

Major: Finance

S. no:19

"(DIMINISHING MUSHARAKAH VS CONVENTIONAL MORTGAGE: A comparative study of banks in Pakistan.)"



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2017

FINAL PROJECT/THESIS APPROVAL SHEET

Viva-Voice Examination

Date 11/01/2017

Viva Date

Topic of Research: DIMINISHING MUSHARAKAH VS CONVENTIONAL MORTGAGE: A comparative study of banks in Pakistan

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Acknowledgement

Thanks to Allah, most merciful and most beneficial for all the countless blessing you have offered me, and thanks to my dearest family and friends for their love and support. Special thanks to all the interviewee from different conventional banks and Islamic banks for their time and support.

I would like to acknowledge my extreme gratitude to Prof. Khalid Hussain, Professor of Islamic Finance, Faculty of Management Sciences, Bahria University Islamabad for his encouragement, endless help, supportive and generous advices during the study.

Abstract

Shelter is a basic necessity for mankind. To make sure that this necessity is fulfilled, there are different financial institutions including conventional banks, Islamic banks and mortgage relating companies to facilitate society. This study focuses mainly on Islamic house financing specifically discussing practices of Diminishing Musharakah under the standards provided by AAOIFI in Pakistan. It also comprises brief comparison between conventional house financing through Mortgage and Islamic house financing through Diminishing Musharakah. The aim of this study is to create awareness among the general public about working of Diminishing Musharakah. Further, this study contributes to remove the ambiguities and misconceptions among the society that Diminishing Musharakah and Mortgage are similar. There are many objections related to working of Diminishing Musharakah so the study has also give insight about the clarification of them. To find out whether Diminishing Musharakah is working properly under the standards of AAOIFI, descriptive analysis has been used, for that purpose moderate sample size for data collection has been taken. Interviews from the Shariah Scholars and Managers from different Islamic and conventional banks have been conducted which concludes that Diminishing Musharakah is shariah compliant as it is strictly observing the rulings of Shariah standards provided by AAOIFI

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