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THE ISLAMIC VS CONVENTIONAL BANKS: AN EVIDENCE ON THE ECONOMIC DEVELOPMENT

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KEYWORDS	ABSTRACT
Islamic Bank (IB), Conventional Banks (CB), Economic Development	This paper highlights how financial and conventional bank system contribute to economic growth. As the Islamic banking system is grounded on shariah's laws and Usury/RIBA (interest) are prohibited in Islam so there will be no tax shield in this banking system and they have to pay more tax as compared to the conventional banking system. By analyzing their performance and using the gross value-added contribution of both banking systems was observed. Six banks are selected for this purpose of which 3 Islamic banks i.e. Dubai. It is quantitative research so different ratios are used to examine both banking system performance and gross value added to give us information that to what extend both banking systems are contributing to the economy. In an examination, it has been exposed that both banking systems are conducive much to economy as conventional banks are developed their infrastructure is bigger than Islamic banks where Islamic banks just start near past a few years back.
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INTRODUCTION

Bank is a monetary establishment that acknowledges stores from individuals and payable on request. It likewise serves other banking administrations like money trade, safe store box, abundance the board, and so forth (Anoop & Amarjit, 2014) said that Islamic banking arose with the ideas, strategies, and instruments since extremely long back however the undeniable framework came in presence as of late in the 1980s (Haron & Ahmad, 2000). Islamic banking is time of revenue-free banking represented by Shariah law in soundness with "The Quran". Shariah has created explicit types of monetary exchange as methods for acquiring without falling back on pay age through interest (Riba). As indicated by (Hanif, 2011) Arabic term of In Islam, synonym used for interest is Riba is an equivalent for term revenue used in conventional banking activities. Riba implies charging foreordained extra sum on an advance broadened dependent on the length of the credit period. The recovery

of Islamic System is famous with extensive size of activity which covers around one-sixth of land surface of globe (Abbas & Azid, 2016).

The Muslim populace is required to be over 2.6 billion or more than 26% of the extended total populace of 10 billion continuously 2050. Various factors are influencing adoption of Islamic banking, some of them are compatibility of the consumers towards the products of Islamic banking, customer satisfaction, risk perception, consumer knowledge on Islamic banking, awareness, and perception concerning financial teachings of the Islam (Mokhtar, 2006). In this connection, main determinants of intention to use Islamic Banking products are attitude toward Islamic banking products (like credit cards & other financial products) on intention to use them, pricing of the Islamic Banking products (selection of the most appropriate price for selling a banking product to a customer), social influence (refers to the perception towards Islamic Banking products), government support (refers to actions taken by government that affects the decisions of businesses and the households towards Islamic banking).

Today, the Islamic Banking framework which arose in the 1980s has evened out up to the conventional banking framework which had established itself in the general public quite a while past. If we trust it there are difficulties and conflicts close by because of presence of the double framework in the general public and they should be tended to appropriately, so the conflicts between these two sorts of banking framework can be limited. There are a few fights among the conventional and Islamic Banking laws (Haron & Ahmad, 2000). A portion of these conflicts are made because of the utilization of the precedent-based law or the conventional law-based enactment to determine the issues in the Islamic banking framework. In this connection, the effect of this is enormous, principally in light of the fact that, Islamic financial aspects have an alternate reason from the conventional banking, and applying the similar lawful standards to determine debates for the two business sectors doesn't work.

Dissimilar to conventional banking's entrepreneur conviction that the champ brings home all the glory, Islam contends for a reasonable conveyance of benefit and misfortune and boycotts simply theoretical action. The expressed motivation behind Islam is government assistance of mankind and thus Islamic banking isn't confined to Muslims as it were. In most Islamic nations, they will in general practice two kinds of financing in the banking industry which are conventional and Islamic banking. A nation like Malaysia has effectively built up an Islamic banking framework that works in corresponding with the conventional banking framework (Bitzenis, Mistic, Marangos, & Andronikidis, 2008). So, this is the high time to assess and evaluate the performance of both banking systems in Pakistan to get an insight into their performance and their contribution to the economy of Pakistan. Paper goals and tasks are to analyze, evaluate and compare the financial performance of IBs and

CBs between years 2011-2016, and different ratios are used for measuring performance and their role in the economy.

