

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

I
J
R
C
M



A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

Indexed & Listed at:

Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A.

Open J-Gate, India [link of the same is duly available at Inlibnet of University Grants Commission (U.G.C.)],

Index Copernicus Publishers Panel, Poland with IC Value of 5.09 & number of libraries all around the world.

Circulated all over the world & Google has verified that scholars of more than 2840 Cities in 164 countries/territories are visiting our journal on regular basis.

Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA

<http://ijrcm.org.in/>

CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	MACHINE USAGE BASED ON PRODUCT MIX IN MANUFACTURING CLASSIFICATIONS <i>DR. SURESH TULSHIRAM SALUNKE & SHWETA SURESH TULSHIRAM SALUNKE</i>	1
2.	A STUDY ON THE CHALLENGES FACED BY TIRUPUR GARMENT EXPORTERS <i>DR. S. SARANANAN & S. MOHANRAJ</i>	5
3.	HEALTHCARE AND MEDICAL TOURISM: RETROSPECT AND PROSPECT <i>R. VEERAPPAN, J. SASIGANTH, FR. ANGELO JOSEPH & A. JOE ROBINSON</i>	8
4.	TRADE BETWEEN INDIA AND ASEAN COUNTRIES FOR AGRICULTURAL AND MINERAL PRODUCTS: EXPLORING COMPATIBILITY THROUGH REVEALED COMPARATIVE ADVANTAGE <i>DR. B. P. SARATH CHANDRAN</i>	11
5.	RELEVANCE OF ISLAMIC BANKING TO INDIAN ECONOMY <i>S. NAYAMATH BASHA & DR. BADIUDDIN AHMED</i>	17
6.	AXIOMATIZATION OF THE PREFERENCE CORE IN MULTICRITERIA COOPERATIVE GAMES <i>A. SUGUMARAN & P. VISHNU PRAKASH</i>	21
7.	CORPORATE GOVERNANCE & INFORMATION SECURITY: AN ANALYTICAL STUDY <i>DR. BADIUDDIN AHMED, SYED HAMID MOHIUDDIN QUADRI & IRFANUDDIN</i>	25
8.	RUPEE FALLING: DOLLAR IS ON HORSE RIDE <i>M. RAMU, M. S. K. VARMA & S.SUDHEER</i>	28
9.	AN ANALYSIS OF INDIAN AUTOMOBILE INDUSTRY: SLOWDOWN AS AN OPPORTUNITY FOR NEW DEVELOPMENT <i>DR. ANKUR KUMAR RASTOGI & NITIN GOPAL GUPTA</i>	36
10.	A PROPOSED THEORY OF NEURAL NETWORKS IN KNOWLEDGE MANAGEMENT FOR AN EXPERT SYSTEM <i>V. SUMALATHA</i>	41
11.	THE INFORMATION MANAGEMENT PRACTICES OF BHIRDAR UNIVERSITY <i>DR. MATEBE TAFERE</i>	45
12.	VEBLENIAN SOCIO-PSYCHOLOGICAL MODEL: AN ETHNOGRAPHIC STUDY <i>DR. K. ABRAHAM & DR. M. RAJASEKHAR</i>	51
13.	INNOVATIVE TEACHING AND LEARNING TO ENHANCE CRITICAL THINKING AND REFLECTIVE PRACTICE, FOR QUALITY AND RELEVANCE OF HEALTH EDUCATION <i>DR. BIRHANU MOGES ALEMU</i>	56
14.	A STATISTICAL ANALYSIS OF PHYSICALLY DISABLED POPULATION: DEVELOPMENT IN REHABILITATION SCHEMES <i>DR. CHINNA ASHAPPA</i>	68
15.	USE OF E-JOURNALS IN THE DISCIPLINES OF LIFE SCIENCE IN K.U.K: AN ANALYTICAL STUDY <i>ANIL KUMAR</i>	72
16.	ISLAMIC MICROFINANCE-FINANCING THE POOREST OF THE POOR <i>DILAWAR AHMAD BHAT</i>	79
17.	USE OF CLOUD COMPUTING IN MANUFACTURING COMPANIES <i>SHEETAL MAHENDHER & SUBASHREE</i>	83
18.	CLIMATE CHANGE AND VECTOR BORNE DISEASES: THE ROLE OF GIS & REMOTE SENSING <i>DIVYA GEORGE & DR. R. RAJKUMAR</i>	88
19.	FEASIBILITY STUDY FOR IMPLEMENTATION OF AN ACTIVITY- BASED COSTING SYSTEM (ABCS) IN ALLOY STEEL INDUSTRIES (ASI) <i>MAJID NILI AHMADABADI & ALI SOLEIMANI</i>	96
20.	AN IMPACT OF SERVICE QUALITY ON LOYAL CUSTOMER AND ITS SATISFACTION: A STUDY OF PRIVATE BANKS IN KANPUR CITY (INDIA) <i>RAVINDRA KUMAR KUSHWAHA, GURPREET SINGH, NEERAJ JOSHI & NEHA PUSHPAK</i>	101
21.	A STUDY ON EMPLOYEE PERFORMANCE APPRAISAL IN CEMENT INDUSTRY IN TAMILNADU <i>DR. M. RAGURAMAN, R. VEERAPPAN, S. ALBERT, M. SUGANYA & S. HEMAVATHY</i>	107
22.	DETERMINANTS OF MOBILE BANKING TECHNOLOGY ADOPTION OF COMMERCIAL BANKS IN ETHIOPIA <i>ZEMENU AYNADIS, TESFAYE ABATE & ABEBE TILAHUN</i>	110
23.	EVALUATION OF LIC'S EFFICIENCY IN GENERATING CAPITAL FUNDS UNDER ULIP'S SCHEMES <i>MANJUSHREE S</i>	117
24.	EVALUATION OF COST MANAGEMENT TOOLS: A STUDY ON MULTINATIONAL PHARMACEUTICAL COMPANIES OF BANGLADESH <i>TAHMINA AHMED</i>	120
25.	AN EVALUATION OF NEW ZEALAND'S EXPORT COMPETITIVENESS USING SHIFT-SHARE ANALYSIS <i>DR. SATYA GONUGUNTLA</i>	126
26.	INCREASING INTERNATIONAL COLLABORATIONS IN SCIENCE AND TECHNOLOGY AROUND THE WORLD, AND ITS PATTERNS IN INDIA WITH SPECIAL REFERENCE TO INDO-GERMAN COLLABORATION <i>MUNEEB HUSSAIN GATTOO & MUJEEB HUSSAIN GATTOO</i>	131
27.	A STUDY ON THE ETHICAL INVESTMENT DECISION MAKING IN INDIAN RELIGIOUS ORGANISATIONS <i>BINCY BABURAJ KALUVILLA</i>	135
28.	GREEN MARKETING MIX: A STRATEGY FOR SUSTAINABLE DEVELOPMENT <i>L. NANDA GOPAL</i>	138
29.	CONSIDERING RELATIONSHIP BETWEEN CASH WITH CAPITAL COST AND FINANCIAL FLEXIBILITY <i>AHMAD GHASEMI & DR. ROYA DARABI</i>	140
30.	UNDERSTANDING THE GREEKS AND THEIR USE TO MEASURE RISK <i>SANJANA JUNEJA</i>	146
	REQUEST FOR FEEDBACK	150

