

## EXPLORING THE DEVELOPMENT OF ISLAMIC BANKING SYSTEM IN PAKISTAN: A WAY FORWARD TO ECONOMIC GROWTH

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### **Abstract:**

The Islamic Banking development is most major to consider because of its contribution to economic development while keeping ourselves on the Islamic lines. It is an undeniable reality that Islamic financial institutions are ever-increasing even the commercial banks with Islamic windows over the globe. This paper determines to stretch the correct significance of growth by taking on the Islamic perspective on the banking system. This research contemplates the attitude of the commercial banks toward Islamic Banking concerning improving the economic development within an Islamic system. It was established that as more banks are opening the Islamic windows it had a constructive influence on economic development. The scholars are of the view that Islamic Banking is more appropriate for economic growth. These results also specify that enlightening the Islamic Banking infrastructure in Pakistan may come up with an advantage.

**Keywords:** Islamic Banking, Financial Institution, Mudarabah, Musharakah, Pakistan.

### **Introduction**

The development of Islamic Banking is important because of its significance in economic development. Many Islamic financial institutions are ever-increasing and conventional banks are offering Islamic windows. Financial institutions of non-Muslims are entering this arena and trying to vie to attract Muslim customers. By processes of Islamic Banking, we estimated to cover a large area of monetary dealings in the world<sup>1</sup>. There has been a fast development in Islamic money and banking in Muslim and Non-Muslim countries, and around the world for the last three decades. Pakistani financial sector knowledgeable a raging environment due to political volatility and other macroeconomic variables since its formation. The financial sector in an economy works like the blood movement of a body as only an effective blood flow can confirm a healthy body; also, a capable and reasonable banking system can distribute economic productivity and fairness. Islamic Banking is established on the ethics of Islamic law and directed by Islamic economics. Islamic Banking makes an income through equity contribution, which needs a debtor to give the bank a portion of their income rather than pay interest. According to Growth, the banks deal in loans receive deposits from the public and provide loans to needy people.

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### **Historical Background of the Study:**

The first experiment of Islamic Banking was started in Malaysia in the mid-1940 and Pakistan got experience in 1950. Policies of economics were established under “Islamisation”. Stages for Islamisation of the financial system of Pakistan were ongoing from 1977-78. Pakistan was among those three countries in the world that want to impose interest-free banking in 1978 Muhammad Zia Ul Haq arranged a program to bring Pakistan's financial system in line with the principle of sharia law. In 1979, the government of the country also introduced interest-free loans for agriculture through commercial banks and the Agriculture Development Bank. The board for the operation process of Islamic Finance this board purposed to eliminate the interest system from Pakistan.

On 1 January 1981, all commercial banking had been taking part to open interest free accounts. For meeting the working money needs of trade and industry, Musharaka was presented on July 01, 1982. Profit and loss sharing base was presented in traditional Banks on April 01, 1985. It realized in 1984 that it failed to achieve an international target. Nawaz Sharif has also supported Islamic banking and his financial policies are attentive to privatization and financial liberalization. Commercial banking in Pakistan Rupees was made interest-free on July 1, 1985, and not allowable to receive any interest-bearing deposits, and current deposits in a bank were preserved to be based on profit and loss sharing

### **Concept of Islamic Economy:**

Islam is a complete governmental, common, monetary, and financial system. The values of Islam are directed in the Holy Quran which is described by Hadith and practiced The Islamic Economy System is created on the following values

1. All prosperity goes to Almighty Allah and Man is the reliable of Prosperity.
2. Money must be in flow and the holding of money is constrained.

Islamic Banking was constructed on a financial philosophy basic rule and principle of shariah. In the situation of interest-free banking, this viewpoint is expected at starting circulated justice free from all kinds of waste.

### **Objectives of the Study:**

- This study is used to attain the following objects:
- Background knowledge of Islamic Banking
- A descriptive study of analyzing Islamic Banking in Pakistan
- Analyzing products offered by Islamic Banking in Pakistan

### **Literature Review:**

Khan (2008) objectives of that paper were to focus on the key feature of interest-free banking theory in Pakistan. Data was collected interest-free banking program from its start in 1980 to its passing in 2002. There is the conceptual approach.

