

## Objectives of Islamic Finance achieved by Islamic Banks

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### 1. Introduction

Islam provides guidance to its adherents in all phases and activities of life, in matters material as well as spiritual. Its basic teachings with regard to economics is mentioned in several passages of the Qur'an. Far from despising material well-being, it recognizes

﴿وَلَا تُؤْتُوا السُّفَهَاءَ أَمْوَالَكُمُ الَّتِي جَعَلَ اللَّهُ لَكُمْ قِيَامًا وَارْزُقُوهُمْ فِيهَا وَاكْسُوهُمْ وَقُولُوا لَهُمْ قَوْلًا مَعْرُوفًا﴾ (1)

that, "Do not give the feeble-minded your property that Allah has made a means of support for you, and do feed them from it, and clothe them, and speak to them in fair words... . . .";

The basic principle of Islamic Finance are prohibition of interest and usury in financial dealings (2), avoidance of Gharar (uncertainty) in a business transaction (3), avoidance of Myser (speculation) or any game of chance (4), profit and loss sharing (according to this principle an investor can earn return on his investment subject to risk of loss) (5) financing for only Halal (permitted) businesses (activities such as liquor, pork, pornography, adultery, dance clubs, conventional banking, etc. are unlawful) (6) Asset Based Financing (7) the Sanctity of contracts and preservation of property rights (8) To conclude Islamic financial system ensures justice between savers and investors.

A bank is a financial institution which deals in debts and credits. It accepts deposits, lends money and also creates money. It bridges the gap between the savers and borrowers. Banks are not merely traders in money but also in an important sense manufacturers of money..(9)

The definition of Islamic Banking presented by State Bank of Pakistan is :

Islamic banking has been defined as banking in consonance with the ethos and value system of Islam and governed, in addition to the conventional good governance and risk management rules, by the principles laid down by Islamic Shariah. Interest free banking is a narrow concept denoting a number of banking instruments or

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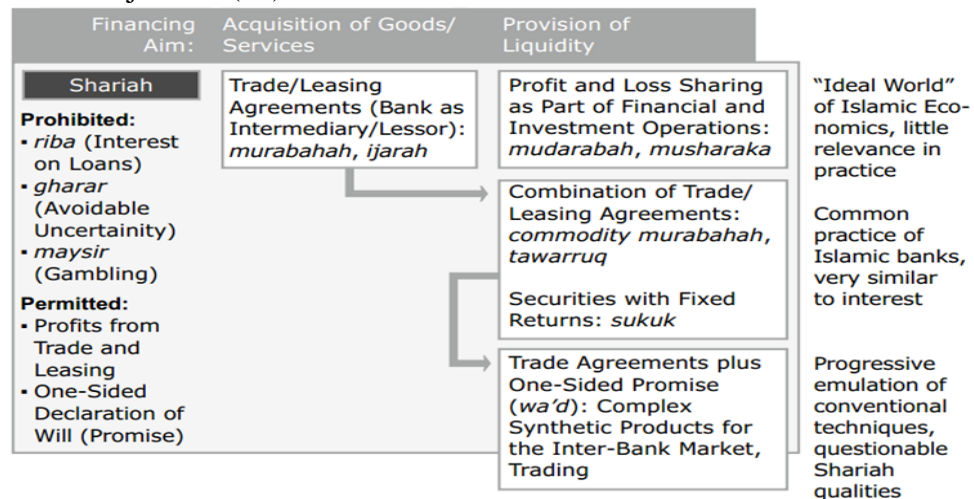
operations, which avoid interest. Islamic banking, the more general term is expected not only to avoid interest-based transactions, prohibited in the Islamic Shariah, but also to avoid unethical practices and participate actively in achieving the goals and objectives of an Islamic economy. (10)

المصرف الإسلامي هو مؤسسة مالية مصرفية تزاوّل أعمالها وفق أحكام الشريعة الإسلامية (11)

Islamic Bank is that financial Bank related to banking which deals all its financial activities according to Shariah.