CHIEF PATRON

PROF. K. K. AGGARWAL

Chairman, Malaviya National Institute of Technology, Jaipur
(An institute of National Importance & fully funded by Ministry of Human Resource Development, Government of India)
Chancellor, K. R. Mangalam University, Gurgaon
Chancellor, Lingaya's University, Faridabad
Founder Vice-Chancellor (1998-2008), Guru Gobind Singh Indraprastha University, Delhi
Ex. Pro Vice-Chancellor, Guru Jambheshwar University, Hisar

FOUNDER PATRON

LATE SH. RAM BHAJAN AGGARWAL

Former State Minister for Home & Tourism, Government of Haryana
Former Vice-President, Dadri Education Society, Charkhi Dadri
Former President, Chinar Syntex Ltd. (Textile Mills), Bhiwani

CO-ORDINATOR

AMITA

Faculty, Government M. S., Mohali

ADVISORS

DR. PRIYA RANJAN TRIVEDI

Chancellor, The Global Open University, Nagaland

PROF. M. S. SENAM RAJU

Director A. C. D., School of Management Studies, I.G.N.O.U., New Delhi

PROF. M. N. SHARMA

Chairman, M.B.A., Haryana College of Technology & Management, Kaithal

PROF. S. L. MAHANDRU

Principal (Retd.), Maharaja Agrasen College, Jagadhri

EDITOR

PROF. R. K. SHARMA

Professor, Bharti Vidyapeeth University Institute of Management & Research, New Delhi

CO-EDITOR

DR. BHAVET

Faculty, Shree Ram Institute of Business & Management, Urjani

EDITORIAL ADVISORY BOARD

DR. RAJESH MODI

Faculty, Yanbu Industrial College, Kingdom of Saudi Arabia

PROF. SANJIV MITTAL

University School of Management Studies, Guru Gobind Singh I. P. University, Delhi

PROF. ANIL K. SAINI

Chairperson (CRC), Guru Gobind Singh I. P. University, Delhi

DR. SAMBHAVNA

Faculty, I.I.T.M., Delhi

DR. MOHENDER KUMAR GUPTA

Associate Professor, P. J. L. N. Government College, Faridabad

DR. SHIVAKUMAR DEENE

Asst. Professor, Dept. of Commerce, School of Business Studies, Central University of Karnataka, Gulbarga

ASSOCIATE EDITORS

PROF. NAWAB ALI KHAN

Department of Commerce, Aligarh Muslim University, Aligarh, U.P.