Variables used in that study were intellectual, practice, organized, administrative constitutional, and control measures. Conclude that organized, monetary, legal, and political development that took place in Pakistan to rearrange its finance on Islamic lines<sup>2</sup>.

Khattak (2010) investigated customer fulfilment and attentiveness level. A sample of 156 defendants from different cities in Pakistan was selected. In this study variables used were customer satisfaction, quality of services, age, gender, religion, academic qualification, income, occupation awareness level, and dissatisfaction. ANOVA technique was used to and satisfaction and awareness. Conclude Islamic Banking is very simply receiving credit in the financial market.<sup>3</sup>

Shahid et al. (2010) analyzed the comparison of Islamic and conventional banks in Pakistan. For this research, we take a model of five Islamic and five conventional banks from (2005-2009). Independent variable input resources; expenditure, investment, deposit, capital, loan, and dependent variable technical efficiency were used to measure the efficiency of the banking sector in the constant return to scale (CRS) and variable return to scale (VRS) approaches. Conclude that technical efficiency of the conventional bank is better than Islamic bank."<sup>4</sup>

Ahmad, Sais and Safwan (2010) analyzed the awareness of bank customers about the service value of Islamic banks as well as conventional banks in Pakistan, data was collected from 720 banks concerning service value is developed than the awareness of the customer of conventional banks from 2002 to 2008. Found that the awareness of customers of Islamic banks about service value is more advanced than the awareness of customers of conventional banks.<sup>5</sup>

Akhter, Raza, and Akram (2011) analyzed the effectiveness and performance of Islamic Banking. For this study, the monetary statement is used for the financial year 2006-2010. The dependent variable used in that study was profitability and the independent variable was liquidity risk, credit risk trend, deposit, capital, reserve, return on money, assets on equity, and cost-income ratio. It concluded that there was no important difference detected in interest-free or interest-based banking concerning profitability.<sup>6</sup>

Arif and Anees (2012) evaluate perceived service quality in Islamic and non-Islamic banks service quality in Pakistan. The data was collected through personally administered questionnaires from a sample of 260 respondents. Questionnaire based on the Likert scale. Independent variables were responsiveness and reliability and the dependent variable used in that study was service quality. Conclude that Islamic internet facility and online service end conventional banks can improve their services through comprehensive training of the employee.<sup>7</sup>

Rehman and Massod (2012) determined the selection standards for Islamic banks working by the customer in a twin banking system, as in the case of Pakistan.

Conclude that aspects of Islamic banks were investigated area in Pakistan. The most important aspects were the “religious factor” and “convenient location”.<sup>8</sup>

Ansari and Rehman. (2017) estimated to compare the financial performance of Islamic and conventional banks in Pakistan. The data was collected from the annual report and financial sheet for the period 2006 to 2009. Variables used in that study were financial ratio, risk and solvency, capital adequacy, deployment, and operational efficiency. ANOVA techniques were used. Concluded that Islamic banks proved to be more liquid, and less risky.<sup>9</sup>

### **Islamic Banking Sector:**

The motivation behind this study is to grasp the Islamic Banking framework in Pakistan's economy. Banks in the current economic benefit boost dealings. Being perhaps of the most creative Muslim country on the planet, the State bank of Pakistan has been empowering and getting establishment for the advancement of the Islamic Banking System. Notwithstanding, Islamic Banking is still similar in the outset stage when contrasted with the business banking area in Pakistan.<sup>10</sup>

