

**"A Comparative Study on Interest Free Financing
and Interest Based Financing in Pakistan"**



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Bahria University Islamabad 2015

Abstract

This research covers the two main dimensions first of comparative study of the interest free financing and interest based financing in order to create awareness about the various products and features of Islamic financial system in relation to the convention interest based financial instruments for the general public of Pakistan. In the second dimension the issue regarding the customer selection criteria for an Islamic bank in Pakistan is investigated in order to facilitate the financial institutions to understand the needs and demands of their customers. Moreover the study cover a rich literature regarding both of issues. For the first dimension detailed literature is investigated for making a clear understanding about the difference between both interest free financing instruments and interest based financing instruments. For covering the dimension of customer's selection criteria a questionnaire is distributed among 250 respondents of Islamabad, Rawalpindi, Karachi, and Lahore having accounts with Dubai Islamic Bank Pakistan Ltd, Meezan Bank Ltd, Al Baraka Bank, Dawood Islamic Bank, Bank Alfalah, and Bank Al Habib. And the results are extracted by using SPSS for the analysis of the data gathered, further in order to validate the results references of previous studies are given. From that it is investigated that Islamic finance have a lot of various financing options available for its customers in Pakistan as compared to the conventional interest based financing. Further the study reveals that variety of financing options is one of the most important factor for the Pakistani people in selection of an Islamic bank. Whereas religious motives of the Islamic banks in Pakistan were given least importance by the customers. So in order to attract new customers this study will be very significant for developing best strategies as well as for the general public of Pakistan to understand the difference between both financial systems. This research is also found to be supportive for the future researchers in providing complete knowledge regarding the customer's selection criteria as well as literature for differentiating the products and services of both financing systems.

Acknowledgements

In the name of ALLAH who is most Beneficent and Most Merciful.

The Messenger of ALLAH Muhammad (PBUH) said that if someone did not thank to people he did not thank to ALLAH

In the preparation of this of this research work; my thesis for Master's, I have been in debt to a lot of people who provided me their full support and facilitate me in completing my work in time.

First and foremost I am very pleased to extend my gratitude to my supervisor Mr.Qazi Subhan for his full supervision, guidance, and encouragement in order to achieve the desired results of the research with in the time limit. I feel so pleasure to be the student of such kind of personality who gave full time and support even in the very busy schedule he never lept me waiting for his advice and consultation.

I am also very grateful to all of my colleagues, friends and other people who provided me their support, time, as well as guidance in writing up of my research work with in the time limits.

Special thanks to my parents who are always with me, praying for me all the time for my success and heath. I am very happy to be the son of such a great people who supported me in all matters of life and never let me down at any place.

I pray to ALLAH to give all of them best reward that they deserve.

Dedication

With most respect and honour I dedicate this research work to my respectful teachers as well as my parents, who always supported me and pray for my success and achievement in fulfilment of this thesis within the time limit in best manners. The support of my family as well as my supervisor Mr.Qazi Subhan in all matters i.e. finance, moral, motivation, and encouragement matters a lot for me through which this research work is completed in time

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