

COMPARISON OF ISLAMIC BANKING V/S CONVENTIONAL BANKING AND THEIR FUTURE IN PAKISTAN

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19493

A thesis presented to the Department of Management Sciences, Bahria University Karachi Campus, in partial fulfillment of the requirements of the MBA degree



SPRING, 2015

Bahria University Karachi Campus

ACKNOWLEDGEMENT

First of all everything goes in the way of ALMIGHTY ALLAH, who is the most Merciful and Beneficent. ALLAH gave me the strength and courage to complete thesis on a topic chosen in an effective and efficient manner.

I would like to thanks Head of the Department and my supervisor SIR KALEEM. They have given me a thorough description and an effective road map in order to complete my thesis. With their supervision and guidelines I am able to complete my report.

Thanks also goes to Bahria University Karachi Campus for providing me the great opportunity to pass through research work which was much helpful for me in terms of career status.

I am also thankful to all those organizations that have helped me in order to make my research feasible and reasonable. They are MCB, MEEZAN BANK, HBL and DUBAI ISLAMIC BANK.

Last but not the least; I am very much grateful and respectful to my grandfather, grandmother, mother, father, sister and younger brother they have prayed and helped me in all walk of life.

ABSTRACT

Global financial crisis occurs in the year 2008 with an effect on great countries like USA, UK, EUROPE, SPAIN, GREECE and JAPAN whole of the world ruined deficiently as like in Great Depression in 1930's. Bankers and financial institutions trust unbound from conventional system tactics and future. World move to Islamic Banking as have no other system seen. Islamic system is known as RIBA free banking tactics. It is free of all type of major uncertainties (GARAR) and followed the principles of Islamic Shariah. As per Shariah fixed or floating payment like extra charges on natural un willing defaulting of customer commonly known as INTEREST CHARGES or RIBA is strictly prohibited in ISLAM. As per the ayat of HOLY BOOK QURAN one should not take interest, those who strictly follows the shariah principles will be successful here and thereafter. In Pakistan slowly and gradually Islamic system comes on major track in the year 2002 in a name of MEEZAN BANK (The first Premier Islamic Bank). As the world is globalized village and not only Islamic countries but also the whole world have considered the importance of Islamic system implementation body and finally like conventional world body On 10th of March 2003 Islamic Financial services board had started their operations which promotes Islamic financial services by ensuring a perfect Shariah rules and regulations standards with an effective guidelines for all Islamic banking, Insurances and investments sectors. As far it has been proved that Islamic Banking system is not only Shariah proven but also one and only best Islamic system of the world. It's an important pie of the global financial architecture. In 2010 it had been identified that Islamic financial industry will be successful if it follows the Islamic principles sternly. Malaysia was the one who strictly followed Islamic financial system on a country level and is still successful in their pursuit. Successful products of Islamic financial industry are too many like Sukuk (Islamic bonds) issued by Government and Takaful Insurance (Conventional Insurance alternative) and funds management. At the end of 2010 sukuk market was estimated to be worth of \$143 billion and at the end of 2012 Islamic financial assets reached \$1.6 trillion. World is looking for the development of Islamic Banking as like Conventional because it is free of rigid one. It is only possible if Shariah scholars make it and implement it strictly with collaboration of respective Government. Several research papers have confirmed that Islamic financing is more beneficial from conventional banking or not. There are too many researches followed by different financial centers or institutions like Islamic financial services etc. Universities like Oxford are introducing subjects of Islamic Banking on an international level just because of its great potential, importance and necessity. Major in MBA specialization and diploma are also available up to the standards of conventional banking.

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