Standards of Shariah as set down in the Holy Quran and the Sunnah of the Prophet (harmony arrive) are the soul of the Islamic Banking industry. A sound and compelling Shariah consistence structure are in this manner fundamentally critical to give certainty to the overall population about Shariah recognition of Islamic Banking Institutions (IBIs') items and administrations. On July 2, 1986, every one of the banks was dealing with a decent pace of return. The State Bank of Pakistan had determined 12 methods of non-premium funding arranged into three board classes credit supporting, exchange-related funding, and, speculation method of supporting. In 2002 the detailed bank was functioning as an Islamic bank and in 2002 Meezan bank was first time registered as the Islamic Banking in Pakistan.<sup>11</sup>

The State Bank of Pakistan (SBP) attempts to guarantee that the tasks of IBIs stay in similarity to the guidelines and standards of Shariah. In like manner, it has been giving guidelines, directions, and, rules on Shariah consistency since the resuscitation of Islamic Banking in 2001. In 2008, SBP gave a point-by-point set of directions and rules for Shariah's consistency vide IBD Circular No 2 of 2008. In any case, keeping in view the improvements happening in the Islamic Banking industry over ongoing years, a portion of the directions and rules have been returned and an exhaustive Shariah Governance Framework was created in 2015, which has now been additionally checked on. The Framework will apply to all IBIs undeniable Islamic banks, Islamic Banking auxiliaries, and, Islamic Banking divisions of customary banks.<sup>12</sup>

### **Existing Models for Islamic Banking and Finance:**

Under this segment, two models, the Halim model, and the Chapra model will be talked about.

#### **The Halim model:**

Islamic Banking must be situated in the Islamic plan of things to control the Shariah system for ISLAMIC banking and money (Halim, 2008). As indicated by alim Islam is separated into three primary branches, Aqidah, Shariah, and Akhlaq. Aqidah connects with confidence in Allah, in all matters. Akhlaq manages the appropriate conduct of Muslims. Shariah is the principle coming from two chief sources, the essential and optional sources. The essential sources are the Quran and the Sunnah; while the auxiliary sources are ijma, ijihad, and qiyas.

**The Chapra model:**

The other gathering Chapra, Siddiqui, Sadr, Rosly, Dusuki, and Haron have the view that Islamic banks ought to typify the standards embraced by Islamic financial matters (Asyraf, 2008). Islamic banks have a clear and equivalent obligation to assist with accomplishing monetary equity, fair conveyance of riches, and inspire what is happening to poor people.<sup>13</sup>

**Islamic Mode of Financing:**

Commission for Transformation of Financial System was set up in the State Bank of Pakistan on December 23, 1999. The Shariah Board additionally endorsed these monetary modes to course the matter of Banks leading Islamic Banking in Pakistan.

**List of Islamic modes of financing**

**Participatory mode of financing:**

- 1 Mudarabah
- 2 Musharakah

**Sales mode:**

- 1 Mudarabah
- 2 Istisna and parallel Istisna

**Rent based mode:**

- 1 Ijarah

**Mudarabah:**

Mudarabah is a kind of organization wherein one accomplice gives cash to one more for putting it into business endeavours. The financial backer is called Rabbul mal while the chief is called mudarib.

**Mudarabah Mode:**

Banks are utilizing Mudarabah (A particular deal) as a method of support. This vendor concurs with his buyer to give him a particular ware and benefit added to his expense id.

**Musharakah mode:**

Sharjah (sharing) is a relationship laid out by the accomplice through a common agreement. The benefit depends on understanding and misfortune is dependent upon the proportion of venture. Each accomplice has an option to partake in the administration, And to end the musharakah.

**Istisna:**

It is an agreement to produce products executed before it appears. To arrange to produce a specific product for the buyer. One party drop the agreement in the wake of giving the notification to the next party however on the off chance that the production began the work contract was not dropped.

**Ijarah:**

Ijarah is the term of Islamic Fiqh (given something on lease). It is utilized for two circumstances. The principal circumstance is Employee the administration of an individual on compensation and called mustajir. The second is giving overhauled and property on the lease it is more connected with the method of funding.

