A Comparative Study of Performance of Islamic Banking and Conventional Banking in Pakistan

By

Munawwar Ali Kartio
Faiz Muhammad Shaikh
Nisar Ahmed Pahore

ABSTRACT

The aim of this study is to examine and to evaluate the performance of the four Islamic banks in Pakistan i.e. Meezan Bank Limited, AlBaraka Islamic Bank Pakistan, BankIslami Pakistan Limited and Dubai Islamic Bank Pakistan Limited, in comparison with that of a group of 5 Pakistani conventional banks i.e. MCB Commercial bank Limited, Habib Bank limited, Bank Alfalah, Allied Bank Limited and Bank Alhabib. The study evaluates performance of the Islamic banks in profitability, liquidity, risk, and efficiency for the period of 2005-2009. Financial ratios (12 in total) such as Return on Asset (ROA), Return on Equity (ROE), Loan to Deposit ratio (LDR), Loan to Assets ratio (LAR), Debt to Equity ratio (DER), Asset Utilization (AU), and Income to Expense ratio (IER) are used to assess banking performances. T-test and F-test are used in determining the significance of the differential performance of the two groups of banks. The study found that Islamic Banks are less profitable, more solvent (less risky), and also less efficient comparing to the average of the 5 conventional banks. However, there was no significant difference in liquidity between the two sets of banks. The reasons are due to the facts that conventional banks in Pakistan have longer history and experience in doing banking business and hold dominating position in the financial sector with its large share in the overall financial assets of Pakistan, as compared to Islamic banks, which in true sense, started only a few years back with all leter and spirit.

The study found that Islamic Banks are less profitable, more solvent (less risky), and less efficient during 2005-2009, however, these are improving considerably over time indicating convergence with the performance of the conventional banks.

Dubai financial crisis: causes, bailout and after

A case study

By

Prof. Dr. Zubair Hasan

Abstract

This paper explains the circumstances that led Dubai to the current financial crisis that still lingers. It analyses the steps taken at various stages by the city state to ameliorate the situation including the bailout help the UAE Government eventually granted. It spotlights the role international rating agencies played in aggravating the situation and demands that their activities be brought under regulatory nets now being strengthened across the world in the context of ongoing global meltdown. Finally, it warns of challenges Dubai may be facing in years ahead and what could be done to pre-empt them. The argument is cast with a backdrop of the economic position of UAE in the Middle-East and happenings at the global level in the arena of finance – mainstream and Islamic.

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