

**“A STUDY ON ISLAMIC BANKING”****N.Santhosh Kumar, Assistant Professor****Seshadripuram Institute of Commerce & Management  
Seshadripuram ,Bangalore****Abstract**

The vast majority of analysts say that Islamic managing an account framework have risen as of late, however this framework began to create couple of decades prior. Amid this era we have appear to be quick change and change in Islamic saving money framework. In the event that we contrast and ordinary managing account framework Islamic saving money has favorable circumstances in the method for managing organizations exchange yet there is still institutional and mechanical need which ought to be balanced by the masters. However as of late we can watch the institutionalization of Islamic items and the way it is actualized inside the economy. This Consensus helps Muslim populace to address their issues all the while living as indicated by their religious convictions. Muslims live as indicated by the principles of Qur'an. Shariah law is gotten from Qur'an. The most major of these denial incorporate Riba which is premium based exchanges, and in addition venture into theoretical and questionable tasks. Islamic saving money framework grew fundamentally particularly in the period of last monetary emergency. Its working standards are accepted to be more steady and reasonable, for these correct reasons numerous ordinary banks are turning up part their advantages. The fundamental working standards of Islamic contracts is benefit and misfortune sharing nature, which demonstrates to have advantage and less presented to dangers. The very pith of traditional banks which depends on premium viewed as happenstance cost is accepted to be significant reason of monetary emergency, expanding its seriousness as a result of mechanical upgrades. Indeed, even a slight change loan cost causes the adjustment of budgetary assets. Over the top use, venture into theoretical tasks, financing cost differentials brought about Crisis happened in the most recent couple of decades.

Keywords: - Banks, Money, Interest

**Overview of the Islamic BANKING**

Islamic managing an account is a saving money framework that depends on the standards of Islamic law, likewise alluded to as Shariah law, and guided by Islamic financial matters. Two fundamental standards behind Islamic saving money are the sharing of benefit and misfortune and, altogether, the restriction of the gathering and installment of enthusiasm by loan specialists and financial specialists. Gathering interest or "riba" is not allowed under Islamic law. Keeping in mind the end goal to acquire cash without charging premium, Islamic banks utilize value interest frameworks. This implies if a bank advances cash to a business, the business pays back the credit without premium, however it gives the bank a partake in its benefits. In the event that the business defaults on the advance or does not gain any benefits, the bank does not get any benefit either. For instance, in 1963, Egyptians shaped an Islamic bank in Mit Ghmar. At the point when the bank advanced cash to organizations, it did as such on a benefit sharing model. To diminish hazard, the bank just affirmed around 40% of its business advance applications, however the default proportion was zero.

**Background of the Study**

Today, monetary frameworks and keeping money assume an essential part in financial exercises in all nations, particularly with respect to those exercises identified with financial advancement. Without a doubt, there is an immediate relationship between the level of advancement in a budgetary framework

and monetary advancement when all is said in done. While monetary development is a basic condition for financial improvement, speculation is an imperative variable for monetary development. Along these lines a monetary framework, particularly saving money, which gives credit to speculators, assumes an imperative part in financing monetary advancement. As there are two fundamental gatherings in each general public, the individuals who have surplus cash yet are not ready to or don't have any desire to contribute and create, and the individuals who can work as makers, and even originators, however do not have enough cash to contribute, the primary obligation of banks is to gather overflow cash from savers and contributors (activation), and distribute it to makers and makers. Be that as it may, since there is a loan fee, 'riba', in ordinary banks, which is disallowed in Islam, Muslims have an issue with this sort of managing an account; hence, Muslim masterminds have attempted to build up a bank which can do the fundamental elements of traditional banks without the issue of riba.

### **Evolution of Islamic Banking**

Islamic saving money in its present day frame is another involvement in the saving money industry. It is around 50 years of age. —The first Islamic bank was built up in Pakistan in the 1950's no intrigue was charged for the credit, however a little settled managerial expense was exacted to cover the working costs of the bank (Wilson, 1983: 75). In any case, the in the first place Islamic bank in the Middle East was set up in Egypt. Before the Islamic Revolution in Iran the nation had some basic Islamic banks; now as Qardh-Al-Hasanah Funds (advance without intrigue reserves), however there were too numerous traditional banks as well. Around then numerous religious individuals favored not to coordinate with customary banks. The new managing an account law was executed in 1984 and the keeping money framework in Iran was changed totally to an Islamic model. In spite of the fact that there are numerous Islamic saves money with a capital of more than \$200 billion on the planet, just a single nation (Iran) has a totally Islamic managing an account framework today.