**Difference between Islamic and Conventional Banking:**

Islamic Banking is unlike ordinary banks in light of Riba and risk-sharing approaches. Islamic Banking creates pay looking like a benefit while ordinary banking produces looking like fixed revenue. Islamic Banking is known as the exchange situated business while customary units go about as an unadulterated monetary delegate. The Islamic Banking framework is such a framework that appears given the way of thinking of Islamic regulations. These essential ideas and goals are normal to any financial framework whether it be customary or Islamic. The distinction exists in the philosophy embraced to accomplish these targets. Ordinary financial point these goals using revenue-based agreements while Islamic Banking does these targets through exchange-based agreements.<sup>14</sup> The unmistakable denial of interest and admissibility of exchange is referenced in the accompanying Quran refrains"

“But Allah has permitted trading, and prohibited riba.”

**Descriptive Statistics of Islamic Banking in Pakistan****Islamic Banking network in Pakistan**

The organization of the Islamic Banking industry is comprised of 21 Islamic Banking establishments; 5 undeniable Islamic banks and 16 ordinary banks having independent. The list of other regional branches is shown in table no 4.1.”

Table 1:Region-wise branches of ISLAMIC BANKING

Region-Wise Branches		
Province/Region	Total Number	Share (%)
Punjab	1,278	47.6

Sindh	795	29.6
Khyber Pakhtunkhwa	300	11.2
Baluchistan	108	4.0
Federal Capital	141	5.3
AJK	42	1.6
Gilgit Baltistan	12	0.4
FATA	9	0.3
Total	2,685	100.0

Source: Data obtained from Islamic Banking Bulletin 2018

This table shows the region-wise branches of Islamic Banking in Pakistan, including FATA and the federal capital. Punjab consists of 1278 Islamic fledged and full-fledged Islamic branches and the share percentage is 47.6 which is high for all sectors.

#### **Islamic Banking Branch Network in Pakistan Economy:**

Islamic Banking institutes were opened and spread all over Pakistan. According to bulletin 2018, the total branches of Islamic Banking in 2018 are 1366, and Islamic bank of commercial banks there are 2557 branches are working.

Table 2: lists of Islamic Banking branches in Pakistan

Islamic bank	No of branches
Meezan bank limited	602
AL Baraka Islamic bank	187
Bank Islamic Pakistan limited	218
Dubai Islamic Bank Pakistan Limited	200
MCB Islamic bank limited	166
Sub total	1366

Source: Data obtained from Islamic Banking Bulletin 2018

The above table shows that 5 Islamic banks are working according to sharia properly. Subtotal branches are 1366.

Table 3: Lists of Islamic branches of conventional banks in Pakistan

Islamic branches of conventional	No of branches	%windows
Bank Al-Falah ltd	152	121
Faysal Bank ltd	199	
Askari Bank ltd	91	
Habib Bank ltd	57	126
Bank of Khyber	84	39
Allied Bank Limited	117	
The Bank of Punjab	64	
Bank Al Habib Limited	57	126
Habib Metropolitan Bank Limited	29	215
Silk Bank Limited	30	
National Bank of Pakistan	170	
Sindh bank ltd	14	13
Soneri Bank Limited	18	
Standard Chartered Bank (Pakistan) Limited	9	84
United Bank Limited	93	156
Subtotal	1191	1284
Total branches	2557	

Source: Data obtained from Islamic Banking Bulletin 2018

This table shows branches of conventional banking in Pakistan. The national bank of Pakistan has 170 branches which are spread all over Pakistan. There are 2557 branches are existed.

Table 4: Lists of sub-Islamic branches in Pakistan

Sub branches	No of branches	Windows
AL Baraka Bank (Pakistan) Limited	8	
Askari Bank Limited	3	
Bank Islami Pakistan Limited	112	
Habib Bank Limited	2	6
United bank ltd	1	100
Total Sub-Branches	128	
Grand Total Branches/Sub-Branches	2,685	2,685

Source: Data obtained from Islamic Banking Bulletin 2018

This table shows the list of sub-Islamic Banking branches. The total that is working in Pakistan is 2685.