Significance of Study

Several studies suggest that there should be a comparison between IBs vs CBs regarding Evidence of Economic development. [Lee and Ullah \(2011\)](#) suggested that there should be a similar investigation towards nations with a completely Islamic financial framework and dual banking framework to discover the consistency of the outcomes.

Problem Statement

Noteworthy number of studies focusing on of Islamic and conventional banking systems performance but to finest in my information, there is no such effort conducted in which there is a comparison of both banking systems and their contribution to the economic wellbeing. To fill this gap this research is carried out in Pakistan where there is increasing trend in Banking.

Research Question

- Does the banking system contribute to economic growth leading to development of country?
- Does Islamic banking system assume to be played any key part in the economic development of a nation as compare to conventional banking system?
- Does the Conventional system of banking play a major role in the economic well-being?

LITERATURE REVIEW

The growth of any economy along with various factors is dependent on financial sector's performance, with the banking sector to be utmost noticeable. Banks perform major roles in various sectors, and they help in the channelization of public savings or money into the investments that contribute to the growth of the economy. It has almost been a quarter of a century since the founding of first Islamic bank. Amid this period in the Islamic banking industry, gradual and sustained expansion has been witnessed. Two different approaches are followed in this regard: first, in different countries (including non-Muslim countries) Islamic banks are established on private initiatives to cope with crisis and second, for drive of converting the entire financial system into Islamic principles in various Muslim countries ([Zarrouk, Ghak, & Haija, 2017](#)). These efforts and experiments are in operation for the last 20-30 years and have contributed to Islamic banking system to a great extent. The success of the Islamic financing system can be witnessed in various Islamic countries like Malaysia, Indonesia, Sudan, and Pakistan.

The banking sector of Pakistan is comprised of both the Islamic and conventional banks. Interest (Riba) is forbidden in Islam and the Conventional banking system is based on it, whereas Islamic banks are Shariah compliant and operate based on Islamic laws. Islamic

banks are not permitted to pay or receive any extra amount (Riba) on their any lending or investment transactions. They do not offer instruments that serve the risk management, clients' financing needs, and liquidity management (Johnes, Izzeldin, & Pappas, 2014). In contrast to this, in the form of derivatives and options, such instruments are being offered by conventional banks. These instruments carry the element of risk, so they are forbidden under Islamic law. Based on Riba and Gharar, the Islamic banking system differs from that of conventional banks. But these injunctions of no risk, uncertainty, and interest does not mean that Islamic banking system is inconceivable or they are unable to provide financing/hedging instruments. Instead of these interests or uncertainty-based instruments, Islamic banks offers Islamic modes of financing: Mudarbara, Musharika, Ijarah (Kalim, Mushtaq, & Arshed, 2016).

In recent years extensive and vibrant changes have been observed in the banking system which is reshaping and revolutionizing the entire baking industry at a very rapid pace. The key changing trends are service proliferation, deregulation of government, an increase of interest-sensitive mix of the funds, geographical expansion, and so on. Despite all these changes, the most prominent change in banking industry was new prototype's execution called Islamic Banking that has had attracted both the Islamic and non-Islamic economies worldwide. Today, as a most feasible and practical alternative system to the conventional banking, Islamic banks are operating in a different region of globe. The Islamic banking system was initiated with an aim of the facilitating the Muslims and their economies but according to [Global Finance Report \(2012\)](#), Worldwide acceptance is obtained by the Islamic banking system, and this system is also documented as one of the greatest rising area in baking and finance's field (Saeed & Amjad, 2012). The first Islamic bank that abides the Islamic Shariah was first launched in Egypt back in 1963 but sooner it was shut down in 1967.

