Comparison of Islamic and Conventional Banks: Evidence on the Economic well being

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MBA

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Abstract

The main aim of this investigation is to find that whether Islamic banking system is more efficient or conventional banking system. As Islamic banks on the principle of shariah and interest is prohibited in Islam so there will be no tax shield in this banking system and they have to pay more tax as compare to conventional banking system. By analyzing their performance and using the gross value added the contribution of both banking system observed. Six banks are selected for this purpose in which 3 Islamic banks i.e. Meezan Bank, Bank Islami and Dubai Islamic bank and 3 conventional banks i.e. MCB, Faysal Bank, HBL. The data have been taken from the annual report of these banks ranging from 2011 to 2016 that is 6 year data. It is a quantitative research so different ratios are used to explore the performance of both banking system and gross value added give us the information that to what extend both banking system are contributing to the economy. In examination it has been discovered that both banking system are contributing much to the economy as conventional banks are more developed there infrastructure is bigger than Islamic banks where Islamic banks just start near past few years back. Islamic banks have lack of products as compare to the conventional banks there is a need of developing more products. Islamic banks are providing more EPS as there is no loan based financing. There is a time limitation for this thesis because of which only few Islamic and conventional banks are taken and selection is based on the random selection method, it is recommended that for future research, researcher can take all the Islamic and conventional banks and also can select the sample who are approximately same in equity, size and infrastructure. Recommendations has been made on the basis of the above analysis it tell that there is a need of Islamic banking reforms and standardization of these Islamic banking system. Islamic banks can play a vital role in the economic development by using their products.

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May Allah Almighty infuse with the energy to fulfill their inspirations and expectations and further modify my competence May Allah bless with long happy and peaceful lives (Aameen).

Muhammad Saqib Khan

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