**District wise Break-up of Islamic Banking Branch Network****Sindh sector**

795 Islamic branches are working according to the Islamic banking bulletin 2018.

Table 5: List of district wise Islamic branches of the Sindh sector

S. no	District	No of branches
1	Badin	2
2	Dadu	6
3	Ghotki	3
4	Hyderabad	54
5	Jacobabad	5
6	Jamshoro	2
7	Karachi City	647
8	Khairpur	3
9	Larkana	5
10	Matiari	1
11	Mirpurkhas	10
12	NaushahroFeroze	1
13	Shaheed Benazir Abad	15
14	Sanghar	12
15	Shahdadt	1
16	Shikarpur	1
17	Sukkur	17
18	TandoAllahyar	4
19	Tando Mohammad Khan	1
20	Thatta	1
21	Umerkot	4
	Sindh Total	795

Source: Data obtained from Islamic Banking Bulletin 2018

The table shows the largest no of branches in the Sindh sector that exists in Karachi city 647. Total Islamic branches in the Sindh sector are 795. Sindh sectors ranked in 2nd no in the case of Islamic Banking branches.

**Punjab Sector:**

In the Punjab sector, 1278 Islamic Banking branches are working

Table 6: List of district wise Islamic branches of the Punjab sector

S.no	District	No of branches
22	Attock	17
23	Bahawalnagar	12
24	Bahawalpur	20

25	Bhakkar	1
26	Chakwal	16
27	Chiniot	5
28	Dera Ghazi Khan	15
29	Faisalabad	100
30	Gujranwala	60
31	Gujrat	49
32	Hafizabad	5
33	Jhang	13
34	Jhelum	16
35	Kasur	17
36	Khanewal	18
37	Khushab	5
38	Lahore City	433
39	Layyah	6
40	Lodhran	5
41	MandiBahauddin	13
42	Mianwali	8
43	Multan	73
44	Muzaffargarh	7
45	Nankana Sahib	7
46	Narowal	6
47	Okara	18
48	Pakpattan	9
49	Rahim Yar Khan	35
50	Rajanpur	3
51	Rawalpindi	132
52	Sahiwal	28
53	Sheikhupura	22
54	Sialkot	40

55	Toba Tek Singh	17
	Punjab Total	1278

Source: Data obtained from Islamic Banking Bulletin 2018

This table shows that the branches in the Punjab sector, Lahore no branches which are 433 total branches in Punjab are 1278.

#### **Khyber Pakhtunkhwa Sector:**

Khyber-Pakhtunkhwa has no branches which are listed below.

Table 7: List of district wise Islamic branches of Khyber Pakhtunkhwa

	District	No of branches
56	Abbottabad	20
58	Bannu	6
59	Batagram	3
60	Buner	4
61	Charsadda	9
62	Chitral	6
63	Dera Ismail Khan	13
65	Hangu	5
66	Haripur	8
67	Karak	1
68	Kohat	9
69	LakkiMarwat	1
70	Lower Dir	13
71	Malakand	13
72	Mansehra	12
73	Mardan	20
75	Peshawar	93
76	Shangla	4
77	Swabi	7
78	Swat	27
79	Tank	1
80	Torghar	1
81	Upper Dir	6
82	Khyber Pakhtunkhwa Total	300

Source: Data obtained from Islamic Banking Bulletin 2018

Peshawar is the main city of the khyber consisting of 93 branches total of 300 branches working in khyber.

**Gilgit-Baltistan sector:**

According to the Islamic Banking bulletin 8018 branches are reworking in Gilgit Baltistan.

Table 8: List of district wise Islamic branches of Gilgit-Baltistan

S no	District	No of branches
83	Skardu	1
84	Diamir	5
85	Gilgit	6
	Gilgit-Baltistan Total	12

Data obtained from Islamic Banking bulletin 2018

Gilgit Baltistan is a little province and has only 12 Islamic branches. Skardu 1 Diamir 5 and Gilgit 6.