PROF. ABHAY BANSAL

Head, Department of Information Technology, Amity School of Engineering & Technology, Amity University, Noida

PROF. A. SURYANARAYANA

Department of Business Management, Osmania University, Hyderabad

DR. SAMBHAV GARG

Faculty, Shree Ram Institute of Business & Management, Urjani

PROF. V. SELVAM

SSL, VIT University, Vellore

DR. PARDEEP AHLAWAT

Associate Professor, Institute of Management Studies & Research, Maharshi Dayanand University, Rohtak

DR. S. TABASSUM SULTANA

Associate Professor, Department of Business Management, Matrusri Institute of P.G. Studies, Hyderabad

SURJEET SINGH

Asst. Professor, Department of Computer Science, G. M. N. (P.G.) College, Ambala Cantt.

TECHNICAL ADVISOR

AMITA

Faculty, Government M. S., Mohali

FINANCIAL ADVISORS

DICKIN GOYAL

Advocate & Tax Adviser, Panchkula

NEENA

Investment Consultant, Chambaghat, Solan, Himachal Pradesh

LEGAL ADVISORS

JITENDER S. CHAHAL

Advocate, Punjab & Haryana High Court, Chandigarh U.T.

CHANDER BHUSHAN SHARMA

Advocate & Consultant, District Courts, Yamunanagar at Jagadhri

SUPERINTENDENT

SURENDER KUMAR POONIA

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the areas of Computer Science & Applications; Commerce; Business; Finance; Marketing; Human Resource Management; General Management; Banking; Economics; Tourism Administration & Management; Education; Law; Library & Information Science; Defence & Strategic Studies; Electronic Science; Corporate Governance; Industrial Relations; and emerging paradigms in allied subjects like Accounting; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Rural Economics; Co-operation; Demography; Development Planning; Development Studies; Applied Economics; Development Economics; Business Economics; Monetary Policy; Public Policy Economics; Real Estate; Regional Economics; Political Science; Continuing Education; Labour Welfare; Philosophy; Psychology; Sociology; Tax Accounting; Advertising & Promotion Management; Management Information Systems (MIS); Business Law; Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labour Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; International Relations; Human Rights & Duties; Public Administration; Population Studies; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism & Hospitality; Transportation Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic; Web Design and emerging paradigms in allied subjects.

Anybody can submit the **soft copy** of unpublished novel; original; empirical and high quality **research work/manuscript anytime** in **M.S. Word format** after preparing the same as per our **GUIDELINES FOR SUBMISSION**; at our email address i.e. infoijrcm@gmail.com or online by clicking the link **online submission** as given on our website ([FOR ONLINE SUBMISSION, CLICK HERE](#)).

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION:**

DATED: _____

THE EDITOR
IJRCM

Subject: SUBMISSION OF MANUSCRIPT IN THE AREA OF.

(e.g. Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript entitled ' _____ ' for possible publication in your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published elsewhere in any language fully or partly, nor is it under review for publication elsewhere.

I affirm that all the author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

Also, if my/our manuscript is accepted, I/We agree to comply with the formalities as given on the website of the journal & you are free to publish our contribution in any of your journals.

NAME OF CORRESPONDING AUTHOR:

Designation:
Affiliation with full address, contact numbers & Pin Code:
Residential address with Pin Code:
Mobile Number (s):
Landline Number (s):
E-mail Address:
Alternate E-mail Address:

NOTES:

- a) The whole manuscript is required to be in **ONE MS WORD FILE** only (pdf. version is liable to be rejected without any consideration), which will start from the covering letter, inside the manuscript.
- b) The sender is required to mention the following in the **SUBJECT COLUMN** of the mail:
New Manuscript for Review in the area of (Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)
- c) There is no need to give any text in the body of mail, except the cases where the author wishes to give any specific message w.r.t. to the manuscript.
- d) The total size of the file containing the manuscript is required to be below **500 KB**.
- e) Abstract alone will not be considered for review, and the author is required to submit the complete manuscript in the first instance.
- f) The journal gives acknowledgement w.r.t. the receipt of every email and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of manuscript, within two days of submission, the corresponding author is required to demand for the same by sending separate mail to the journal.

2. **MANUSCRIPT TITLE:** The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.

3. **AUTHOR NAME (S) & AFFILIATIONS:** The author (s) **full name, designation, affiliation (s), address, mobile/landline numbers, and email/alternate email address** should be in italic & 11-point Calibri Font. It must be centered underneath the title.

4. **ABSTRACT:** Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results & conclusion in a single para. Abbreviations must be mentioned in full.

5. **KEYWORDS:** Abstract must be followed by a list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.
6. **MANUSCRIPT:** Manuscript must be in **BRITISH ENGLISH** prepared on a standard A4 size **PORTRAIT SETTING PAPER**. It must be prepared on a single space and single column with 1" margin set for top, bottom, left and right. It should be typed in 8 point Calibri Font with page numbers at the bottom and centre of every page. It should be free from grammatical, spelling and punctuation errors and must be thoroughly edited.
7. **HEADINGS:** All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.
8. **SUB-HEADINGS:** All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.
9. **MAIN TEXT:** The main text should follow the following sequence:

INTRODUCTION**REVIEW OF LITERATURE****NEED/IMPORTANCE OF THE STUDY****STATEMENT OF THE PROBLEM****OBJECTIVES****HYPOTHESES****RESEARCH METHODOLOGY****RESULTS & DISCUSSION****FINDINGS****RECOMMENDATIONS/SUGGESTIONS****CONCLUSIONS****SCOPE FOR FURTHER RESEARCH****ACKNOWLEDGMENTS****REFERENCES****APPENDIX/ANNEXURE**

It should be in a 8 point Calibri Font, single spaced and justified. The manuscript should preferably not exceed **5000 WORDS**.