Islamic Banks engage in investment activities based on *Musharakah* (equity participation) *Mudarabah* or *Qirad* (agencies), *Murabaha*, *Bai' Salam* (post delivery sale) and/or leasing arrangements especially for equipment. On the lending side, Islamic banks issued a number of new lending instruments such as *Al Muqarada* profit bonds to finance large projects and *Al-Mudarabah* certificates which were not issued for specified projects. Islamic banks practice conventional short term financing on a profit/loss basis.(12) And the prosperity of humanity is the main goal of Islamic economic system. (13). The prohibition of Riba and permission to trade, as enshrined in verse(14) of the Holy Qur'an [Allah has allowed (profit from) trade and prohibited Riba], drive the financial activities in an Islamic economy towards asset-backed businesses and transactions.(15)

However, it would be quite unfair to limit Islamic banking to elimination of Riba only. Riba is but one of the major undesirable elements of an economic transaction, the others being Gharar (risk or uncertainty) and Qimar (speculation). While elimination of these objectionable aspects in a transaction is indeed a critical aim of Islamic banking, it is by no means its ultimate objective. (16)



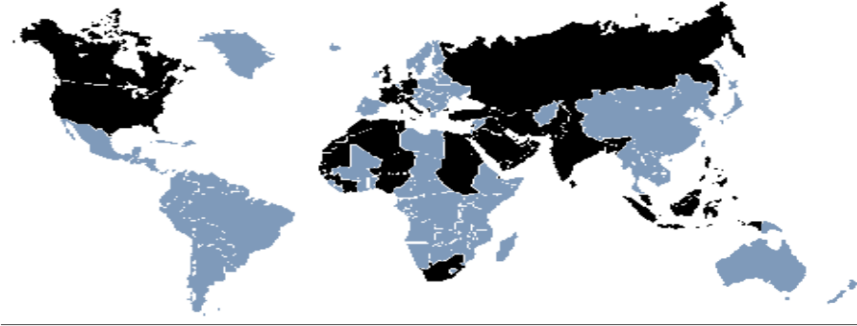
### Figure 1.1 Philosophy of Islamic Finance

SOURCE: Volker Nienhaus, Fundamentals of an Islamic economic system compared to the social market economy a systematic overview, KAS INTERNATIONAL REPORTS 11(2010)

As with all things Islamic, the origination of Islamic finance goes back to the time of Prophet Muhammad (Peace be upon Him). The Prophetic example was the very epitome of fair-trade. Refraining from usury, ensuring transparency in transactions, and total honesty entitled him Al-Amin (The trustworthy) in pre-Islamic Arabia. (17) Goes back to the time of the Prophet Muhammad (Peace be upon Him). At that time people deposited money with the Prophet Muhammad (Peace be upon Him) or with Abu Bakr Siddique (May Allah be pleased with Him), the first caliph of Islam. (18) (After its first introduction on experimental basis in a small town of Egypt in 1963, many Islamic Banks, both with letter and spirit, were established in the Middle Eastern and Asian regions. The growth of Islamic banking has been increasing ever since, not only in terms of number of countries it is operating in but also in terms of areas of finance it has ventured in. (19)

In three decades, Islamic banks have grown in number as well as in size worldwide and are being practiced on even more intensive scale. Some countries like Sudan and Iran, have converted their entire banking system to Islamic banking. Today, Islamic banks are operating in more than sixty countries. (20) These banks were functioning essentially as saving-investment institutions rather than as commercial banks. Although its charter made no reference to Islam or Shari'ah (Islamic law), Nasir Social Bank, established in Egypt in 1971, was declared an interest-free commercial bank. (21)

Islamic finance has grown significantly over the years in every corner of the globe. Growing by more than 10 percent per annum over the past decade, it has become a noticeable part of the international financial system. Globally the value of Islamic financial assets has increased from \$ 150 billion in the mid 1990s to about \$1.72 trillion by end 2013. Growth has been mainly driven by growing demand for Shariah compliant products and services. Islamic Banking dominates the global Islamic finance industry, representing about 80 percent of total Islamic financing assets. The main growth areas include Saudi Arabia, Qatar, Kuwait, Iran, Indonesia, Malaysia, UAE and Turkey. The growth is however, not restricted to Muslim countries, as Islamic banking is gradually making inroads in the Western markets and is complementing conventional financing. There is a presence of large numbers of Islamic banks and growing interest of conventional banks to open up separate Islamic windows (22)



Source: The Institute of Islamic Banking and Insurance ([www.islamic-banking.com](http://www.islamic-banking.com)).  
 Note: Islamic financial products are available in the countries that are coloured black.

