IS ISLAMIC BANK PROFITABILITY DRIVEN BY SAME FORCES AS CONVENTIONAL BANKS?

By

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S#	Date	Place of Meeting	Topic Discussed	Signature of Student
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I hereby certify that the above candidate's thesis has been completed to my satisfaction and, to my belief, its standard is appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found similarity index at 19%. that is within the permissible limit set by the HEC for the MBA thesis. I have also found the thesis in a format recognized by the Department of Management Sciences.

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Abstract

Purpose: The study investigates the determinants of banks' profitability between Islamic banks and conventional banks of Pakistan using secondary data.

Methodology: The study has considered 10 Islamic banks and 13 conventional banks of Pakistan and sample period was considered between 2013 and 2017 for both types of bank. Pooled OLS analysis for random-effect estimation has been employed in the study for data analysis while panel cointegration and Granger causality analysis were also employed for analysis.

Findings: The impact of liquidity on bank profitability found similar in both conventional and Islamic banks and thereby, it has been concluded that bank liquidity ratio does not constitute any advantage to profitability of conventional and Islamic banks both. Furthermore, bank efficiency found to be significant contributor to profitability for both conventional and Islamic banks of Pakistan; however, bank efficiency provides larger profit for conventional banks rather than Islamic banks of Pakistan. Interestingly, solvency and annual stock have positive impact on conventional banks' profitability while have negative impact on profitability of Islamic banks in Pakistan. Lastly, bank operations have considerable contribution to conventional banks' profitability while does not constitute any advantage or change in profitability for Islamic banks.

Implications: The study suggested that the Islamic banks' profitability is affected by the solvency, efficiency and Annual Stock, while the Conventional banks' profitability is affected by solvency, efficiency, annual stock and the operations. Thus the bank managers in both types of banks have to work on the three common factors.

Keywords: *Profitability, Islamic banks, Conventional banks, Financial and Credit Risks, Pakistan.*

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