HabibMetro

Sirat

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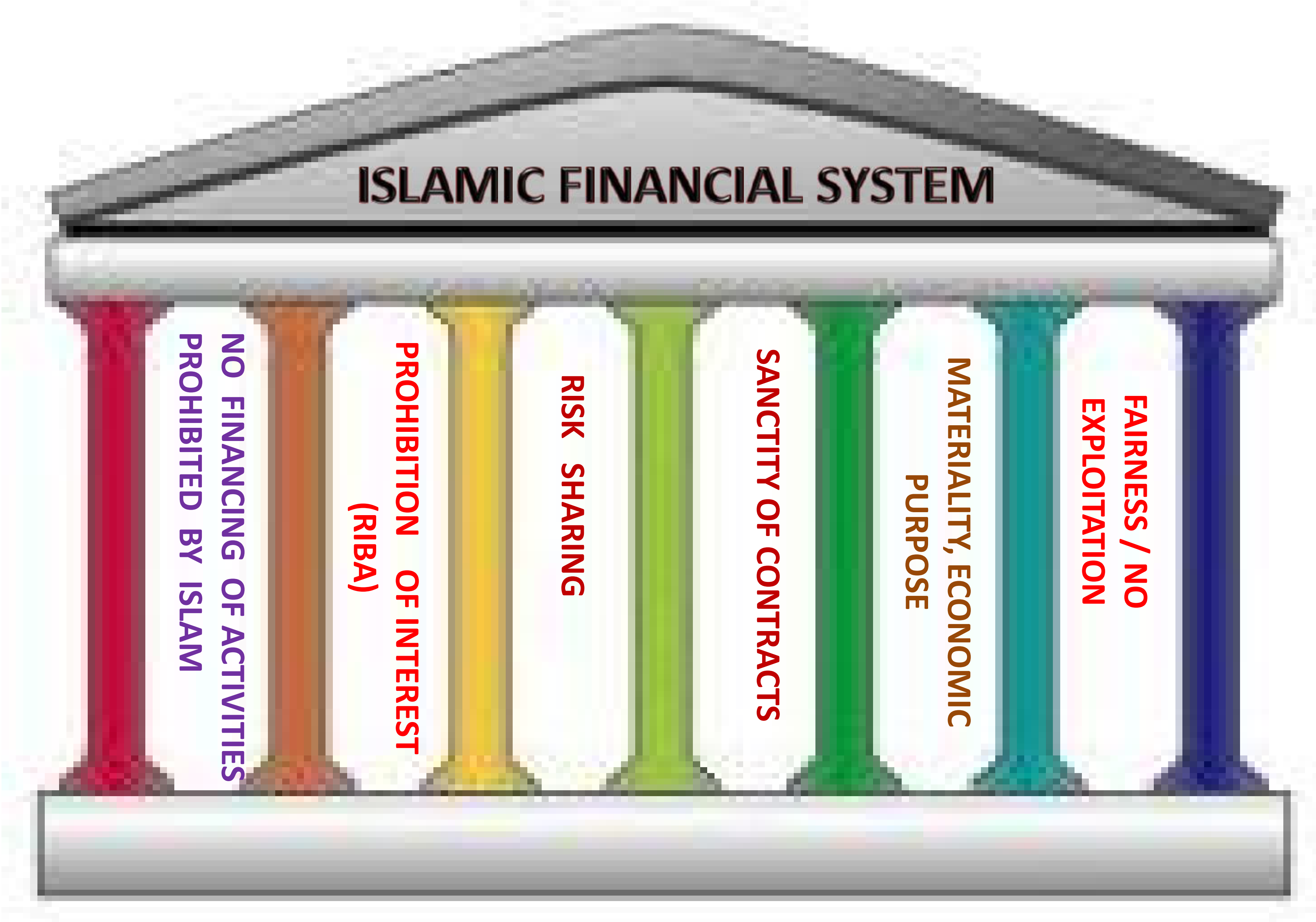
Difference Between Islamic and Conventional Banking

