

**ISLAMIC MODES OF FINANCING: SATISFACTION OF
MICRO AND SMALL & MEDIUM ENTERPRISES WITH
ISLAMIC BANKING**



SUBMITTED TO: Madam Huma Ayub

SUBMITTED BY: Shoaib Abbasi

01-222081-013

Nasir Qureshi

01-222081-011

Abdul Moeed Qureshi

01-122081-130

Sajjad Hussain

01-122081-126

**BAHRIA INSTITUTE OF MANAGEMENET & COMPUTER SCIENCES
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ABSTRACT

Presently the competition within the banking sector is escalating every day. At the present, there is a wide spread perception of inequality in the distribution of income and wealth. People feel dissatisfied with the performance and consequences of the monetary and financial sector. The inception and awareness of Islamic banking and finance has even brought west's inclination towards it. Based on Quran and Sunnah, Islamic Financial System prohibits all kinds of "Riba" so that a welfare society could be created where the people are saved from exploitation and their basic needs are met as it promotes the act of benevolence. (Surah al-Baqarah, verses 275-81)

On the contrary, the growth in Islamic banking sector in Pakistan is slow. Its image is still implicit in the mind of a lay man as of having complicated and lengthy procedure of doing business, which is curtailing its ability to tap its market for potential clients. People see uncertainty in this system as to whether it is lucrative in terms of money. Whereas money, primarily, has no intrinsic utility, it is only a medium of exchange. It makes a vital difference between Islamic financing and conventional financing in terms of earning profit and interest. Also, there is little or no effort put for promotional and advertisement techniques to trigger its demand among the target market. Still, Islamic finance forges a closer link between real economic activity that creates value and financial activity that facilitates it. Its end product is welfare of people and the economy.

This is a descriptive, quantitative, and hypothesis testing study conducted on the satisfaction of Micro and Small & Medium Enterprises (SME) of Pakistan with Islamic Banking. SMEs of Pakistan are frequently facing the problem of financing. The purpose of this study is to explore the potential of Islamic Banking in facilitating the SME sector in Pakistan.

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ABBREVIATIONS

SME	Small and medium enterprise
ILO	International labor organization
SMEDA	SME development Association
GCU	Government college university
PCIT	Punjab college of Information and Technology
SBP	State Bank of Pakistan
IB	Islamic Banking
IBB	Islamic banking Branches
PTC	Participation term certificate
EGIBL	Emirates Global Islamic Bank
ABIB	Al Baraka Islamic Bank
MCR	Minimum Capital Requirement

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