

# **THE COMPARATIVE ANALYSIS OF ISLAMIC MODE OF FINANCE USED IN ISLAMIC BANKING OF PAKISTAN AND ITS IMPACT ON ECONOMIC GROWTH**

**BY**

<b>NOORULISLAM</b>	<b>79886</b>
<b>RIMSHA NAWAZ</b>	<b>79703</b>
<b>M. SHOAIB KHAN</b>	<b>78966</b>

A Project submitted to Department of Management Studies, Bahria Business School, Bahria University – Karachi Campus, in partial fulfillment of the requirement for BS A&F Degree



**BS (ACCOUNTING & FINANCE)  
SPRING-2025  
Bahria University Karachi Campus**

# PROJECT APPROVAL STATEMENT

## APPROVAL FOR EXAMINATION

### APPROVAL FOR EXAMINATION

Candidate's Name: Noorurislam

Registration No.: 79886

Candidate's Name: Rimsha Nawaz

Registration No.: 79703

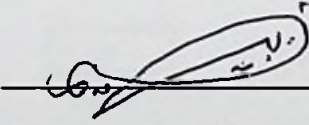
Candidate's Name: M. Shoaib Khan

Registration No.: 78966

Project Title: *"THE COMPARATIVE ANALYSIS OF ISLAMIC MODE OF FINANCE USED IN ISLAMIC BANKING OF PAKISTAN AND ITS IMPACT ON ECONOMIC GROWTH"*

I hereby, certify that above mentioned candidate's project has been completed to my satisfaction and to my belief, it is standards are appropriate for submission for examination. I have also conducted the plagiarism test for this project/thesis using HEC prescribed software and found similarly index at 12% that is within the permissible limit set by the HEC for BS final project. I have also founded the Final Year project in a format recognized by the Department of Management Studies.

Signature's Supervisor: \_\_\_\_\_



Date: \_\_\_\_\_

12/June/2025

Supervisor's Name: Dr. Zubair Ahmed

HOD's Signature: \_\_\_\_\_



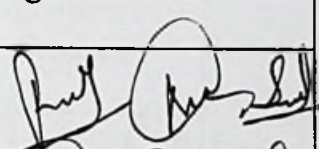
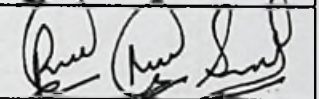
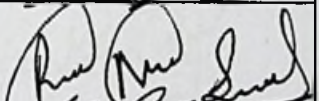
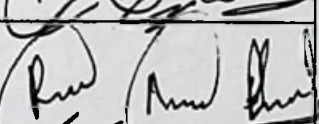
Date: \_\_\_\_\_

31-02-25

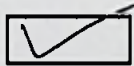
## 1<sup>st</sup> Half Semester Progress Report

Name of Student(s)	Noorulislam , Rimsha Nawaz, M. Shoayib Khan
Enrolment No.	02-112212-046 , 02-112212-073 , 02-112212-045
Thesis/Project Title	"The Comparative Analysis Of Islamic Mode Of Finance Used In Islamic Banking Of Pakistan And Its Impact On Economic Growth"

### Supervisor Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
1	30/Jan/25	Office	Title Discussion	
2	06/feb/25	office	Group Discussion	
3	21/feb/25	office	Introduction and others discussion	
4	27/Apr/25	Office	Change of Topic and data collection	

Progress Satisfactory



Progress Unsatisfactory



Remarks:

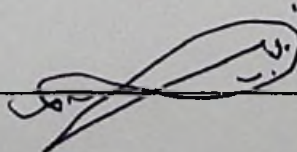
OK from my side

---

---

---

Signature of Supervisor: \_\_\_\_\_



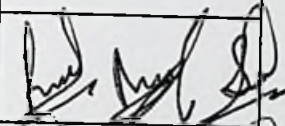
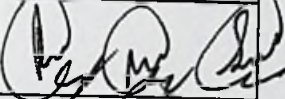
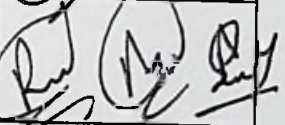
Date: 12/May/2025

Name of Supervisor: Dr Zubair Ahmed

## 2<sup>nd</sup> Half Semester Progress Report & Thesis Approval Statement

Name of Student(s)	Noorulislam , Rimsha Nawaz, M. Shoaib Khan
Enrolment No.	02-112212-046 , 02-112212-073 , 02-112212-045
Thesis/Project Title	"The Comparative Analysis Of Islamic Mode Of Finance Used In Islamic Banking Of Pakistan And Its Impact On Economic Growth"

### Supervisor Student Meeting Record

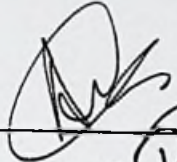
No.	Date	Place of Meeting	Topic Discussed	Signature of Student
1	28/April/25	Zoom(online)	Introduction and Literature Review	
2	2/May/5	Office	Data Collection and Research	
3	5/May/2025	Zoom	Result and Discussion	



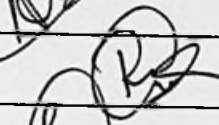
## Declaration of authentication

I, hereby, declare that no portion of the work referred to in this project has been submitted in support of any application for another degree or qualification of this university or any other institution of learning.