10. **FIGURES & TABLES:** These should be simple, crystal clear, centered, separately numbered & self explained, and **titles must be above the table/figure. Sources of data should be mentioned below the table/figure.** It should be ensured that the tables/figures are referred to from the main text.
11. **EQUATIONS:** These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.
12. **REFERENCES:** The list of all references should be alphabetically arranged. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per the following:
 - All works cited in the text (including sources for tables and figures) should be listed alphabetically.
 - Use (ed.) for one editor, and (ed.s) for multiple editors.
 - When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
 - Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
 - The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
 - For titles in a language other than English, provide an English translation in parentheses.
 - The location of endnotes within the text should be indicated by superscript numbers.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:**BOOKS**

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19-22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 <http://epw.in/user/viewabstract.jsp>

RELEVANCE OF ISLAMIC BANKING TO INDIAN ECONOMY**S. NAYAMATH BASHA****ASST. PROFESSOR****MBA DEPARTMENT****SHADAN INSTITUTE OF COMPUTER STUDIES FOR BOYS****KHARATHABAD****DR. BADIUDDIN AHMED****ASSOCIATE PROFESSOR****DEPARTMENT OF COMMERCE & BUSINESS MANAGEMENT****MAULANA AZAD NATIONAL URDU UNIVERSITY****GACHIBOWLI****ABSTRACT**

Increasing no. of farmers' suicides, growing rate of sick units in small scale industries, huge requirement of infrastructural finance, growing trade deficit and expanding gap between poor and rich class i.e. lack of inclusive growth etc. are the current economic problems of India. Currently practiced Interest Based Banking System has its own limitations in addressing these issues. Economists are opining that Islamic Banking System which propagates interest free banking has the potential to solve these problems. In this context, an attempt is made in this research paper to assess "Relevance of Islamic Banking to Indian Economy". Further, this paper discusses in detail about the problems of currently practiced banking system, principles of Islamic Banking system, economic problems of India, and potential of Islamic Banking in solving these problems.

KEYWORDS

Economic Problems of India, Islamic Banking, Relevance to Indian Economy.

INTRODUCTION

The modern man i.e. 21st century citizen is living in surfeit of luxuries. He is bestowed with motor vehicles such as cars and aero planes to travel, air conditioned bungalows to reside in, KFC's burger to eat up, Raymond garments to wear, corporate hospitals to cure even cancers, financial institutions to lend money without even asking, MNCs to offer million salaried jobs and so on. This is only one side of the coin. Though it is 2000 years AD to us, there are certain sections in the society for which it is 2000 years BC. They are striving hard to get even a single bread piece to eat. Forget about the cars, they do not even have donkeys to travel, forget about AC bungalows, they do not even have proper huts to reside in, forget about the cancer, they die just on mosquito bites, forget about million salary, even a ten rupees note is worth more than a Kohinoor diamond to them. Therefore, 21st century's development is not for all. And it has not resulted in Inclusive Growth. What is to be done for achieving inclusive growth? Dr. Raghuram Rajan, former IMF Chief Economist and the current RBI governor, has recommended Islamic finance for inclusive growth in India. (H. Abdul Rakeeb, 2010).

There is a large no. of farmers who are committing suicide in Vidharba region of India. The reason behind it is the higher interest rates charged by the money lenders which create a cruel debt trap and make the farmers to feel that coming out of this trap is possible only through suicides. What is to be done to stop farmers' suicides? Dr. MS Swaminathan, the Father of Green Revolution in India, while speaking at Karuna Ratna award presentation function in 2010, said, Islamic banking, could hold the key in solving this crisis. (H. Abdul Rakeeb, 2010)

Till 2007-08, Indian economy was clocking a growth rate of 9% for the third year in a row, the biggest growth story in the world. But suddenly, months before the fiscal year ended, its growth rate has started declining. IMF has revised growth rate projections of Indian economy 4 times in 10 months and that too in a negative direction from 8% in June 2008 to 4.5% in April 2009. (Rajesh Chakrabarti, 2009) What made India to lose its growth momentum? The answer is Global Economic Crisis. Saleh Al Tayar, Secretary General of the Franco-Arab Chamber of Commerce, said, "If global banking practices were based on Islamic practices then we wouldn't be seeing the kind of crisis we are living through now". (Justice Mufti Taqi Usmani, 2009)

In this way there is an impressive list of financial experts who are advocating Islamic Finance as an alternative to conventional banking system in light of the principles upon which it is based.

