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**"IJARAH VERSUS CONVENTIONAL LEASING: A COMPARATIVE  
STUDY OF BANKS IN PAKISTAN."**



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## **ABSTRACT**

Financial institutions all around the world are striving to deliver better customer services to remain competitive in the industry. In this competitive age, Islamic banking and finance present new products that are in compliance with the Islamic Shariah laws and allow these institutions to capture large markets within both Muslim and non-Muslim communities. There is a misconception in the society that both the Ijarah and conventional leasing are the same, so the research is contributing positively to clear them. This study focuses on the comparison of conventional lease and its Islamic banking equivalent, Ijarah. Further on it discusses how the two are accounted and treated under AAOIFI Shariah and Accounting standards and IAS 17 respectively. Differences and similarities between conventional leasing and Islamic Ijarah are looked at in detail under the jurisprudence of AAOIFI and IAS, followed by an analysis on how well the banks and other Islamic financial institutions in Pakistan under the supervision of state bank of Pakistan (SBP) are applying the prescribed Ijarah standards.

Various scholarly articles, researches and books related to Ijarah and lease have been referred to make the research more validated and authentic. Descriptive research analysis has been constructed by using both primary and secondary data while the main source of analysis and findings are interviews with the bank officials. Islamic banks in Pakistan under the supervision of SBP are fully shariah compliant by following the Shariah and accounting standards provided by AAOIFI while significant differences are present in the practice of conventional leasing which makes it prohibited according to Shariah laws. However awareness among the banks staff, society, and students must be created in order to have competitive and effective Islamic banking operations in the financial industry of Pakistan.

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