In spite of the way that greater part of Islamic banks was set up inside Muslim countries in the Middle East, so the demand for the Islamic bank's financial products has begun in developed countries. The Islamic Banking industry has been seeing a rapid increment with approx. 614 Islamic banks working in over 75 nations. Besides, it is vital that conventional banks, for example, Citibank, UBS, and HSBC are presently consolidating Islamic products as they have observed success of Islamic banking. This overall example of advancement has been rehashed closer to home in Pakistan, supported by essential endeavors by the public authority of Pakistan to drive the economy of country. Islamic banks in the nation have been creating at a typical pace of 14 to 18 percent lately, diverged from four to eight percent for standard banks (Khalid & Amjad, 2012). Islamic banking helps in accentuating the ascent of shared local area and duty in like manner makes a more extensive economy. Thus, this plainly shows that the premium in Islamic economy and Islamic banking system is on the ascent.

Today, an immense number of Islamic banks are working around the world, and their development is expanding at quick speed of 15% per annum. Notwithstanding this serious development, it is as yet accepted by individuals that Islamic banks have restricted market that can serve them on the strict ground as it were. As opposed to conventional banks, Islamic standards are trailed by Islamic banks. Every one of the various parts of Muslim's life are being regulated by the Islamic Shariah and it urges intention to satisfaction and equity in the general public with extreme point of prevailing in this world and henceforth (Sarwer, Ramzan, & Ahmad, 2013). Pakistan banks and other budgetary industries perceive a positive money-related relationship on the economic improvement of Pakistan (Majeed & Zanib, 2016). As argued (Chong & Liu, 2009) observational examination on budgetary changes considers as enlargement, hold supports, Bank Lending Schedule, Bank's Deposit Schedule, and claim spread rate.

Masruki, Ibrahim, Osman and Wahab (2011) researches Service Quality Delivery and Its Effect on Satisfaction of Customer in Malaysian Banking Sector, structure utilized as a part of getting the data about buyer commitment in managing a record by strategies for an examination drove through the case of general client masses. Factors are utilized by bits of knowledge information whether responsiveness, affectability, ardent quality, confirmation, and physical assets go about as a subjective rating of an offer in retail keeping money zone (Abdus Samad, 2004). GVA is connected as an estimation of total national output (gross domestic product), as both are measures of yield. The relationship is characterized as under:

$$GDP = GVA + Taxes - subsidies$$

As the aggregate totals of the expenses on the items and endowments on items are just accessible at the entire economy level, Gross esteem included is utilized for measuring the gross local items and different measures of the yield of the elements littler than an entire economy. Repeated,

$$GVA = GDP + subsidies provided - taxes$$

Over-straightforwardly, GVA is terrific aggregate of all incomes, from definite deals and (net) appropriations, which are wages into organizations. Those livelihoods are then used to cover costs (compensation and pay rates, profits), funds (benefits, devaluation), and (aberrant) charges. The Islamic products are seeming to be similar but they are operating totally in a different way and the Islamic banks have to give similar returns as compare to the conventional to remain competitive.

Table 1 Banks Detail

Islamic Banks	Conventional Banks
Dubai Islamic Bank Pakistan Ltd.	MCB
Bank Islami Pakistan Ltd.	HBL
Meezan Bank	Faysal bank

