (Mn.)	Muslim %	Islamic Banking Asset (USD Billion)	Total Asset (%)
Iran	76.10	98.00	162.20	42.70
Sudan	33.50	70.00	58.00	2.00
UAE	5.50	96.00	75.00	17.00
Bahrain	1.20	81.20	16.40	27.00
Qatar	1.80	77.50	14.80	22.00
Malaysia	29.00	60.40	106.00	10.00
Indonesia	244.50	85.00	3.90	8.00
Turkey	74.90	98.60	27.3	5.00
Algeria	36.50	98.20	1.09	1.00
Morocco	32.50	99.90	0.117	0.01
Nigeria	164.80	47.90	12.00	1.00
Egypt	82.00	94.70	8.6	4.00
Pakistan	178.90	96.40	10.14	10.00
Bangladesh	150.00	90.40	8.20	7.00
Saudi Arabia	28.80	97.10	207	35.00
Yemen	25.90	99.00	2.4	30.00
Jordan	6.40	98.80	5.88	12.00
Syria	22.00	92.80	1.84	4.00
Iraq	33.60	98.90	67.25	25.00

Source: Facts & Figures 2013 on IDB Members Countries Islamic Development Bank

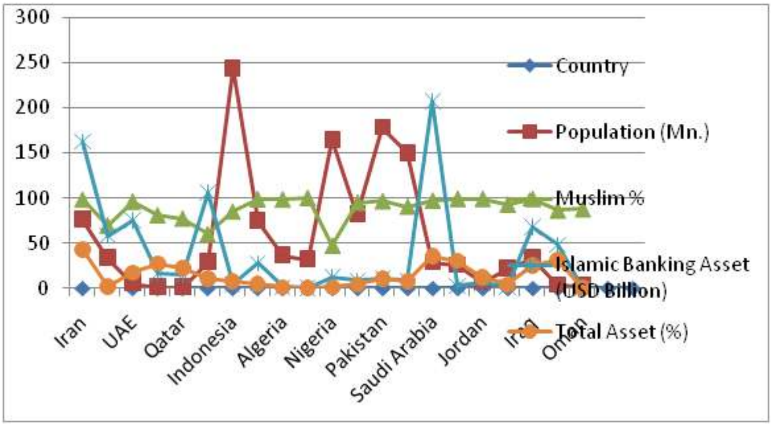

Figure 1: Source: World Islamic Banking Competitiveness Report 2013-14

The Islamic Banking Paradigm and its (Problem & Challenges):

Islamic banking is still highly nascent when compared with conventional banking. It has been facing a range of problems and challenges. Islamic banks are haunted by the chronic problem of excess liquidity. They carry about 40 percent more liquidity than their conventional counterparts because there is a serious dearth of long-term Shariah-compliant investment tools and avenues (Hakim, 2002). They commit 95 percent of their funds to short-term ijarah, murabaha and musharakah instruments (Islamic Finance News, 2006a). In 2002, four major Islamic banks established the Liquidity Management Centre (LMC), which has been engaged in developing a secondary liquid market for Islamic bonds, government securities, equities, mutual funds and other instruments. Other institutions such as the Bank of Malaysia, the Islamic Chamber of Commerce and Industry (ICCI), the International Islamic Financial Market (IIFM) and the Dubai International Finance Centre (DIFC) have been working to find effective solutions to the liquidity problem.

Islamic banks observe and follow many and varied accounting standards and practices. Some of them follow International Accounting Standards (IAS), others adhere to standards issued by Accounting Auditing Organization for Islamic Financial Institutions (AAOIFI), and small ones adopt accounting standards prevalent in their local markets. Even financial managers and researchers become very confused over the heterogeneity in accounting practice and disclosure in Islamic banks. In fact, Islamic banks should simply provide relevant and reliable information to stakeholders about their responsibilities in the financial, social, environmental and religious arenas (Sula, M.S., Kartajaya, H, 2006). It may be noted that AAOIFI and Islamic Financial Services Board (IFSB) have been working over the years to develop universal accounting and auditing practices for Islamic banks. AAOIFI has developed more than 63 accounting standards for the guidance and adoption by 130 member institutions, representing 30 countries.

There is a serious shortage of competent Shariah experts in the Islamic banking industry. Only a small group of Shariah experts is serving on several Shariah boards of Islamic banks worldwide. Majid Dawood, a London-based consultant on Shariah compliance, pointed out that Shariah experts earn as much as US$88,500 per year per bank (Matthews, 2005). In some cases, they charge up to US$500,000 for advice on large capital market transactions (Tett, 2006). On the other hand, Shariah scholars at small Islamic banks have little insight into the complexities of present-day financial markets. Islamic banks should build up a strong base of research and training to develop a corps of Shariah experts of high moral and professional integrity. They should also establish a central Shariah board and an external audit committee to provide a truly independent scrutiny of the Islamicity of their operations.