**Baluchistan sector**

According to the Islamic Banking bulletin 8018 no Islamic Banking branches are reworking in Baluchistan. Listed below

Table 9: List of district wise Islamic branches of Baluchistan.

S no	District	No of branches
84	Chaghi	1
85	Gawadar	6
86	Harnai	1
87	Turbat	2
88	Khuzdar	2
89	Lasbela	5
90	Loralai	5
91	Pishin	6
92	Quetta	62
93	Qilla Abdullah	6
94	Qilla Saifullah	4
95	Zhob	6
96	Ziarat	1
97	Panjgur	1
	Balochistan Total	108

Source: Data obtained from Islamic Banking Bulletin 2018

There are 62 Islamic Banking branches. Overall 108 IB branches are working in Baluchistan.

**FATA Sector:**

According to bulletin 8018 no Islamic Banking branches reworking in FATA.

Table 10: List of district wise Islamic branches of FATA

	District	No of branches
98	Bajaur Agency	1
99	Khyber Agency	5
100	Mohmand Agency	1
101	Orakzai Agency	2
	FFATA Total	9

Source: Data obtained from Islamic Banking Bulletin 2018

FATA districts only 9 Islamic Banking branches are working, in Orakzai 2 khyber 5 and in Bajaur agency only 1 branch exists.

**Azad Kashmir Sector:**

According to bulletin 8018, no Islamic Banking branches are reworking in Azad Kashmir.

Table 11: List of district wise Islamic branches of Azad Kashmir

S no	District	No of branches
102	Bagh	1
103	Bhimber	1
104	Dadyal	4
105	HattianBala	1
106	Mirpur	17
107	Muzaffarabad	11
108	Poonch	2
	Azad Kashmir Total	42

Source: Data obtained from Islamic Banking Bulletin 2018

This table shows the branches list in Azad Kashmir. Total Islamic branches are 42 in Azad Kashmir.

**Federal Capital and Total Islamic Branches:**

In Islamabad 141 and total Islamic branches are working according to the Islamic banking bulletin April- June 2018.

Table12: list of Federal capital and total Islamic branches

	Federal capital	No on branches
109	Islamabad	141
	Grand Total	2,685

Source: Data obtained from Islamic Banking Bulletin 2018

This table shows the total Islamic branches of the Federal capital which are 141 and grand total Islamic fledges and full-fledged Islamic branches spread all-around Pakistan is 2685.

### Analysis of the Product Offered by the Islamic Banking:

#### Products offered by Islamic Banking:

Islamic Banking items comprise various proportions of the store, funding, resources, and liabilities, the weighted typical pace of return and various proportions of stores to liabilities, the proportion of support to resources, the proportion of funding to stores, and the proportion of speculation to stores in Islamic Banking branches from Dec 2005 to 2015 Dec."

#### Deposit:

Islamic stores structure the premise of monetary strength for Islamic banks, utilizing them adhering to the Shariah regulation. They utilize these stores to fund activities and increment benefits for the investors. In Islamic money, contributors are contrasted and regular financial backers or investors, who procure a profit when the store or venture creates a gain. Essentially, they may likewise lose an extent of their capital, on the off chance that the store posts a misfortune. Table 13: Deposits of Islamic Banking in Pakistan

Year	No of accounts	Amount	Total
2005	127,136	49,644.51	1.9
2006	229,823	75,736.01	2.6
2007	447,246	136,507.84	3.9
2008	630,805	182,385.70	4.8
2009	951,282	182,385.70	6.1
2010	369,622.93	182,385.70	7.4
2011	1,436,566	501,529.61	8.8
2012	1,857,612	682,606.40	10.3
2013	2,168,997	824,193.60	10.9
2014	2,572,405	988,141.44	11.8
2015	3,379,209	1,238,650.77	13.2

Source: Statistics and Data Warehouse Department, SBP

In this table, there is a list of deposits that are used to finance operations. In 2005 there were only 123136 no accounts opened and their deposit was 49644.51 only. In 2005 there is fewer no accounts and amounts such as year increase no of accounts and amounts also increased in 2015 it reached 3379209 no of accounts and 1238650.77 deposits were increased. If it will continue our economy will be established very soon.