Hypothesis

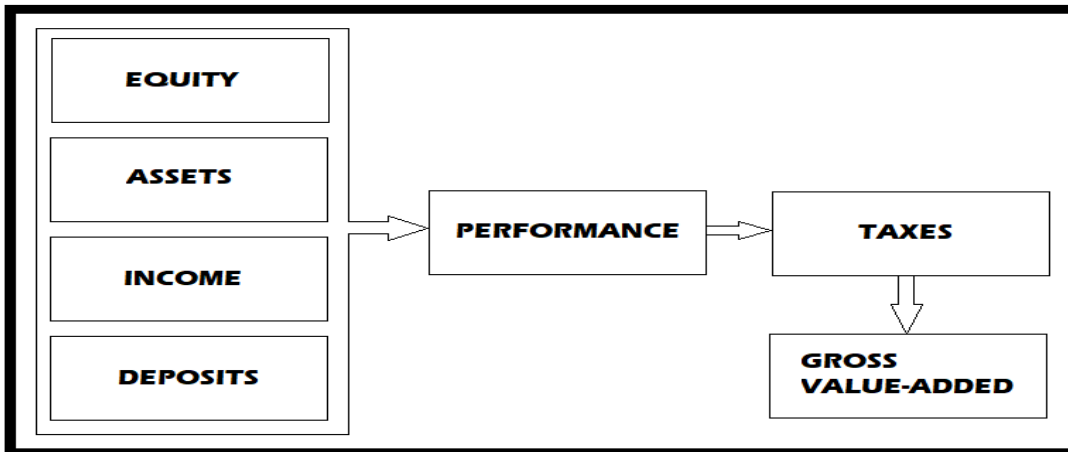
Ho1: IBs doesn't perform well than CBs

HA2: The performance of IBs is better than CBs

HA3: Islamic Banks do not show a more critical part in development of economy.

HA4: IBs play crucial part in expansion of economy as many conventional banks do.

Theoretical Framework



METHODOLOGY AND DATA ANALYSIS

The methods and procedures supported by data analysis have been presented in this section to reach the conclusion of the study. Now the variables have been defined research must be an attempt in manner to evaluate the data and get a clear view that which bank is contributing more to economy. The nature of this research is quantitative and is design to test the hypothesis.

Sample size

The target Industry which has been selected is three Islamic and three Conventional banks which are as follows. And we are analyzing 5-year data of each bank ranging from 2011 to 2016. The data is taken from previous research papers, articles, Annual report State Bank of Pakistan, annual report of Federal Board of Revenue (FBR), and from annual report of three conventional banks i.e. Annual reports of Muslim commercial Bank, Annual reports Habib Bank limited, Annuals Report of Faysal bank, and from the financial reports is three Islamic Banks i.e. Annuals Report of Meezan Bank, Annual report of Bank Islamic and from Annuals Report of Dubai Islamic bank. The data has been collected from the period of 2011 to 2016 of all 6 banks including 3 IBs and 3 CBs. To compare the bank's both CB and IB system different ratios are used including ROA, ROE, Liquidity ratio, leverage ratio, EPS, asset utilization, Equity Multiplier, Risk analyses. To analyze which banking system is contributing more to economy we are using technique of GVA (Gross value added) with

which we can measure that to what extent both banking systems are contributing toward GDP. And assuming that there are no subsidies in Pakistan for both banking systems and the value of subsidies is zero.

Instrument and Data Sources

DuPont analysis and Gross value-added analysis are used to figure out the performance of which banking system is competent in performing and which banking system contributes more to the economy. The data was collected from sources line annual report statistical handbook. The data of this study has been analyzed through Microsoft excel. While the sample selection is based on the random selection method.

RESULTS OF STUDY

Table 2 Return on Equity

years	Conventional Bank				Islamic Bank			
	MCB	Faysal Bank	HBL	Conventional Banks Average	Meezan Bank	Bank Islami	Dubai Islami	Islamic Bank Average
2011	2.46	7.43	22.1949	10.69547	25.4408	7.9625	3.05645	12.15324
2012	2.34	7.76	19.5539	9.886313	22.66	7.39688	5.09541	11.71744
2013	9.129	9.4	18.2182	12.24914	86.5799	3.35945	1.975	30.63812
2014	22.75	11.68	22.6964	19.04321	115.5	5.04277	7.97466	42.83922
2015	18.99	17.63	23.7807	20.13386	19.6524	-1.8934	5.4071	7.722008
2016	18.56	15.59	22.1949	17.07509	19.7577	4.1778	7.10197	10.34582

ROE measures the general benefit of monetary organization per dollar of value. From over 6-year examinations of both conventional and Islamic banks, it has been observed that Islamic banks have a higher rate of profit for value than conventional banks as revealed from the results.