THE CURRENT SCENARIO OF ISLAMIC BANKING

Islamic finance is superior to conventional banking system in achieving socio economic objectives of the society. Hence it is rapidly gaining the importance as most of the economic experts see it as a better substitute to currently practiced interest based banking. Apart from Arab countries, modern, secular and industrialized countries like Britain, Singapore, Japan and Hong Kong have become hub for Islamic Finance. (H. Abdul Rakeeb, 2010) Corporations such as Tesco (UK) and Toyota (Japan) have used Islamic financial instruments to meet their capital requirements. (H. Abdul Rakeeb, 2010) HSBC, Citi Bank etc. have started separate branches that offer Islamic financial products. (CA Ashutosh Verma, 2008) The Sharia-compliant banking system is being practiced in more than 50 countries and there were more than 300 Islamic banks and financial institutions with assets of around \$1.6 trillion. (Business Line, 2012)

WHY TO ADOPT ISLAMIC BANKING?

Now-a-days, Islamic Finance is becoming a quiet popular concept among the economists. Many of them opine that it has the potential to replace the currently practiced conventional banking system. When we hear this term called Islamic Finance, the very first question that will crop up in our mind is, "When we already have a banking system which is accepted and operational throughout the world and catering to the needs of all concerned parties, why should we opt for Islamic Finance (Banking) System? What is the problem with the current system?" The answer is that the problem with the current banking system is that it's very foundation is based on interest. We may get astonished at this answer and further raise a question with more voice as "What is wrong if it is based on interest?" Further we argue that we have say Rs. 1bn with us and deposited with the bank. Then the bank gives us say 10% interest per annum with no risk from our side and it charges say 12% pa to the borrowers and thus, makes the profit of 2%. And the borrowers are getting these funds easily which they would not have get in the absence of banks. Therefore, all the parties i.e. depositors, banks and borrowers are happy with this system. Where is the problem?

The answer for this question can be better understood with the following example. It is taught in the marketing classes that the customer is the king. He has certain needs and wants. It is the responsibility of the marketer to identify his needs and offer suitable products / services to make him happy (satisfy). If the marketer does so, then the customer makes him happy by buying his product which results in profits to him. It is a win-win situation to both. Therefore, on the face of it, everything looks fine. There is nothing wrong in this approach when the customer demands a pen or fan or computer and the marketer provides it. But when a customer needs Brown Sugar and the marketer provides it and argues that we (marketer and customer) are happy with each other as we are getting what we need (profit and Brown Sugar respectively). Then we say that the marketer has ignored his social responsibility and called as 'smuggler' but not

marketer. Hence it can be conveniently said that mere satisfaction of needs of all the parties involved in business dealing does not make any concept as a valid theory.

Similar is the case with the current banking system. On the face of it, Interest Based Banking System seems to be a correct practice but it has severe implications on the order of the society.

PROBLEMS WITH INTEREST BASED BANKING SYSTEM

From the above discussion it is concluded that though conventional banking system seems to be a correct practice, one may not certain its advantages, it may have some disadvantages which have been ignored. Let us though a light on various disadvantages of Interest Based Banking System in detail. Though it has various disadvantages a few of them are highlighted here.

1. It brings Injustice to Lender and Borrower both: (Justice Mufti Taqi Usmani, 2009)

Assume that there is a lender who lent Rs. 1 billion @ 10 % per annum to a borrower. The borrower has done business with this money and generated the profit of Rs. 1 billion. Out of this profit, he gives only 10% to the lender and the rest is enjoyed by him. It is the injustice to the lender as borrower has generated this profit with the money of the lender but throws a meager of 10%. (One may argue by saying that the borrower has to get more reward than the lender as he generated this profit with his talent and efforts. But remember that if the lender doesn't provide money, then the so called talent of the borrower goes waste. So there is no borrower's business without a lender. Thus, he must be rewarded adequately but not meagerly. One should not misunderstand by reading this article that it is argued in this article that borrower must get interest. But, what is argued here is that he deserves more return which this interest based banking system fails to offer.) Similarly, in the same agreement, if the borrower fails to generate profits, in other words, incurs losses, still he has to pay interest. It means lender's return is assured / risk free whereas borrower's return is left to his fate. It is obviously a glaring injustice to the borrower. Therefore, Interest Based Banking System brings injustice to lender when borrower gets huge profits and brings injustice to borrower when borrower gets losses.

2. It Results in Inappropriate Allocation of Money Pooled by the Banks: (Justice Mufti Taqi Usmani, 2009)

Banks, in general, pool money from a broader section of the society i.e. poor, in the form of savings. These savings are lent to the entrepreneurs who are in a position to offer collateral. Only the big entrepreneurs can offer collateral and borrow money. But the poor people, though have a good project to undertake, are denied to get loans as they cannot offer collateral. It means, the money which is present with the banks belong to poor. But, this poor's money is not lent to poor because they cannot offer collateral. Is it not an injustice?