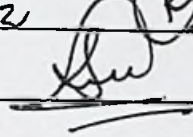
Student's Signature: Noorulislam



Student's Signature: Rimsha Nawaz



Student's Signature: M. Shoaib



# Acknowledgment

First, we are thankful to Allah, who is the holder of our breaths, without His orders nothing is possible. In completing our project, we took help and guidelines from some respected people, who deserve our appreciation, and we are thankful to them. We would like to show our deepest gratitude to **Sir Dr Zubair Ahmed**, Course Supervisor, Bahria University, for giving us helpful guidelines for this project through numerous online consultations. We are thankful to all those who have directly and indirectly provided us with guidance in completing this report. Our project Co-Ordinator **Ma'am Dr Fazeelat** as well as our Dean and our H.O.D who gave us this excellent opportunity to do this project on the topic "The impact of CEO power on firm risk, moderating role of family ownership." This has also helped us with the extensive research we undertook due to which we explored many more new things which will be helpful in our practical and work life.

We would also like to thank **Sir Asad Ali** who gave valuable comments and suggestions on this proposal which inspired us to improve our report. We would also like to thank our parents who helped and supported us during these tough times and motivated us a lot in finalizing this project within the limited time. We thank all the people for their direct and indirect help due to which we were able to complete our report.

## Abstract

**Purpose:** This research assesses the impact of Islamic financing mechanisms like Murabaha, Musharakah, Mudarabah, Ijarah, Salam, Istana, etc., as means of promoting economic growth in Pakistan. The study examines the impact of these instruments on the general economy and describes the reasons for the prevalence of debt-like models over those based on equity.

**Research Methodology:** This study employed quantitative research to analyze panel data on Islamic banks in Pakistan from 2015 to 2024. The second source of information included data available through the State Bank of Pakistan and the Pakistan Bureau of Statistics. An exploration of the relationship between financing tools and GDP growth was conducted using descriptive statistics, correlation techniques, and regression analysis.

**Findings:** The study addresses the gap between Islamic finance's theoretical ideals and its practical implementation, highlighting the underrepresentation of equity-based modes. Numbers point to Murabaha and Diminishing Musharakah being driving forces in Islamic finance compared to participatory measures like Mudarabah and Musharakah, which are underrepresented due to the risks and governance issues. Despite having low direct links with GDP growth, Istisna and Diminishing Musharakah are showing increasing economic significance.

**Practical Implication:** The findings imply that the encouraging of participatory forms of financing is vital to regulators and banks seeking to attain balanced portfolios. It is possible that strengthening supervisory and Shariah management systems will improve the economic effectiveness of Islamic financial systems.

**Originality/Value:** This investigation fills a gap in the Islamic finance area by analyzing empirically the macroeconomic impacts of different financing modes. It provides tangible recommendations to harmonize Islamic banking with its basis.

**Keywords:** Islamic banking, Murabaha, Musharakah, Mudarabah, national economic increase, adherence to Shariah standards, Pakistan.

**Paper Type:** Research Paper

## Table of Contents

Acknowledgment.....	iii
Abstract.....	iv
LIST OF TABLES AND FIGURE.....	vii
CHAPTER 1 - INTRODUCTION.....	1
1.1 Background of Study .....	1
1.2 Overview of Key Islamic Modes of Finance in Pakistan .....	2
1.3 Problem Statement.....	3
1.4 Research Objectives .....	3
1.5 Research Question.....	3
1.6 Significance of the Study.....	5
CHAPTER 2 - LITERATURE REVIEW.....	6
2.1 Theoretical Framework .....	6
2.2 Finance to Economic Growth.....	6
2.3 Instrument-Specific Empirical Findings.....	7
2.4 Preference for Debt-Based Over Participatory Finance.....	8
2.5 Challenges and Theoretical Gaps.....	8
2.6 Comparative Frameworks and Policy Implications .....	8
2.7 Summary of Key Insights.....	9
2.8 Research Gaps Identified .....	9
2.9 Hypothesis .....	9
2.10 Conclusion .....	11
CHAPTER 3 - RESEARCH METHODOLOGY:.....	12
3.1 Research Approach and Type:.....	12
3.2 Research Design:.....	12
3.3 Data Collection: .....	12
3.4 Variables and Measurement:.....	13
3.5 Research Time Frame and Frequency: .....	13
3.6 Method and Analysis:.....	14
3.7 Two-sample t-tests: Comparative Tests .....	14
3.8 Ethical Consideration.....	15
3.9 Limitation .....	15
CHAPTER 4 - RESULTS AND DISCUSSIONS .....	16
4.1 Descriptive Analysis .....	16
4.2 Jarque-Bera Test:.....	24

<b>4.3 Correlation Analysis .....</b>	<b>25</b>
<b>4.4 Diagnostic Analysis: .....</b>	<b>27</b>
<b>4.5 Heteroscedasticity.....</b>	<b>28</b>
<b>4.6 Regression Analysis.....</b>	<b>29</b>
<b>4.7 Stability Analysis:.....</b>	<b>30</b>
<b>4.8 Institutional Preferences and Market Realities.....</b>	<b>30</b>
<b>4.9 Comparative Analysis Results .....</b>	<b>31</b>
<b>CHAPTER 5 – CONCLUSIONS AND IMPLICATIONS: .....</b>	<b>32</b>
<b>5.1 Conclusion: .....</b>	<b>32</b>
<b>5.2 Implications: .....</b>	<b>32</b>
<b>5.3 Recommendations: .....</b>	<b>32</b>
<b>Reference: .....</b>	<b>34</b>