Table 3 Return on Assets

Years	Conventional Bank				Islamic Bank			
	MCB	Faysal Bank	HBL	Conventional Banks Average	Meezan Bank	Bank Islami	Dubai Islami	Islamic Bank Average
2011	21.87	0.43	1.95	10.69	5.23	0.69	0.39	12.15
2012	2.69	0.0045	1.42	9.88	1.28	0.55	0.54	11.72
2013	10.88	0.52	1.36	12.24	1.2	0.21	0.17	30.64
2014	2.6	0.64	1.76	19.04	1.045	0.31	0.59	42.83
2015	2.14	0.98	1.67	20.13	0.94	0.11	0.27	7.72
2016	2.08	0.97	1.329	17.07	5.22	0.25	5.62	10.35

ROA measures the general benefit of monetary organization per dollar of value. From over 6-year examinations of both Islamic and conventional banks, it has been observed that Islamic banks have a higher rate of profit for value than conventional banks as revealed from the results.

Table 4 Equity Multiplier

Years	Conventional Bank				Islamic Bank			
	MCB	Faysal Bank	HBL	Conventional Banks Average	Meezan Bank	Bank Islami	Dubai Islami	Islamic Bank Average
2011	0.11	16.98	11.38	9.49	1.5	11.43	7.72	6.89
2012	0.87	17.11	13.76	10.58	1.77	13.36	1.32	8.17
2013	0.84	18.05	13.41	10.77	0.007	15.75	11.58	9.11
2014	8.74	18.3	12.91	13.32	0.011	16.39	13.49	9.96
2015	8.87	17.96	14.25	13.69	0.002	16.83	19.73	12.19
2016	8.92	16.11	11.38	12.51	0.002	16.7	1.26	5.99

Table 5 Earnings Per-Share

Years	Conventional Bank				Islamic Bank			
	MCB	Faysal Bank	HBL	Conventional Banks Average	Meezan Bank	Bank Islami	Dubai Islami	Islamic Bank Average
2011	17.45	1.07	17.11	11.88	3.75	0.78	0.28	1.6
2012	18.57	1.18	16.5	12.08	3.5	0.58	0.51	1.53
2013	19.31	1.54	16.43	12.43	3.95	0.35	0.2	1.5
2014	21.85	2.06	21.21	15.04	4.56	0.58	0.86	2
2015	22.95	3.52	24.18	16.88	5.01	-0.24	0.62	1.79
2016	19.67	3.59	21.69	14.98	5.55	0.45	1.21	2.4

Table 6 Leverage Ratio

Years	Conventional Bank				Islamic Bank			
	MCB	Faysal Bank	HBL	Conventional Banks Average	Meezan Bank	Bank Islami	Dubai Islami	Islamic Bank Average
2011	1.1289	12.4574	9.3663	7.65	12.7564	0.0098	6.1697	6.31
2012	1.1451	13.1542	10.3478	8.22	14.8844	0.0116	7.8281	7.57
2013	1.2337	13.7765	10.9505	8.65	0.0634	0.0136	9.7753	3.28
2014	12.2951	13.3608	11.1222	12.26	0.0961	0.0145	11.1343	3.75
2015	11.9056	12.1986	10.9613	11.69	0.0185	0.0148	17.1729	5.74
2016	12.8616	12.3323	11.8419	12.35	0.02	0.0143	10.7304	3.59

The ratio demonstrates the connection between total deposit in bank to total shareholder equity. Deposit of Islamic banks has been steadily growing for period under examination. Be that as it may, Islamic bank's deposits are not as much as conventional banks. Islamic banks mostly attract deposits based on Musharika where there is probability of sharing of loss also exists for the investors additionally Islamic banks, for most part, don't offer fixed rates of profit for deposits. In this way, it very well may be reasoned that CB guarantees return that makes Islamic banking less appealing.

