



ISLAMIC BANKING AS A VIABLE ALTERNATIVE TO CONVENTIONAL BANKING

A thesis
Presented to
The faculty of
Management Sciences
Bahria Institute of Management & Computer Science, Karachi

In Partial Fulfillment
Of the Requirements for the
Degree Master in Business Administration

By

SYED MUHAMMAD AHSAN FAHEEM
NOVEMBER, 2012

BAHRIA UNIVERSITY

INSTITUTE OF MANAGEMENT AND COMPUTER SCIENCES, KARACHI

RECOMMENDATION FOR ORAL EXAMINATION

This Project/thesis here to attached, entitled, "ISLAMIC BANKING AS A VIABLE ALTERNATIVE TO CONVENTIONAL BANKING", prepared and submitted by SYED MUHAMMAD AHSAN FAHEEM, in partial fulfillment of the requirements for the degree Master in Business Administration, is hereby recommended for appropriate action.

Date: _____

Shumaila

Advisor

Name: Shumaila Israr

PROJECT/ THESIS COMMITTEE

In partial fulfillment of the requirements for the degree of Master in Business Administration, this thesis entitled, "ISLAMIC BANKING AS A VIABLE ALTEERNATIVE TO CONVENTIONAL BANKING" is here by recommended for Oral Examination.

Chairman

Name: _____

Shumaila

Member

Shumaila

Member

Member

Name: Shumaila

Name: Kaleem A Ghauri Name: _____

Date

Islamic banking as a viable alternative to conventional banking

Abstract:

The debate on the credibility of Islamic banking has been going on for many decades but the main thing for the researcher is to find out that whether an Islamic banking can serve as an alternative to the established conventional banking or not. Conventional banking has been operating in the Pakistani financial segment for the very long time, almost immediately after independence conventional banking made a mark in Pakistan. In the 1980s an attempt to introduce Islamic banking was made by Zia ul Haq but that was without a proper homework due to which the Islamic banking soon rolled back after its introduction. It was relaunched in 2001 when Al Meezan investments got the license to operate as a bank. After that Islamic banking restarted in Pakistan. Over the years Islamic banking has developed proper alternative products to conventional banking products. Due to these flexible products Islamic banking has been able to attract clients like Lucky cement to work with.

Presently, Pakistan has 5 full fledged Islamic banks and more importantly conventional banks are also entering into the Islamic banking by opening separate Islamic banking windows. Renowned conventional banks who have entered into the Islamic banking industry are UBL, HBL, MCB Bank Limited, Bank Al Habib Limited, Faysal Bank Limited, Bank Al Falah Limited, Standard Chartered Bank (Pakistan) Limited & Habib Metropolitan Bank Limited.

The flexibility and shariah compliant investment strategy of Islamic banks has made themselves as a strong competitor to conventional banks in Pakistan. State Bank of Pakistan has a complete support to Islamic banks in Pakistan that has made it possible for them to grow and made rapid progress.

Table of contents

Chapter #1	Background and the statement of problem	12
1.1	Introduction	13
1.2	Background of the study	14
1.3	Problem Statement	15
1.4	Discussion of problem statement	15
1.5	Overall Purpose & Research Questions	16
1.5.1	Purpose and aim of research	16
1.5.2	Research objectives	16
1.5.3	Research approach	16
1.5.4	Research questionnaire	16
Chapter # 2	Literature Review	18
2.1	Literature Review	19
2.2	Principles of Islamic Banking	20
2.3	Preliminaries before introducing Islamic banking	20
2.4	Classification of Riba	21
2.5	Islamic modes of financing	21

Islamic banking as a viable alternative to conventional banking

2.6	Historical review	27
Chapter # 3	Research Methods and Techniques	29
3.1	Research Methodology	30
3.1.1	Sample size	31
3.1.2	Data collection method	31
3.1.3	Scopes & Limitations of research	31
Chapter # 4	Presentation Analysis	33
Chapter # 5	Findings, Conclusion & Recommendations	40
5.1	Findings	41
5.2	Conclusion	42
5.3	Recommendations	42
	References	43