**Financing:**

It is generally utilized today to allude to monetary and business exercises that regard the standards of Islamic regulation and statute. These activities are sales trade etc.

Table 14: Financings of the Islamic Banking system in Pakistan

Year	No of Accounts	Amount	Total financing
2005	15,961	46,231.24	2.3
2006	22,177	62,659.41	2.6
2007	40,635	102,003.53	3.7
2008	46,921	141,117.71	4.4
2009	50,014	157,447.30	4.7
2010	53,489	188,472.42	5.4
2011	54,455	207,135.84	5.9
2012	46,294	241,769.33	5.2
2013	51,665	387,831.68	9.2
2014	77,251	504,005.19	10.9
2015	97,671	651,208.57	13.2

Source: Statistics and Data Warehouse Department, SBP

This table shows the list of no of account and amount for financing. Data is taken from Islamic Banking statistics from SBP. In 2005 no of accounts are in 2005 is 15961 and in 2006 was 22177 and total financing was 2.3 and it reached 13.2. If it will be continued financing will be reached the highest peak in Pakistan.

Table 15: List of Financing and Related Assets

Table 3: Financing Mix (% Share)		
	Mar-18	Jun-18
Murabaha	13.1	13.4
Ijarah	6.4	6.6
Musharaka	21.2	20.0
Diminishing Musharaka	32.4	33.7
Salam	2.5	2.8
Istisna	7.7	6.4
Others	16.7	17.1
Total	100.0	100.0

Source: Data obtained from Islamic Banking Bulletin 2018

In the following table, there are values of the mode of financing values measured in 2018. In terms of financing mix, Diminishing Musharaka was the leading mode of financing followed by Musharakah and Mudarabah show the Mudarabah values in financing 13.1 in march and 13.4 in Jun as well as other values. The mode of

financing total was 100.0. From March to Jun, there is a little bit of difference in values but in a good way, we can conclude that it will be continued it will be beneficial for the economy.

#### **Investment in Islamic Banking:**

Two essential standards of Islamic Banking are the sharing of benefit and misfortune, and the disallowance of the assortment and instalment of premiums by loan specialists. This table shows the amount of investment from the year 2005 to 2015 in Islamic Banking in 2005 there was only 0.2 investment share. As well year increased investment share increased and reached 6.8 in 2015.

#### **Assets and Liabilities:**

Bank resources are the physical and monetary property of a bank that a bank possesses. While a bank normally possesses the actual property (structures, land, furniture, gear), the majority of a bank's resources are monetary legitimate cases on the property or the abundance of others. The two most remarkable resource classifications are credits and reserves. in 2015 9.6 % of liabilities and resources were utilized.

Table 16: Lists of Liabilities and Assets of ISLAMIC BANKING

Year	Amount	% to Total Liabilities/Assets
2005	96,876.70	1.7
2006	158,191.00	2.1
2007	273,431.10	2.9
2008	352,550.72	3.8
2009	487,177.80	4.4
2010	621,203.92	5.3
2011	601,271.69	4.6
2012	1,063,778.46	6.6
2013	1,333,580.46	8.6
2014	1,502,220.71	8.5
2015	1,957,307.84	9.6

This table shows the list of assets and liabilities in Islamic Banking from the year 2005 to 2015.

#### **Weighted Average Rate on Return:**

The weighted typical profit from resources is the aggregate paces of return on the different sorts of material and non-material resources of an organization. The proportions weighted normal rate on return ahead of time was more from weighted normal rate return on stores."

Table 17: Weighted average rate of returns on advance and deposits

Year	Advances	Deposits
2005	9.99	2.70
2006	11.37	2.70
2007	11.39	3.95
2008	15.04	6.15
2009	14.47	5.32
2010	14.24	5.04
2011	14.02	5.29
2012	12.59	4.78
2013	8.78	4.82
2014	9.24	4.38
2015	8.46	4.38

Source: Statistics and Data Warehouse Department, SBP

In this table. The advanced amount was more than deposits in 2005 there is 9.99 advanced and 2.70 deposit was on the weighted average rate on return.