3. It Leads to Unequal Distribution of Profits: (Justice Mufti Taqi Usmani, 2009)

In numerous cases the funds deployed by the big entrepreneurs from their own pocket are much less than the funds borrowed from financial institutions. These entrepreneurs having only 10 million of their own acquire 90 million from the banks and embark on a huge profitable enterprise. If these huge projects bring enormous profits, only a small proportion goes to banks whose input in the projects was 90% while all the rest of the profit is enjoyed by the big entrepreneurs whose real contribution to the projects was just 10%. Therefore, these conventional banks have provided an opportunity to rich entrepreneurs to do business with the pooled money of the poor but only a very less percentage of return is given to them. It is another disadvantage with this banking system.

4. It Ruins the Profits of Small Scale Industries: (Justice Mufti Taqi Usmani, 2009)

Small Scale Entrepreneurs generally do not have sufficient funds to start the business. With lot of difficulty, they offer collateral to banks to get loans to start their own business that too at a high interest rate say 10% pa. If their earnings are say 15%. Then, they have to pay this 10% interest to the banks and the net profit to them is meager 5% only. Meaning that major portion of their earnings is eaten by these bank loans. One can imagine the heart breaking position of the small scale entrepreneur who puts his heart and soul in the business, fights with the competitors with tooth and nail and at the end ends with the meager profits after paying the interest. Sometimes he has to end up with losses after paying the interest. It is not that he has not generated profits but these profits are looted by banks. It is the disadvantage with interest based banking system to Small Scale Industries

5. It Results in Financial Economy which is not backed by Real Assets: (Justice Mufti Taqi Usmani, 2009)

Assume that a bank has lent 1 billion to a company @10% pa. This company has to produce the goods of 1.1 billion at least to be profitable. If it earns the profit, then it is in a position to pay interest. But, if the firm generates 0.80 billion only and incurs the losses, then the real assets (i.e. goods / services produced) in economy should become 0.80 billion. It means bank's asset (cash) value must become 0.80 bn. But, surprisingly, bank's assets value is unaffected by the loss of borrower and becomes 1.1 billion only because it forces the firm to pay 1.1 bn. In this case, there will be maturity mismatch between assets (production) and liabilities (paying 1.1bn is the liability for the firm). Thus, the money grows continuously irrespective of production. It means growth in money is not backed by real assets which results in financial economy rather than the real and it is more prone to economic crisis.

These are the few noteworthy disadvantages of currently practiced Interest Based Banking System. Islamic Finance, also known as Interest Free Banking System is the single solution for all these problems. It can kick out all these problems from the economy at a single stroke.

CONCEPT OF ISLAMIC FINANCE

Islamic finance can be described as a system of finance that adheres to the principles of Sharia i.e. The Islamic Law. (Mohannad Badi et al, 2008) In other words, it can be viewed as a financial system which identifies itself with the spirit of Sharia (The Islamic Law), as laid down by the Holy Qur'an and Sunnah (the practices of Prophet Mohammed (Peace Be Upon Him)), as regards its objectives, principles, practices and operations. (Dr. Shahid Hasan Siddiqui, 2008) Islamic Finance is based on the following principles. (H. Abdul Rakeeb, 2010)

1. **Prohibition of Receipt and Payment of Interest:** This is because when a person having money is allowed to earn more money on the basis of interest, either in spot or in deferred transactions, it becomes easy for him to earn money without taking pains in real economic activities. Besides, Islam prohibits interest on following grounds. (Justice Mufti Taqi Usmani, 2009)
 - *Money is not a commodity*
 - *Money is not a Production Good*
 - *Money is a Medium of Exchange and it must be used only for this purpose*
 - **Money is not a commodity:** One of the wrong presumptions on which all theories of interest are based is that money is treated as a commodity. It is, therefore, argued that just as a merchant can sell his commodity for a higher price than his cost, he can also sell his money for a higher price than its face value, or just as he can lease his property and can charge a rent against it, he can also lend his money and can claim interest thereupon. Islamic principles, however, do not subscribe to this presumption. Money and commodity have different characteristics and therefore they are treated differently. The basic points of difference between money and commodity are as follows.
 - Commodity has intrinsic utility which can be utilized in direct fulfillment of human needs whereas money doesn't.
 - The commodities can be of different qualities while money has no quality. An old and dirty note of Rs. 100/- has the same value as a brand new note of Rs. 100/-.
 - **Money is not a Production Good:** Economists have classified commodities into two categories i.e. consumption goods and production goods. As the modern economists assumed that money is a commodity, they have to place it in either of the categories. Since money has no intrinsic utility, it is not consumption good. Hence it could not be included in consumption goods category. Therefore, they are left with no option but to place in production goods category. Funnily, there are no sound logical arguments to prove that money is a production good.
 - **Money is a Medium of Exchange and it must be used only for this purpose:** Islamic Law has restricted the scope of money to its basic purpose i.e. to act as a medium of exchange and a measure of value. If, for exceptional reasons, money has to be exchanged for money or it is borrowed, the payment on both sides must be equal because it is not used for the purpose it is not meant for i.e. trade in money itself. Imam Al-Ghazzali, a Muslim scholar existed about 9

