

# 'Huge scope for Islamic finance in India'

June 18, 2013 in [Home Slider](#), [Interviews](#) | [4 Comments](#)

*But opening Shariah-compliant banks requires separate legislation by Parliament, says managing partner of Bangalore-based advisory firm*

Staff Reporter | KMNN

Bangalore:

Islamic finance and banking has, of late, become a subject of great interest for economists and financial institutions alike.

In order to meet the growing demand of information on this sphere of Islamic way of life, several consultancies have come up. Among them is Infinity Consultants, a Shari'ah compliant advisory firm based in Bangalore.

It was set up in 2007 by a group of investment professionals with an in-depth knowledge of the business environment of the Gulf Cooperation Council (GCC) region.

As per its website, the firm was conceptualized "as an independent advisory boutique to fill the gap for quality and value-driven corporate finance, business and investment advisory solutions in the GCC by leveraging key advantages of an India-centric off-shore delivery model with local presence combined with our innate knowledge of GCC business requirements, ethics and norms."

Saif Ahmed, Managing Partner of Infinity Consultants, spoke to *karnatakamuslims.com* on various facets of Islamic finance and banking in India. Here are the excerpts:

## 1) What are the scopes of Islamic banking in India?

There is huge scope for Islamic finance in India given that the country has one of the largest Muslim populations in the world who are now, in my view, increasingly demanding halal means of finance and investment. Islamic banking though is something I don't see much scope in the near term because banking is a highly regulated activity in India and opening an Islamic bank will require separate legislation to be passed by Parliament which is not a very easy thing as we all know.

## 2) What are the features of Islamic banking?

Islamic banking refers to a system of banking, which is consistent with Islamic Shari'ah (Law), and guided by Islamic economics. Islamic law prohibits the payment and collection of *riba* (interest or usury). The main argument against interest is that money is not used as a commodity with which to make a profit but that it should be earned on goods and services only, not on control of money itself.

The features of Islamic Banking are based on ethical principles. Islamic Shari'ah allows all economic activities in the framework of protecting public interest and safeguarding it. Man may make profit from doing business. However, when this runs against Islamic ethics and morality, it is outlawed. In addition, for an investment to be legitimate, one of the most important requirements is that its outcome must fulfill the reality of investment transactions and that it enables the Islamic Financial Institution (IFI) to state what it expects to make in profits. However, this cannot be determined as a certainty or can one commit oneself to it, or bear any loss sustained.

Main conditions governing Islamic investment include: Money does not generate or beget money in itself, but it becomes productive if it is involving an activity or work; Investment is subject to the rule of profit and loss sharing; Investment in business activities is lawful, but prohibitions should be avoided; contracts must be free of *gharar* (uncertainty, ignorance and the conditions which lead to disputes). Refer to <http://www.nzibo.com/islamic.html>

### **3) What are the employment opportunities in Islamic banking?**

Since Islamic banking and finance is at a nascent stage in India, employment opportunities in this field are limited here. However, one of the main centres for Islamic finance is the Gulf countries and a lot of opportunities exist there in the banking sector including Islamic banking which is seeing faster growth than the conventional sector.

### **4) Are there any legal hurdles in the system?**

They are legal hurdles aplenty to be overcome in establishing Islamic finance products in India. This requires a lot of effort in terms of R&D and persistence on behalf of the practitioners and the ulema who need to work together to come up with halal products that are simultaneously legal in the country.

One such example is the first halal, Shari'a compliant chit fund company started in India by Infinity Consultants known as Zayd Chit Funds Pvt. Ltd. ([www.zaydcf.in](http://www.zaydcf.in)), based in Bangalore and operating for the past six months with very good success, Alhamdulillah. This company and the overall concept took over a year of R&D wherein several technical experts along with ulema and madrassas were contacted for feedback while developing this concept and then implementing it by getting the requisite licensing from the government and finally beginning operations in late 2012. I believe many more aspects and products in Islamic finance can be implemented in India with the similar approach. The biggest stumbling block for us right now is limited numbers of qualified human capital in this field and that is why we are very keen on promoting awareness and training in Islamic finance.