### **Research Methodology**

#### **STATEMENT OF THE PROBLEM**

“To Study the Concept of Islamic Banking”

**Research Type:** - Descriptive

#### **OBJECTIVES OF THE STUDY**

1. To determine the effectiveness of Islamic Banking.
2. To analyze the difference between Conventional banking with Islamic Banking.
3. To understand the Features of Islamic Banking

#### **Sources of data**

##### **Secondary data**

The secondary data source is data already existing in the records. The secondary data is obtained the company brochures, newspapers and website.

#### **LIMITATIONS OF THE STUDY**

Some of these limitations are as follows:

- Research was constrained by the time limit of one month
- This paper was restricted to secondary sources of Data collection.

#### **Comparison between Conventional and Islamic Banking**

Conventional Banks	Islamic Banks
1. The capacities and working methods of customary banks depend on completely synthetic principles.	1. The capacities and working methods of Islamic banks depend on the standards of Islamic Shariah.
2. The speculator is guaranteed of a foreordained rate of interest.	2. Interestingly, it advances hazard sharing between supplier of capital (financial specialist) and the client of assets (business visionary).
3. It goes for augmenting benefit with no restriction.	3. It likewise goes for augmenting benefit however subject to Shariah limitations.
4. It Loaning cash and getting it back with aggravating premium is the central capacity of the ordinary banks.	4. Support in organization business is the essential capacity of the Islamic banks. So we need to comprehend our client's business extremely well.
5. It can charge extra cash (Penalty and aggravated enthusiasm) if there should arise an occurrence of defaulters.	5. The Islamic banks have no arrangement to charge any additional cash from the defaulters. Just little measure of pay and these returns is given to philanthropy. Refunds are give for early settlement at the Bank's tact.
6. Regularly it brings about the bank's own enthusiasm getting to be distinctly noticeable. It attempts to guarantee development with equity.	6. It gives due significance to general society intrigue. Its definitive point is to guarantee development with value.
7. For premium based business banks, getting from the currency market is generally easier.	7. For the Islamic banks, it must be founded on a Shariah affirmed fundamental exchange.
8. Since pay from the advances is settled, it gives little significance to creating mastery in venture examination and evaluations.	8. Since it offers benefit and misfortune, the Islamic banks give careful consideration to creating venture examination and assessments.
9. The traditional banks give more noteworthy accentuation using a loan value of the clients.	9. The Islamic banks, then again, give more noteworthy accentuation on the practicality of the tasks.
10. The status of a traditional bank, in connection to its customers, is that of leaser and debtors.	10. The status of Islamic bank in connection to its customers is that of accomplices, financial specialists and merchant, purchaser and dealer.
11. A traditional bank needs to ensure all its deposits.	11. Islamic bank can just ensure stores for store account, which depends on the rule of al-wadiah, in this way the investors are ensured reimbursement of their assets, be that as it may if the record depends on the mudarabah idea,

customer need to partake in a misfortune position.

### Key Features of Islamic BANKING

#### Materiality and Validity of Transactions

- Towards accomplishing the targets of Shariah(Maqasid Shariah)
- High moral qualities equity, decency, trust, trustworthiness and honesty

#### Materiality and Validity of Transactions Mutuality of Risk Sharing

- Economically profitable fundamental exercises
- Avoidance of intrigue based exchanges
- No association in illicit and untrustworthy exercises
- Genuine exchange and business exchanges
- Avoidance of theoretical exchanges

#### Commonality of Risk Sharing

- Entitlement of benefit dependent upon hazard sharing
- Honoring both substance and type of agreement

### Conclusion

The presence of Islamic keeping money and back on the scene of worldwide money related world and its fast development is a critical improvement of the cutting edge time. It has encountered huge development in the Muslim world as well as around the western world demonstrating its reasonability and aggressiveness as an course of action of monetary intermediation. The main thrust behind the Islamic keeping money and fund development was the disallowance of riba and reasonability of sound (exchange) and the soul of taking after the shari 'ah (Islamic law) standards in undertaking business exercises. Notwithstanding, it ought not be overlooked that getting a charge out of the products of the monetary framework propounded by Islam requires more than just sidestepping direct infringement of Shari'ah. Truth be told, Islam has given finish rules to building up a fair monetary framework that could annihilate social and financial abuse reusing from intrigue, imposing business model, storing and theory, guaranteeing a fair dispersion of riches.

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