- centuries ago has undertaken a comprehensive analysis of the nature of money and said that money should not be treated as a commodity meant for being traded in. In light of the above interest is prohibited.
- 2. Emphasis is on Profit and Loss Sharing:** Islam replaces debt contracts with equity contracts. (Sarika Malhotra, 2010) The major reason to emphasize on profit and loss sharing in Islam is to remove the injustice caused by these debt contracts to the borrower and lender and to make everyone to prosper from business by appropriately apportioning the profits. At the same time it emphasizes on sharing the losses, if any, so that only one party should not become the victim of losses.
 - 3. Prohibition of Projects that offer Returns with more variability:** Islamic Finance takes enough care to prevent the business from yielding losses. It believes that the loss is the result of more variability in the cash inflows. Hence the projects which offer more variability in cash flows must be avoided to safeguard interest of the investors. It does not mean that revenues are risk free but enough precautions are taken to minimize the risk.
 - 4. Prohibition of Speculation:** Speculation is another form of gambling. It involves taking more risk with the hope to get more returns in short run. This statement itself states that there is more risk. But taking more risk may result in losses to the partners of the business. Hence such acts are prohibited.
 - 5. Prohibition of Financing Socially Detrimental Projects:** The objective of Islamic Finance is to make a positive contribution to the fulfillment of socio – economic objectives of the society. (Dr. Shahid Hasan Siddiqui, 2008) It wants that investors must get higher returns but it should not be at the cost of social values. Therefore, investment in social value destroying activities such as gambling, pornography, alcohol, defense armaments, casinos etc. is prohibited in Islam to shape an ethical and responsible society. (Iqbal Khan, 2009)
 - 6. Asset Backing Principle:** In Islamic Finance, it is required that financial transactions should be unpinned by an identifiable and tangible underlying asset. (H. Abdul Rakeeb, 2010) Financial transactions must be accompanied by an underlying productive economic activity that will generate legitimate income and wealth. Therefore, there is a close link between financial transactions and productive flows. Thus, the growth in Islamic financial assets is generally accompanied with growth of underlying activities that have economic value. (Dr. Zeti Akhtar Aziz, 2010) Therefore, it produces real economy which is less prone to economic crisis.
 - 7. Transparency Principle:** In Islamic banking, all the parties are treated as partners in the business. Hence they must be adequately informed on all the financial dealings i.e. there will be full disclosure of information on all the aspects of the business to all the concerned parties.

RELEVANCE OF ISLAMIC BANKING TO INDIA

Islamic Banking may have countless advantages; but the question is, "Is it relevant to India"? Islamic Banking becomes relevant to India only when India has any problems which are not solved by the currently practiced banking system. The Economic Problems of India are given below.

- 1. Indian economy is an Agricultural Economy** where more than 50% of people are engaged in agriculture but there is a continuous growth in the suicides of farmers due to debt trap. Few statistics about farmers suicides are (Dr. P. Deshmukh, 2011): The number of farmers who have committed suicide since 1997 to 2008 all India level was 199132. On an average one farmer committed suicide for every 53 minutes in India. National Crime Records Bureau estimated that not less than 200000 farmers committed suicide between the above said tenure.
It is worth noticing that now-a-days, the government is coming out with interest free loan scheme to stop farmers' suicides. But, this scheme would be a burden to the economy as it is a scheme which has cost but does not generate revenue. Islamic Banking operates in a different way to solve this problem. No doubt Islamic Bank offers interest free loans to the farmers but enters into contract with the farmers to share the productivity (profit or loss) of the crop on agreed proportion thus generates revenue and hence there is no burden on the economy. Thus, Islamic Banking is relevant to India.
- 2. Huge Investment in Infrastructure is required in 12th FY plan i.e. \$ 1 trillion.** Infrastructure development, rural regeneration and other development projects need huge foreign investment at reasonable cost. It worth here to quote the statement made by Kerala's Finance Minister, Thomas Isaac, "We need long-gestation funds to build airports, high-speed trains and expressways. Islamic finance promises unexplored potential in that context." There is a view that India's needs in financing large infrastructure projects can be met by attracting the Gulf surplus (estimated at up to \$3 trillion) provided the "right opportunity" is created. During the financial crisis, Muslim investors in the Gulf were seeking opportunities to invest through Islamic financial products in emerging economies like India. Failing to get such opportunities in India, they are now parking their investments in Islamic banks of the UK and switching to other emerging economies like China, Taiwan, Indonesia and Malaysia. India is definitely missing billions of dollars in investment funds that could be mobilized in terms of Islamic investments. It is really a missed opportunity because savings of UAE (which is one among the Top 10 investing countries in India) are not tapped fully. UK, China, Malaysia, Indonesia, Taiwan are benefiting from our indecisiveness. If Government of India allows Islamic Banking in India, It can solve this problem.
- 3. Increasing rate of sickness in SSIs:** According to MSME Annual Report 2011-12, till 2010 – 2011, there were about 311.52 lakhs of Small Scale industries with 732.17 lakhs of people employed, Rs. 773487crores of investment and Rs. 1095758 of production value. But there are certain hurting facts about the SSI sector in India. From the report of DCMSME on Registered SSI Sector, it is found that total number of SSI units permanently registered up to 31-3-2001 was 22, 62, 401. Of which 13, 74, 974 units (61 %) were found to be working and 8, 87,427 units (39 %) were found to be closed. Islamic Finance could hold a key in solving this problem.
- 4. Non - inclusive Growth:** According to United Nations Human Development Report (2009), Poverty in India is widespread, with the nation estimated to have a third of the world's poor. In 2010, the World Bank reported that 32.7% of the total Indian people fall below the international poverty line of US \$ 1. 25 per day (PPP) while 68.7% live on less than US \$ 2 per day. According to 2010 data from the United Nations Development Programme, an estimated 29.8% of Indians live below the country's national poverty line. A 2010 report by the Oxford Poverty and Human Development Initiative (OPHI) states that 8 Indian states have more poor people than 26 poorest African nations combined which totals to more than 410 million poor in the poorest African countries. By observing these facts, H Abdul Rakeeb (2010) has opined that there is no middle class as such in India. There are only two classes i.e. Super Rich and Super Poor. Dr. Raghuram Rajan, the Governor of RBI has opined that Islamic Banking is a very useful tool for promoting Inclusive growth India. (H. Abdul Rakeeb, 2010)

