



# **PROBLEMS, PERFORMANCE AND PROSPECTS OF ISLAMIC BANKING IN PAKISTAN**

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of the requirement for the MBA degree

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## **ABSTRACT**

Broadly speaking, two types of banking systems exist in the world. One is Conventional, which is interest based and the other one is Islamic, which is interest free. The objective of both type of banking system is to earn maximum profit through offering different banking products and services to their customers.

This research has tried to asses different aspects of Islamic Banking in Pakistan, such as problems, performance and future outlook of Islamic Banking in Pakistan. A sample of total four banks has been selected for the research purpose, two was from Conventional sector and two was from Islamic sector. Different types of research techniques have been applied to gather and analyze the data, such as questionnaires, face to face interviews, online browsing and financial ratios.

To measure the profitability four ratios have been used, Return on Assets (ROA), Profit Margin (PM), Return on Equity (ROE) and Earnings per Share (EPS). To Measure liquidity ratios three ratios have been applied, Deposit to total assets, Current asset and quick asset ratio. Further, to measure solvency, Debt ratio, Debt to equity and Long term debt to equity ratios have been used.

Research concluded that, Islamic Banking is facing many challenges, such as, untrained Human capital, Lack of shariat scholar, benchmark issues and some others, but despite of being infant and facing challenges, still it's performance is better than conventional one. The tests and techniques also indicate that Islamic banks are more profitable than conventional banks and debt ratio is also less than conventional one. And there is also a viable market for this industry, as its growth rate is more than 30%.

**Key words:**--Islamic banking, Pakistan, performance, problems, Prospects, Human capital, lack of sharia'h scholars Liquidity ratios profitability Ratios, solvency ratios, future outlook.

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