Gross Value Added

Table 7 Conventional Banks contribution to Economy

Years	Taxes	GVA= GDP- Taxes	GDP: RS Billion
2011	30.912	23,458	23488.52
2012	33.655	24,642	24676.15
2013	22.908	25,401	25423.91
2014	29.242	26,842	26871.05
2015	41.411	29,764	29805.9
2016	36.966	31,156	31192.67

Table 8 Islamic Banks Contribution to Economy

Years	Taxes	GVA= GDP-Taxes	GDP Rs Billion
2011	1.164	23,487.356	23488.52
2012	1.782	24,674.368	24676.15
2013	1.738	25,422.172	25423.91
2014	2.160	26,868.890	26871.05
2015	3.071	29,802.829	29805.9
2016	3.257	31,189.413	31192.67

Table 9 Correlation Analysis

		GVA	ROA	ROE	AU	EPS
GVA	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	6				
ROA	Pearson Correlation	.760**	1			
	Sig. (2-tailed)	.001				
	N	6	17			
ROE	Pearson Correlation	.789	.047	1		
	Sig. (2-tailed)	.062	.859			
	N	6	17	17		
AU	Pearson Correlation	.569	.397	.461	1	
	Sig. (2-tailed)	.238	.114	.062		
	N	6	17	17	17	
EPS	Pearson Correlation	.642	.839**	.429	.106	1
	Sig. (2-tailed)	.169	.000	.086	.687	
	N	6	17	17	17	17
ARI	Pearson Correlation	.872*	.714**	.522*	.531*	.409
	Sig. (2-tailed)	.023	.001	.032	.028	.103
	N	6	17	17	17	17

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table shows that all variables have a positive relationship with the GVA which means that increase in one variable will directly impact GVA positively. The results of the correlation provide the significant information about the association among the research phenomena.

ROA and GVA have a strength of 76 %, ROE and GVA are correlated with a strength of 78.9%, while EPS and Leverage are correlated with the strengths of 64.2% and 87.2% respectively.

Table 10 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
GVA	6	23458.00	31156.00	26877.1667	3016.92548
ROA	17	.80	2.97	1.5784	.89037
ROE	17	2.35	23.78	14.7161	7.14903
AU	17	7.42	85.87	13.8106	18.60712
IER	18	1.13	13.78	10.1356	4.26705
Valid N (listwise)	6				

ROA has a maximum ratio of 2.97 and minimum of 0.80 and a Standard deviation of .89, ROE has maximum ratio of 23.78% with 2.35% as a minimum ratio, while EPS and leverage ratio has a maximum value of 85.87% and 24.18% respectively, and has minimum values of 1.07 and 1.13% respectively. And the table shows that the standard deviation of ROA, ROE, and Leverage ratio are .89, 7.15, 18.6, and 4.26% respectively as revealed by the descriptive statistics.

Table 11 Regression Analysis (Model Summary)

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	.522	.272	.272	335.21797

a. Predictors: (Constant), LR, EPS, ROA, ROE

Table above provides the R² and R values. R-value represents simple correlation and is 0.522, which shows that economic wellbeing has a high degree of correlation with the performance of the conventional baking system. The R² value shows that to what extent the total variation in the dependent variable can be explained by the independent variable and it is .272.

Table 1 Regression Analysis (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	45396825.747	4	11349206.437	100.998	.004b
	Residual	112371.086	1	112371.086		
	Total	45509196.833	5			

a. Dependent Variable: GVA
 b. Predictors: (Constant), Leverage Ratio, EPS, ROA, ROE

Islamic Banks

Tables 13 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
GVA	6	23487.36	31189.41	26907.5047	3020.25371
ROA	17	.11	5.23	.8484	11.9284
ROE	17	1.89	26.58	13.5734	20.40174
EPS	17	.24	5.55	1.8406	2.00290
LR	18	.01	17.17	5.0405	6.21147
Valid N	6				

ROA has a maximum ratio of 5.23 and minimum of 0.11 and a Standard deviation of .85, ROE has a maximum ratio of 26.58% with 13.57% as the minimum ratio, while EPS and leverage ratio has a maximum value of 5.55% and 17.17% respectively and has minimum values of 1.84 and 5.04% respectively. And the table shows that the standard deviation of ROA, ROE, EPS, and Leverage ratio is 11.92, 20.40, 2.00, and 6.2% respectively.