CONCLUSION

Currently practiced Interest based banking system has many disadvantages. It causes injustice to lender as well as borrower, allocates the money pooled by the banks inappropriately, leads to non inclusive growth, ruins the profits of profits of small scale industries, and produces financial economy which is more prone to economic crisis. It could not stop the farmers' suicides, shutting down of SSI, increasing poverty etc. If the Banking practices of India are based on Islamic banking, it could stop all these problems. Hence many experts are advocating it in India. Current RBI Governor, Raghuram Rajan, Dr. Swaminathan are few of them. In light of the above, Indian Government must think seriously about adopting Islamic Banking model in India. India may implement the same by obtaining inputs from the global example in UK, Malaysia and Singapore. If Hong Kong, USA, UK, Germany can become business hubs of Islamic Banking, why not our India?

REFERENCES

1. CA Ashutosh Verma, 2008, Banking and Finance, Chartered Accountant PP 338
2. DCMSME article on Registered SSI Sector - Review of the results 2012, Retrieved on 15/9/2012 from <http://dcmsme.gov.in/ssiindia/census/ch2.htm>
3. Dr Zeti Akhtar Aziz, 2010, "Islamic Finance: An Agenda for Balanced Growth and Development": retrieved from http://www.wbaonline.co.uk/full_text_form.asp?abnum=55703&title=Islamic+finance:+an+agenda+for+balanced+growth+and+development&subd=
4. Dr. P. V. Deshmukh, 2011: Farmers Suicides in India, Indian Streams Research Journal, Vol. 1, Issue .1 / February 2011, pp. 113-117 retrieved from www.isrj.net/UploadedData/19.pdf

5. Dr. Shahid Hasan Siddiqui, 2008, Islamic Banking - True Modes of Financing: retrieved from http://www.islamic-banking.com/iarticle_2.aspx,
6. H Abdul Rakeeb, 2010, Islamic Finance: An Ethical Alternative To Conventional Finance; retrieved from <http://www.radianceweekly.com/220/6021/islam-the-alternative/2010-09-05/cover-story/story-detail/islamic-finance-an-ethical-alternative-to-conventional-finance.html>,
7. Iqbal Khan, 2009: Issues and Relevance of Islamic finance in Britain: retrieved from http://www.islamic-banking.com/iarticle_3.aspx,
8. MSME Annual Report 2011 – 12; retrieved from <http://www.msme.gov.in>
9. Mufti Muhammad Taqi Usmani, 2009, The adverse effects of interest on society: retrieved from <http://www.alhilalbank.kz/upload/iblock/639/63923d30f2654c4e467ad2374cc2b32a.pdf>
10. Mufti Muhammad Taqi Usmani, 2009: Present Financial Crisis Causes And Remedies From Islamic Perspective retrieved from http://www.muftitaqiumani.com/index.php?option=com_content&view=article&id=41:present-financial-crisis-causes-and-remedies-from-islamic-perspective-&catid=12:economics&Itemid=15
11. Muhammad Badi, et al, 2008: Islamic Banking, can you afford to ignore it : retrieved from <http://idb2.wikispaces.com/file/view/11.pdf>,
12. Poverty in India article published in Wikipedia website retrieved from http://en.wikipedia.org/wiki/Poverty_in_India
13. Sarika Malhotra, 2010: Banking on faith : retrieved from <http://www.financialexpress.com/news/banking-on-faith/568098>
14. The Hindu Business Line News paper article dated 17/09/2012 on PM to be urged to change laws to permit Islamic banking retrieved from <http://www.thehindubusinessline.com/news/article3907385.ece>



REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce, IT and Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mail i.e. infoijrcm@gmail.com for further improvements in the interest of research.

If you have any queries please feel free to contact us on our E-mail infoijrcm@gmail.com.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals

