

**"PORTFOLIO ANALYSIS OF DUBAI ISLAMIC  
BANK."**



***SUBMITTED BY:***

*Muhammad Kashif*

*01-120131-034*

**SUPERVISOR:**

Dr. Taqadus Bashir

**Department of Management Sciences  
Bahria University Islamabad  
2016**

## **ACKNOWLEDGEMENT**

I want to thank all those people who has helped me do this work. This thesis is the research study of 4 months as a student of MBA at Bahria University Islamabad. I would not have been able to write this thesis without the help of numerous people whom I would like to thanks.

I would like to thanks my family members. My father Mr Mohammad Khalid and my beloved mother Mrs Khalid, my brothers Adil and Muzammil. I like to thanks to my all cousin especially Saad Zaheer. Thank you for making me what I am today.

I would like to thanks my supervisor Dr.Taqadus Bashir for her guidance and directions which she provided me throughout in my research.

Then I would like to thanks to all other faculty members who has helped out in every semester: Sir Abdullah Hafeez, Sir Shahzad Butt, Sir Sher Ali Khan, Sir Azm Dar, Sir Firdous Ahmed Shery, and Dr.Ayub Siddiqui. I have learnt a lot from them which I used here in this research.

Finally my heartiest thanks goes to my friends: Ahsan, Kamran, Noman, Momina, Dilnaz, Zeeshan, Usman, Saif, Inam, Baqir, Ahmed, Shahzaib, Hammad, Asad, Mustansar, and Tauseef. They have helped

to increase my knowledge in numerous fields. Thank you all for  
your support.

## **Abstract**

In this research paper the portfolio analysis of Dubai Islamic Bank by using annual data from 2007- 2015. In this study the population is the Islamic banking of Pakistan. In Pakistan there proper 5 to 6 Islamic banks are working and the conventional bank also has the Islamic branch. The study main focus to find out the stability of the company performance in relation to the two portfolios one is Islamic financing and second non-investment portfolio within the bank. Under the Sharia laws and rules it is important to see that there is much more interest of the customers in Islamic financing. The all data is collected from the financial reports of the Dubai Islamic Bank. The data is collected from the balance sheet of Dubai Islamic Bank. The 9 years data has been collected. Data is collected from 2007 to 2015. The data collected in the form of two sets that Net values of both the investment heads are taken for last 9 years. The convenient technique is used for data collection. In order to expand the concept of portfolio analysis, as the bank is purely deals on Islamic structure and policies, the selected variables are dependent and independent variable. The dependent variable is company performance and independent variable are non-Islamic investment portfolio and Islamic finance investment portfolio. The two are major heads in the balance sheet of any

Islamic bank. Non-Islamic Investments are actually representing the value of the Investments that are made by the bank in different sectors of the Government Companies in the form of certificates. Similarly the Islamic investments are pure Islamic tools like Murabaha, Musharaka, and Salam etc. These investments are purely made on the concept of Islamic Ideology. Although it's not that much pure as the conventional system is leading the whole banking structure but it's an effort that could help the Islamic thoughts to be implemented. From the analysis it is found that the non-Islamic investment is very stable as compared to the Islamic finance investment.

# Table of Contents

CHAPTER 1 .....	1
Introduction .....	1
1.1 Portfolio Evaluation Tools:.....	3
1.2 Objective of the study:.....	4
1.3 Significance of the study: .....	4
1.4 Problem statement: .....	4
1.5 Dubai Islamic Bank (DIB): .....	5
1.6 History, Status and Nature of Dubai Islamic Banking: .....	6
1.7 Process of Portfolio Analysis of Dubai Islamic Bank: .....	7
1.7.1 Investment Analysis .....	7
1.7.2 Portfolio evaluation .....	7
1.7.3 Portfolio selection .....	7
1.7.4 Decision making .....	8
1.8 Basis of Presentation: .....	8
1.8.1 Non-Islamic investment: .....	9
1.8.1.1 Held for trading:.....	9
1.8.1.2 Held to maturity:.....	9
1.8.1.3 Available for sale:.....	9
1.8.1.4 Regular way contracts:.....	9
1.8.1.5 Initial recognition and measurement: .....	9
1.8.1.6 Subsequent measurement:.....	10
1.8.2 Islamic finance and related asset:.....	10
1.8.2.1 Murahaba:.....	10
1.8.2.2 Musharaka: .....	11
1.8.2.3 Shirkat-ul-Mulk/Musharaka cum Ijara: .....	11
1.8.2.4 Wakala Isthimar: .....	11
1.8.2.5 Istisna cum Wakala: .....	12
1.8.2.6 Ijara Muntahiya Bil Tamleek: .....	12
1.8.2.7 Salam:.....	12
1.8.2.8 Service Ijarah Financing: .....	12

1.8.2.9 Running Musharaka Financing:.....	13
1.8.2.10 Musawammah Financing:.....	13
CHAPTER 2 .....	14
Literature review.....	14
2.1 Development of hypothesis.....	57
2.2 Theoretical Framework.....	59
CHAPTER 3 .....	60
METHODOLOGY:.....	60
3.1 Population:.....	60
3.2 Description of Sample Size:.....	61
3.3 Sample Size:.....	61
3.4 Description of variables:.....	61
3.4.1 Company performance:.....	61
3.4.2 Non-Islamic Investment Portfolio (NIIVP):.....	61
3.4.3 Islamic financing investment portfolio (ISFP):.....	62
3.5 Data collection:.....	62
3.6 Model:.....	63
CHAPTER 4 .....	63
EMPERICAL RESULTS:.....	63
4.1 Descriptive Statistics:.....	63
4.2 Correlation analysis.....	64
4.3 Regression Analysis.....	65
4.3.1 Discussion about finding of results.....	66
4.3.2 Company performance.....	67
4.3.3 Non Islamic investment portfolio ( $\beta_1$ NIIVP).....	67
4.3.4 Islamic financing investment portfolio ( $\beta_2$ ISFP).....	67
CHAPTER 5 .....	69
CONCLUSION:.....	69
5.1 RECOMMENDATIONS.....	71
References .....	73

## LIST OF TABLES

Table 4.1 Result of Descriptive Statistics .....	64
Table 4.2 Correlation Matrix .....	64
Table 4.3 Regression results of $\beta_1$ NIIVP with company performance .....	65
Table 4.4 Regression results of $\beta_2$ ISFP with company performance.....	66