Islamic Financial System



Basic difference between an Islamic Bank and a Conventional Bank

Islamic Bank	Conventional Bank
1. The relation between Islamic bank & Customer is one of participation in risks and rewards. 2. There is no previously fixed return on the funds invested with the bank, and same is the case when banks provide funds. 3. An Islamic bank keeps capital funds and investors' funds segregated, in order not mix up the profit earned on its own funds (capital & current up) balances. 4. Islamic banks do not provide finance by offering cash loans, but through Musharakah etc 5. Islamic banking is primarily equity-based. 6. The Islamic system is value-oriented.	1. The relationship over here b/w bank and customer is that of debtors and creditors. 2. There is pre-agreed fixed return on the funds either provided by the bank or invested by the customer. 3. The conventional banks pool together all the funds. 4. The conventional banks offer provide finance totally by offering cash loans. 5. The conventional system is as a whole interest-based. 6. This system is value-neutral.

Conventional Banking (Product Details)

Asset Side Products

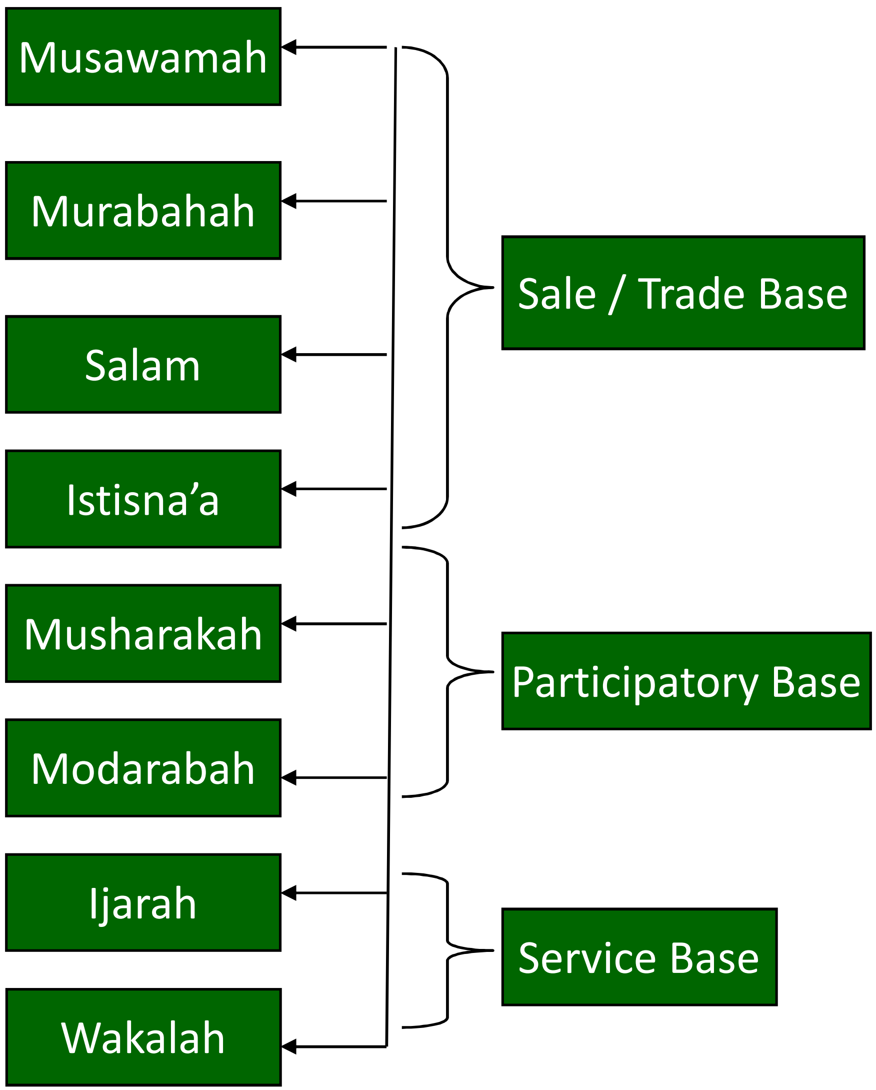
- Bank is the lender
- Client is the borrower

Liability Side Products

- Bank is the borrower
- Client is the lender

Islamic Banking (Product Details)

Asset Side Products



Liability Side Products