#### Selected ratio:

Proportion examination is a quantitative strategy for acquiring knowledge about an organization's liquidity, functional productivity, and benefit by looking at data contained in its budget summaries. Islamic Banking measurement contains various proportions of stores to liabilities, the proportion of funding to resources, the proportion of support to stores, and the proportion of speculation to stores.

Table 18: Lists of selected ratios of Islamic Banking in Pakistan

Year	The ratio of Deposits to Liabilities	The ratio of Financing to Assets	The ratio of Financing to Deposits	The ratio of Investment to Deposits
2005	51.25	47.72	93.12	3.65
2006	47.88	39.61	82.73	7.08
2007	49.92	37.31	74.72	20.26
2008	51.73	40.03	77.37	20.56
2009	54.26	32.32	59.56	22.10
2010	59.50	30.34	50.99	36.30
2011	83.41	34.45	41.30	48.00
2012	64.17	22.73	35.42	51.79
2013	61.80	29.08	47.06	43.45
2014	65.78	33.55	51.01	30.88
2015	63.28	33.27	52.57	37.29

Source: Statistics and Data Warehouse Department, SBP

The following table shows ratios that are increased with time ratios of deposits to liabilities are more than the other ratios which was 63.28 in 2015.

### Infrastructure:

Here is represented the infrastructure of Islamic Banking full-fledged Islamic schedule banks full-fledged Islamic schedule bank and standards alone for existing schedule banks in Pakistan and foreign countries.in Pakistan, Islamic Banking branches were more than in foreign countries. As shown in Table 19.

Table 19: Infrastructure of Islamic Banking in Pakistan and foreign countries.

ISLAM IC BANKI NG	Full-fledged Islamic Scheduled Banks		Full-fledged Islamic Scheduled Banks Branches		Stand-alone Branches of Existing Scheduled Banks		Total Islamic Branches
	Pakista n	Foreig n	Pakista n	foreign	Pakistan	foreig n	
Year							
2005	1	1	28	9	30	3	70
2006	3	1	82	11	57	-	150
2007	5	1	168	18	101	-	287
2008	5	1	279	29	125	-	433
2009	5	1	371	29	161	-	561
2010	5	-	472	-	215	-	687
2011	5	-	549	-	284	-	833
2012	5	-	650	-	359	-	1009
2013	5	-	771	-	434	-	1205
2014	5	-	921	-	545	-	1466
2015	5	-	1128	-	740	-	1868

Source: Statistics and Data Warehouse Department, SBP

The table shows the infrastructure of ISLAMIC BANKING. Pakistan and foreign country Islamic branches are measured which consist of full-fledged Islamic scheduled and standalone branches and total Islamic branches in foreign and in Pakistan. Pakistan has more Islamic Banking branches as shown in the above table.1868 Islamic branches are spread all over the world in 2015.

### Conclusion:

The fundamental motivation behind that section is, to summarize, the review. The Islamic Banking area is the main monetary area for financial development in Pakistan. Islamic banks are growing quickly because of premium free items. In 2005, 685 Islamic branches existed in Pakistan and presently 2685 Islamic Banking is working as per sharia law of monetary framework. Islamic stores structure the premise of monetary strength for Islamic banks Pakistani economy develops. The

piece of the pie of Islamic Banking industry resources in the general financial industry's resources was recorded at 12.9 percent toward the finish of June 2018. The portion of net support and interests in complete resources of the Islamic Banking industry remained at 53.3 percent and 22.4 percent, separately toward the finish of June 2018. Assuming that proceeded with Islamic Banking will fill the planet extremely quick. The job of Islamic social money accepts extraordinary importance, particularly in nations with high destitution levels among Muslims Shortly it will arrive at 1300 billion. By and by it gives a spine of monetary development as indicated by sharia.

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