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**"Impact of Interest Rate on
Profitability of Islamic and
Conventional Banks in Pakistan"**



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Abstract

The main objective of this study is to analyze the performance of Islamic banks and conventional banks considering the KIBOR rate impact on their profitability in Pakistan's perspective. In Pakistan we have two different banking system one is conventional and other Islamic they both have opposite banking operations. Conventional banks consider interest rate while dealing with customers and Islamic banks follows Islamic rules and regulations while performing their operational activities and Islamic bank do not use interest rate but as a bench mark because Islamic banks in Pakistan have no money market to set an alternate rate. The number of banks are use in this study include 8 banks (4 conventional banks and 4 Islamic banks). For analysis, the data was used for five years which is from 2012 to 2016. In this study 4 variables are taken, interest rate is independent variable while Return on Assets, Return on Equity and Earning per Share are dependent variables. The data was analyzed through different test which includes Descriptive statistics, Regression and correlation tests.

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