Figure 1.2 The Presence of Islamic Financial Products in the whole Globe

### **Objectives of Islamic Finance:**

In the present study Objectives of Islamic Finance is presented under three heads namely 1) religious objectives i.e collecting and distributing Zakat 2) Social objectives i.e alleviation of poverty and removing social inequalities 3) Economical objectives i.e maximization of profit , , promotion of sustainable projects , minimizing cost of operation , enhancing product and service quality and offering competitive financial products.

In Islam the main objective of economical activities is to provide maximum economical things which will be helpful to maximize profit . (23) (24) (25) Further Quran says that Islamic Finance should protect the interest of the deprived and Oppressed i.e to revolve the money in all the sects of the society in order to alleviate poverty. (26) (27)

It is quoted in the Constitution of Pakistan 1973 that the State Shall secure the well-being of the people, irrespective of sex, caste, creed or race, by raising their standard of living, by preventing the concentration of wealth and means of production and distribution in the hands of a few to the detriment of general interest and by ensuring equitable adjustment of rights between employers and employees, and landlords and tenants (28)

In stressing on the promotion of sustainable projects and minimizing cost of Operation Quran (29) (30) suggest that one of the goal of Islamic Finance is enhancing the product and service quality and for this Islamic Finance offers competitive financial products. These two goals are related with the concept that a muslim should search for the Fazal of Allah . (31)

Zakat is one of the five Arakeen (component ) of Islam. Some Quranic verses are filled with stressing in the importance of Zakat (32) and for the distribution of Zakat there is a content in Hadith which shows that it is the duty of an Islamic Finance to distribute Zakat. (33)

It is also one of the duties of the Islamic Finance to remove the Social inequalities by creating an economic justice in all the sects of the society.

### **1.1 Problem Statement**

Since Islamic Banking is still in a growing stage in Pakistan, there are many aspects affecting its growth, the major being the employees that convince customers, family and friends through internal marketing to opt for Islamic Banking services, therefore, they have to be convinced, trained, educated themselves first.

### **1.2 Objectives:**

The Objectives of the Study are:

- i. To evaluate the perceptions of Bankers in Islamic Banks of Pakistan towards social Objectives of Islamic Finance like maximization of profit , alleviation of poverty , and removing social inequalities.
- ii. To elicit the perceptions of Bankers in Islamic Banks of Pakistan towards economical objectives of Islamic Finance like promotion of sustainable projects , minimizing cost of operation, enhancing product and service quality and offering viable and competitive products.
- iii. To gauge the perceptions of Bankers in Islamic Banks of Pakistan towards religious Objectives of Islamic Finance like Collecting and distributing Zakat

## **2. Literature Review:**

Dusuki and Abdullah (34) represented a distinctive feature of Islamic Banks which was its religious and social responsibility. This responsibility was portrayed in its Commercial dealings and other activities. The Study argued that the prohibition of riba together to the noble vision to promote social-welfare of the society forced banking to new methods of operation that was profit and loss sharing (PLS) arrangements.

Hareem Nayyar Khan and Nadia Asghar( 35) commented that it would take more time to achieve religious , social and economical objectives of Islamic Finance by Islamic Banks in Pakistan. They surveyed that most of the participants were of the point of view that since it has not been so long that Islamic Banking had been started in Pakistan , poverty reduction , proper wealth distribution and investments directly or indirectly in development projects will increase with time , improving the overall economy.

