



# MBA – THESIS

## ISLAMIC BANKS

Past, Present and Future

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*Submission Date*  
**August 13, 2007**

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MBA-4 (A)  
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# EXECUTIVE SUMMARY

Islamic banking is a growth industry and not just in Islamic business sector Banks from all parts of the country are moving to secure a place in this market. Current estimates put the size of the global market in between \$200 to \$300 billion with a growth rate of 15% per year. This great outlook also has some challenges attached to it. For whilst the profit motive and market forces invigorate Islamic banking as much as any other business, Shariah laws forbids certain financial practices that lie at the foundation of the traditional banking and commerce e.g. lending money on interest.

The Islamic market has experienced a natural progression from retail to commercial and through to investment and private banking over the last 3 – 5 years. The primary Driver for its increase is the increased sophistication of the Islamic banking Industry in meeting the needs of the investors who wish to have a part or all of their assets managed in an Islamically compatible manner.

The report consists of the basic concept of Islamic Bank; how it emerged and evolved with the passage of time. The research also includes a comparative analysis of Islamic banking with the interest based banking in order to identify the reasons why the market is more attracted towards the interest based banking instead of Islamic Banking. It also focuses on the perception of Islamic banking industry about the risks and challenges being faced in today's world. The report also takes into account a case study of Al Baraka Islamic Bank Limited, Pakistan; its emergence, its ratings and its financial status. The report ends with the prospects of Islamic banking and recommendations on how it can be improved in Pakistan's market.

This research work can be used as foundation work for future study of the Islamic Banking and will prove beneficial for students and professionals seeking to explore the prospects of Islamic Banking in Pakistan.

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