The ban on interest payments and receipts and the levy of zakah (a tax deduction of 2.5 percent on Muslims' wealth that remains idle or unused by business and investment throughout the Islamic calendar year) leave little scope for capitalists to retain funds for profiteering, which could seriously handicap the desirable and natural flow of funds into the market. However, entrepreneur are entirely free to decide the right moment for investment and effective venture boulevard. Zakah is paid by Muslims only to secure spiritual purification and to meet their religious and social responsibilities towards their poor fellow human beings. Furthermore, Islamic banking utilizes existing wealth to produce more wealth, goods and services. In the competitive Islamic economy, the prices of goods and services show a declining trend because the supply of goods and services constantly increases through innovation and competitive entrepreneurship.Actually, Islamic Banking system should merely deliver the authentic and pertinent information to their stakeholder regarding their duties in the economic, societal, ecological and religious domes. (Usmani, 2001).

Risk management is a vital challenge for Islamic banking system to improve the strategy and corporate supremacy currently they have to explicate all sorts of risks which relate to interest rates non payment and liquidity. Sukuk matter is involve with forex, interest rates and Shariah observance (Hobson, 2006). Islamic banks cannot use conventional risk management techniques and tools because they are based on interest, gambling and speculation, which are prohibited by Shariah. In the given context, good governance can greatly help to streamline the organizational structure of Islamic banks on a more efficient and democratic basis. Bank Negara Malaysia, International Islamic Rating Agency (IIRA), IFSB and other supporting bodies have been pushing very hard for the development of prudential regulations and systems related to risk management, capital adequacy and corporate governance at Islamic banks.

Islamic banks have a very unsatisfactory record for R&D and innovation. The majority of Islamic banks are small and cannot afford to develop their own or joint R&D facilities. Only big Islamic banks are engaged in some kind of serious R&D activity. As a result, there has been a huge flight of indigenous oil wealth from the Gulf countries to Western financial markets. Sheikha Lubna Al Qasimi, Minister of Economy, UAE, pointed out that at present about 80 per cent of the US$1.8 trillion of private wealth of the Gulf countries is invested abroad because there are not enough Islamic-friendly investment opportunities in the region.

With their poor record in R&D Islamic banking system depend a lot on conventional banking systems and its operation. It is not hidden that LIBOR market discounting tables and interest rates, time value of money procedure apply P/L shares and returns on their murabaha and other type of capitals, amongst others, have provided empirical evidence that Islamic banks use conventional profitability theories in determining returns on their products. Moreover, sukuks are issued on the basis of LIBOR. For example, the yield on Qatar Global Sukuks is calculated on the basis of LIBOR on dollar funds plus 0.4 per cent per annum. There is mounting pressure on Islamic banks to develop genuinely Islamic and innovative products and to stop imitating the conventional practice.

The majority of Islamic banks operate within conventional environments. They now enjoy good support from conventional banking and regulatory systems. Bahrain and Malaysia have excelled at establishing entirely independent nationwide legal, regulatory and financial frameworks for Islamic banking operations, and other Muslim countries may follow suit. A number of supporting bodies, including the Dubai Financial Services Researcherity, IFSB and Malaysia's Securities, have been working with conventional banking researcherities to resolve regulatory issues related to Islamic finance practice. These developments may drive Islamic banking towards greater financial and Shariah disciplines, sophistication and integration with international financial markets.

Last but not least, there has been an acute shortage of human capital resources in the Islamic banking industry. Islamic banking personnel are largely drawn from conventional banking. They are neither properly trained nor devoted to learning and practising Shariah-compliant banking. They are interested only in eliminating interest from Islamic banking operations without realising the true objective behind this exercise. Major Islamic banking training institutions such as the Institute of Islamic Banking and Insurance, Islamic Finance Training, and the International Centre for Education in Islamic Finance (INCEIF) organize frequent and numerous training sessions, conferences, colloquiums and workshops, but this is not helping to develop Islamic banking personnel with financial-cum-Shariah competence. It is high time that the Islamic banks made substantial investments in human resources development and training and research faculties. Internally groomed human resources can only add real value and solutions to the current issues and challenges facing Islamic banking.

CONCLUSION

Islamic banking has become a global phenomenon as both western and Islamic territories have grasped it. Islamic banking among the world is in developmental phase as compared to conventional banking. It is still in the stage of development and customer needs awareness. The Islamic banking system is trying to satisfy trade and financing needs and is rapidly growing. Islamic banking is lagging behind in terms of offering a wide range of products and services to cater the various needs of individuals and businessmen. It is concluded that the major obstacles of Islamic banking in new product development are the limitations faced to invest in shariah compliant avenues as well as lack of research in several global region.

Islamic Banking Industry need to play an acceleratingly engage part in the world economy and drive the change towards corroborative and societal equity. The creation of contributory environment for Islamic banking will curtail the huge divergence of real assets and real liabilities in banking sectors which in time will create a sturdy and strong financial surroundings.

Finally it was concluded that since Islamic banking is not only profit motive but also strictly following the Islamic principles of business in the world. It invests only in ethical and shariah compliant investments. The Islamic banks strictly practiced Islamic and shariah based investments and do not compromise on principles.

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