Dr. Shahid Hassan Siddique( 36 ) argued that the objective of Islamic Banking system was a part of overall Islamic value system and was not merely refraining from interest-based transaction. The main objective of IBS was to make a positive contribution to the fulfillment of the socio-

economic objectives of the society in all spheres , including trade , industry and agriculture etc.

## 2.1 Theoretical Framework:

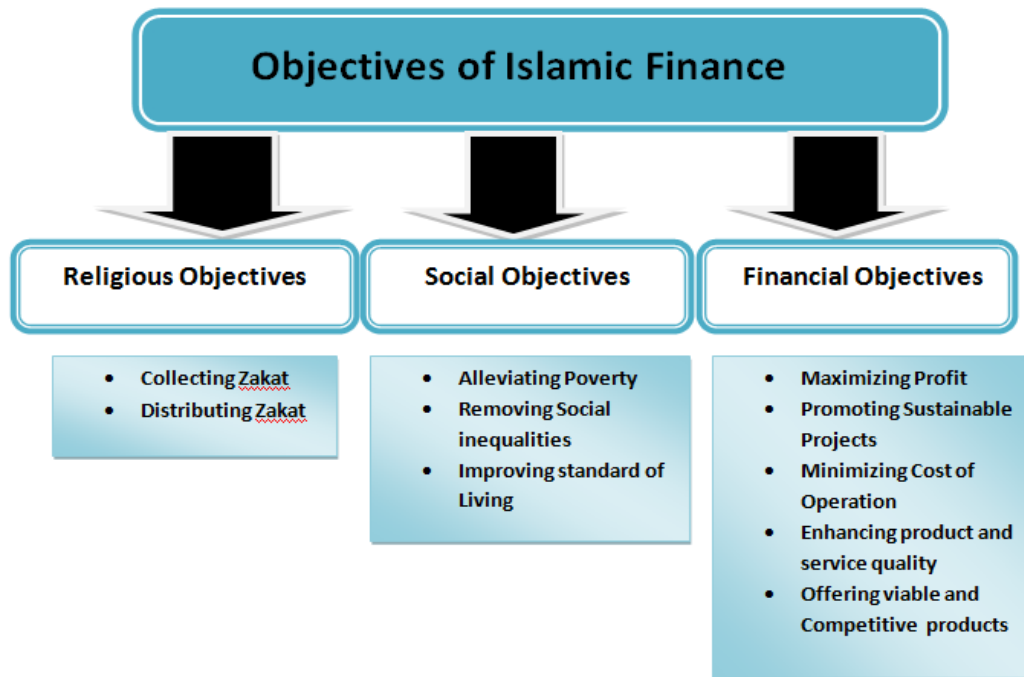


Figure 1.3 Theoretical Framework of the Study

## 3. Methodology :

This part explains the methodology used for this research study. The major research question for this study is to gauge the bankers' perception on Islamic banking in Pakistan. Quantitative research shows the hypothesis-testing research, whereas this research also uses the quantitative research approach due to explanatory nature of the problem. In this research survey was conducted on different banks to collect the information. A structured questionnaire was developed to record the responses. The study was survey type on the basis of probability sampling methods which according to Connolly (37) serves as the foundation of all statistical tests.

Sample was taken from the five districts of southern Punjab and thus, sample was spread, large and ideally representative of the population because according to Best and Kahn (38) in survey research the sample would be larger enough than experimental researches to represent the population. After determining the target population size in selected five districts, sample was calculated with the help of statistical formula at confidence level 95% (margin error 5%). The population of employees working in the five full fledged Islamic Banks are 20401(39) To conduct the observational survey of this research, a sample of 381 participants

(employees) were selected. The size of sample was rationalized as Sample Calculator(40) that suggest to select from the size of population i.e. the size of sample should be 377 as appropriate. However the researcher has taken 381 participants as focused sample for this research, which is slightly above to the actual suggested by the site just to maintain if any error of counting representation accuracy.

