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**"Determinants of Changes in Share Prices of Islamic & Conventional Banks in Pakistan; a Comparative Study of Islamic and Conventional Banks"**



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# Abstract

**Purpose** – The purpose of this article is to investigate the determinants of stock prices of Islamic and conventional banks of Pakistan. Several factors tend to impact the share prices of bank. The purpose of this paper is to study the impact of dividend, size of the banks and return on equity on the share prices of Islamic and Conventional banks respectively.

**Design/methodology/approach**– A total of eight banks were taken into consideration for the period of 2007-2017 out of which 4 were full fledge Islamic banks and the rest 4 were the leading conventional banks of Pakistan. To find the determinants of their share prices, correlation and regression analysis was done to investigate the study. The test involves regressing the independent variables dividend yield, size of the banks, return on equity and dependent variable Share Price.

**Findings**– The findings resulted that the size of the banks and return on equity has a positive impact on share prices of both Islamic and conventional banks of Pakistan taken into consideration. Dividend yield is reporting an insignificant impact on the share prices of Islamic and conventional banks.

**Research Limitations/Implications** –This research can be undertaken with a bigger sample size and in several other geographical areas which can generate more precise and accurate results. Moreover, the impact of other variables like foreign exchange rates or foreign direct investments can also be studied on the share prices of Banks. Comparative studies of full fledge Islamic banks and Islamic Windows can also be undertaken to study the determinants of share prices.

**Originality/value** –This paper marked new grounds by carrying out a comparative study of share price determinants of Islamic and Commercial Banks in Pakistan and the factors that impact the share price fluctuations of banks in Pakistan.

**Keywords** Conventional Banks, Islamic Banks, Share Prices, Dividend Yield, ROE

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## DEDICATION

This thesis is dedicated to all the oppressed Islamic states and Muslim community facing the war against Muslims all over the world. I dedicate my work to their bravery, valor and unending determination. Our work and efforts are nothing if compared to their sacrifices and losses.

I want to extend the message that we value their sacrifices and we are always with them. We have firm hope that one day the Muslims will rise again and will conquer the world INSHA'ALLAH.

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## **List of Abbreviations**

<b>ROE</b>	<b>Return on Equity</b>
<b>MBL</b>	<b>Meezan Bank Limited</b>
<b>MCB</b>	<b>Muslim Commercial Bank</b>
<b>ABL</b>	<b>Allied Bank Limited</b>
<b>EPS</b>	<b>Earnings per Share</b>
<b>DPS</b>	<b>Dividend per Share</b>