Table 14 Correlation Analysis

		GVA	ROA	ROE	EPS	LR
GVA	Pearson Correlation	1	-.628	-.413	.966**	-.712
	Sig. (2-tailed)		.182	.416	.002	.112
	N	6	6	6	6	6
ROA	Pearson Correlation	.628	1	.343	.492*	.317
	Sig. (2-tailed)	.182		.178	.045	.215
	N	6	17	17	17	17
ROE	Pearson Correlation	.413	.343	1	.530*	-.053
	Sig. (2-tailed)	.416	.178		.029	.838
	N	6	17	17	17	17
LR	Pearson Correlation	.712	.317	-.053	-.093	1
	Sig. (2-tailed)	.112	.215	.838	.724	
	N	6	17	17	17	18

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

The above table shows that all the variables have a positive relationship with the GVA which means that increase in one variable will directly impact the GVA positively. ROA and GVA have a strength of 62.8 %, ROE and GVA are correlated with a strength of 41.3%, while Leverage is correlated with a strength of 71.2%.

Table 15 Regression Analysis (Model Summary)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	.224a	.049	.943	719.05041

a. Predictors: (Constant), Leverage Ratio, ROE, ROA, EPS

The table provides the R and R2 values. The R-value represents the simple correlation and is 0.224 in "R" column, which indicates direct relation amid Islamic banking performance and economic well-being. Thus, we can say that the null hypothesis is rejected as Islamic banks perform their role in economic development.

Table 2 Regression Analysis (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	45092628.974	4	11273157.244	21.804	.0016b
	Residual	517033.493	1	517033.493		
	Total	45609662.468	5			

a. Dependent Variable: GVA

b. Predictors: (Constant), Leverage Ratio, ROE, ROA, EPS

CONCLUSION

The performance of the conventional and Islamic banks was compared in this study. The significance of the paper exhibits that Islamic banks are efficient in terms of benefits when contrasted with the conventional banks. The reason might be that Islamic bank's financing modes rely on resources and there are no use credits which offers an inclination to Islamic banks to have fewer non-performing resources. The outcomes communicate that benefit share given to contributors by Islamic banks is far not as much as near-size conventional banks. This is perhaps against very essence of Islamic moral economy where dispersion of benefit should base on correspondence and sensibility. Or maybe a noteworthy piece of advantage is taken away by proprietors. The results show up there is an issue of liquidity for Islamic banks. Correlation shows poor speculation and credit position of Islamic banks. Reason is that before long Islamic banks are facing nonappearance of items for speculation and advances. The issue of capital is a worry zone for Islamic banks as these banks are less promoted when contrasted and conventional banks. Islamic banks are going up against these challenges which can be overcome through new item improvement, enhancing the current items, and infuse new value.

The results show that Islamic banks provide less profit as compare to that of conventional banks. It is because the distribution of the profits in economy needs to be based on equity principle. From above analysis it is concluded that null hypothesis is rejected as Islamic banks do play a supportive role in economic development/well-being and Islamic banks perform well but in comparison to conventional banks, Islamic banks are more exposed to liquidity risk as they have limited assets and cannot use the mediums to mitigate liquidity risk as used by conventional banks. All the above-mentioned issues can be confronted by the Islamic banks in a way that they offer new and innovative products, train their human resource, and follow the Islamic banking standards. In words of (Zarrouk, Ghak & Haija, 2017), an economist at International Islamic University of Malaysia: "One must see Islamic banking as ongoing process in a social milieu characterized with mass poverty and gross

inequalities in wealth, income and opportunities". As per the analysis, the return of equity of conventional banks is better than the Islamic banks as net income of the Islamic banks decreased and total equity increased and this double effect reduced the return on equity of the Islamic banks.

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