Table 1.1 Description of number of employees and branches

Sr No	Bank's Name	Number of employees	Number of Branches
1	Meezan Bank	6,248	351
2	Bank e Islami	1,520	201
3	Dubai Islamic Bank	1,969	125
4	Burj Bank	773	75
5	Al Barakah Bank	9,891	479
Total		20,401	1,231

Table 1.2 Geographical presentation of Branches of selected Islamic Banks

Banks' Name	BAHAWALPUR	BAHAWAL NAGAR	MULTAN	RAHIM YAR KHAN	VEHARI	Total
Meezan Bank Pakistan Limited	4	3	10	4	1	22
Albaraka Bank Pakistan limited	1	0	3	2	1	7
Banke Islami Pakistan	1	0	1	1	0	3
Alburj Bank Pakistan limited	0	0	1	1	0	2
Dubai Islami Bank Pakistan limited	1	0	2	1	0	4
Total	7	3	17	9	2	38

In table 1.2 a geographical presentation of the branches of selected five full fledged banks from selected districts has been presented here which shows that there are 38 branches located in the selected area.

The sampling technique was convenient sampling. Questionnaires were personally distributed to Islamic Banks and all the questions were answered and since all questionnaires were self-administered, they were all filled by the employees.

Table 1.3 Bank wise and District wise Distribution of the Number of Respondents

Sr. No.	Bank	N	%age	District	N	%age
1	Meezan bank	241	63.3	Bahawalpur	84	22.0
2	Bank e islami	44	11.5	Bahawal Nagar	24	6.3
3	Al baraka bank	48	12.6	Multan	80	21.0
4	Dubai islamic bank	32	8.4	Rahim Yar Khan	173	45.4
5	Burj bank	16	4.2	Vehari	20	5.2
7	Total	381	100.0	Total	381	100.0

Table 1.4 Area wise and Gender wise Ratio of Respondents

Sr.No	Area	N	%age	Gender	N	%age
1	Urban	328	86.1	Male	322	84.5
2	Rural	53	13.9	Female	59	15.5
3	Total	381	100.0	Total	381	100.0

Table 1.3 and 1.4 describe the percentage and frequencies of the Respondents District wise , Bank wise , Area wise and gender wise.

Table 1.5 Age, Educational Qualifications and training description of the respondents.

Sr.No	Age	N	%age	Edu Qualification	N	%age	Training	N	%age
1	20-30	263	69.0	Graduation	163	42.8	Yes	271	71.1
2	31-40	82	21.5	masters	194	50.9	No	110	28.9
3	41-50	26	6.8	m phil/PhD	24	6.3			
4	51-60	10	2.6						
5	Total	381	100.0	Total	381	100.0	Total	381	100.0

The questionnaire consists of two sections in it, where initial part was to distinguish and record the demographic information of the respondents of Islamic bank. Section two is divided under three heads ; each head contains

single proposition. Different questions were designed to support a proposition.

Table 1.6 Description of the five points likert scale of Research Tool

1	2	3	4	5
Very Satisfied	Satisfied	Neutral	Dissatisfied	Very Dissatisfied

The researcher collected data from selected sample of the research population where it was possible in each district of the province. Prior consent from the participants and institution of this was taken before to embark upon the collection of data.

The collected data was analyzed with the help of software Statistical Package for Social Sciences (SPSS) version 17 by using statistical formulas of frequencies and percentage. The perception of employees of Islamic Banks was analyzed item wise and as a whole also. After obtaining results from the analysis, the findings were reported and on the basis of these findings, appropriate measures were suggested to propose recommendations for further improvement of the existing standards of Islamic Banking system in Pakistan.

#### 4. Analysis:

Proposition 1 : The religious objectives of Islamic Finance is being achieved by Islamic Banks in Pakistan according to the perception of employee's working in five full fledged Islamic Banks of Pakistan.

Table 1.7 Analysis of the perception of employees that Islamic Banks in Pakistan are achieving the objectives of Islamic Finance by collecting and distributing Zakat.

