

TABLE OF CONTENTS

ABSTRACT	iii
INTRODUCTION	4
1.1: Objectives of Islamic system:	9
1.2: Islamic banking in theory:	10
1.3: Islamic banking in reality:	10
1.4: Performance of Islamic bank:	11
1.5: Confronts and problem faced by islamic banks:.....	12
1.6: conventional banking in Pakistan:	12
1.7: Islamic banking in Pakistan	13
1.8: Structural differences between Islamic and conventional banks:	14
1.8.1:Riba:	14
1.8.2:Gharar:	15
1.8.3:Zakaat:	15
1.8.4: Islamic principles of savings:.....	15
1.9: Customer satisfaction level for both streams of banks:	16
LITERATURE REVIEW	19
METHODOLOGY	36
Purposes of the study:	36
Research question:	37
Research techniques:.....	37
Research plan:.....	37
Sample of research:.....	37
Basis of data:.....	38
FINDINGS AND ANALYSIS	43

Financial analysis:.....	43
Customer survey results:.....	47
CONCLUSION.....	51
REFERENCES	52

ABSTRACT

The rationale of this study is to investigate and compare the performance of Islamic and conventional banking in Pakistan and to find out which of the banking streams is performing better than other and know about the customer satisfaction level. For this study, sample of five conventional banks and 5 Islamic banks were selected. For in-depth understanding and sound comparison, key performance indicators were divided into external and internal bank factors. The external factor analysis includes studying the customer behavior and perception about both Islamic and conventional banking. Internal factor analysis includes measure of differences in performance of Islamic and conventional banks in terms of profitability, liquidity and credit risk. Nine financial ratios were used to gauge profitability, liquidity and credit risk. Findings suggest in terms of profitability and liquidity conventional banking leads, while in credit risk management Islamic banking dominates. Motivating factors for customers of Islamic banking are the location and Shari'a compliance, while in case of conventional banking it is wide range of products and services.