Sr.No	Is Islamic Banking achieving the objectives of Islamic finance by collecting and distributing Zakat?	N	%
1	Very Satisfied	104	27.3
2	Satisfied	142	37.3
3	Neutral	101	26.5
4	Dissatisfied	19	5.0
5	Very Dissatisfied	15	3.9
6	Total	381	100.0

Seventh principle is the the collection and distribution of Zakat and the analysis of the perception of the employees is presented in Table 4.24 and its picturesque description is presented in Figure 4.23. The percentage of the satisfaction and dissatisfaction level is presented as: 27.3% of the respondents were very satisfied with the perception that Islamic Banks collect and distribute Zakat, 37.3% were satisfied , 26.5% were neutral , 5% were dissatisfied while 3.9 were very dissatisfied with this perception. The

frequency of the respondents is ; out of 381 respondents ,104 respondents were very satisfied , 142 were satisfied , 101 were neutral , 19 respondents were dissatisfied and 25 were very dissatisfied. In this segment the satisfaction level of the employees is again at the highest point.

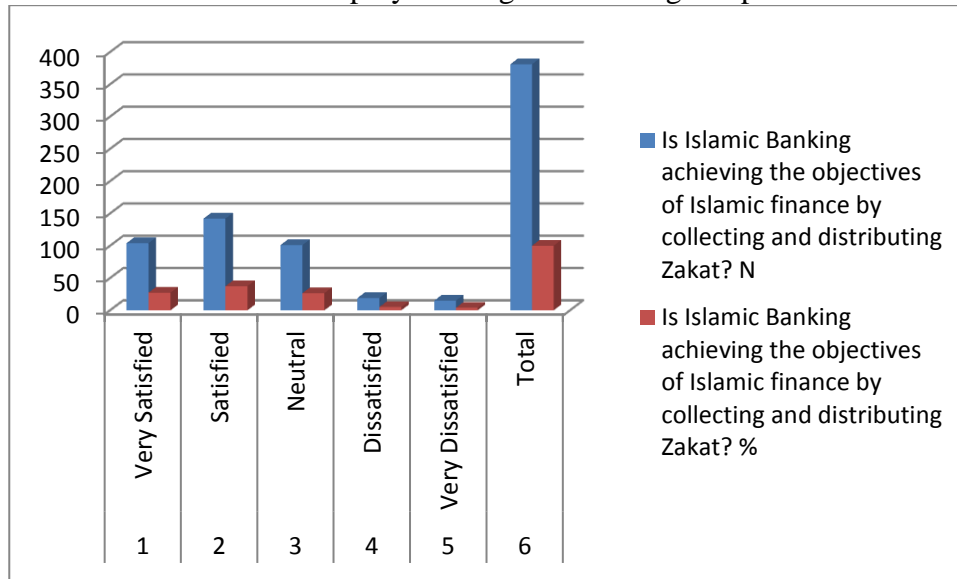


Figure 1.4 Description of the perception of employees that Islamic Banks in Pakistan are achieving the objectives of Islamic Finance by collecting and distributing Zakat.

Proposition 2 : The social objectives of Islamic Finance is being achieved by Islamic Banks in Pakistan according to the perception of employee's working in five full fledged Islamic Banks of Pakistan.

Table 1.8 Analysis of the perception of employees that Islamic Banks in Pakistan are achieving the objectives of Islamic Finance by helping to alleviate poverty

Sr.No	Is Islamic Banking achieving the objectives of Islamic finance by helping to alleviate poverty?	N	%
1	Very Satisfied	64	16.8
2	Satisfied	154	40.4
3	Neutral	115	30.2
4	Dissatisfied	47	12.3
5	Very Dissatisfied	1	.3
6	Total	381	100.0

The second principle is helping to alleviate poverty and the analysis of the perception of the employees is presented in Table 4.19 and its picturesque description is presented in Figure 4.18. The percentage of the satisfaction and dissatisfaction level is presented as: 16.8% of the respondents were very satisfied with the perception that Islamic Banks help to alleviate

poverty , 40.4% were satisfied , 30.2% were neutral , 12.3% were dissatisfied while .3% were very dissatisfied with this perception which shows that 12.6% did not think that Islamic Banks maximize profit. The frequency of the respondents is ; out of 381 , 64 respondents were very satisfied , 154 were satisfied , 115 were neutral , 47 were dissatisfied and one respondents was very dissatisfied. In this segment the satisfaction level of the employees is again at the highest point. Here is an important thing to quote that 30.2% remained neutral which shows that they have no idea whether the Islamic Banks are helping to alleviate poverty or not

Table 1.9 Analysis of the perception of employees that Islamic Banks in Pakistan are achieving the objectives of Islamic Finance by contributing in removing society's inequalities and improving general standard of living .

Sr.No	Is Islamic Banking achieving the objectives of Islamic finance by contributing in removing society's inequalities and improving general standard of living ?	N	%
1	Very Satisfied	71	18.6
2	Satisfied	149	39.1
3	Neutral	101	26.5
4	Dissatisfied	52	13.6
5	Very Dissatisfied	8	2.1
6	Total	381	100.0

Eighth principle is the the contribution in removing society's inequalities and improving general standard of living and the analysis of the perception of the employees is presented in Table 4.25 and its picturesque description is presented in Figure 4.24. The percentage of the satisfaction and dissatisfaction level is presented as: 18.6% of the respondents were very satisfied with the perception that Islamic Banks collect and distribute Zakat, 39.1% were satisfied , 26.5% were neutral , 13.6% were dissatisfied while 2.1 were very dissatisfied with this perception. The frequency of the respondents is ; out of 381 respondents ,71 respondents were very satisfied , 149 were satisfied , 101 were neutral , 52 respondents were dissatisfied and eight were very dissatisfied. In this segment the satisfaction level of the employees is again at the highest point.

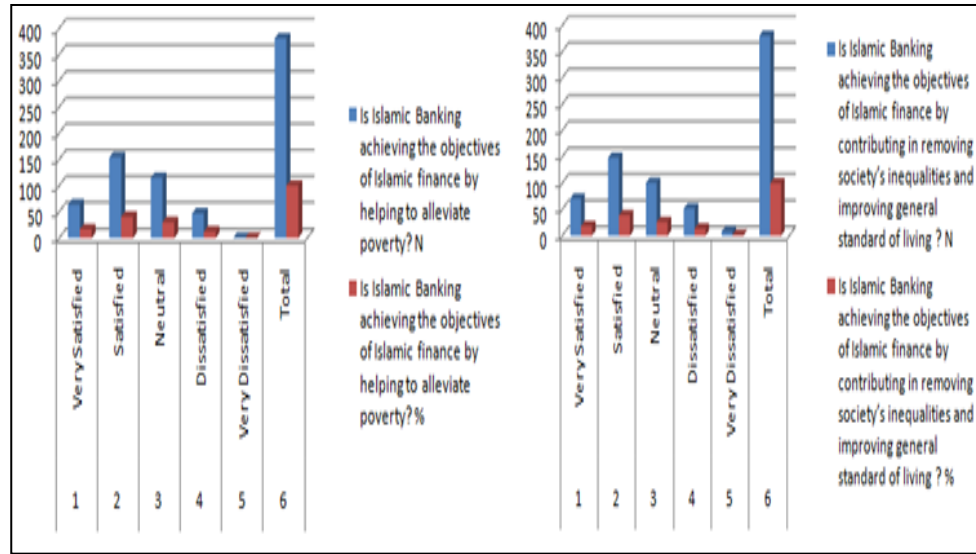


Figure 1.5 Description of the perception of employees that Islamic Banks in Pakistan are achieving the Social objectives of Islamic Finance by helping to alleviate poverty and contributing in removing society's inequalities.

Proposition 3 : The economical objectives of Islamic Finance is being achieved by Islamic Banks in Pakistan according to the perception of employee's working in five full fledged Islamic Banks of Pakistan.

Table 1.10 Analysis of the perception of employees that Islamic Banks in Pakistan are achieving the objectives of Islamic Finance by maximizing Profit

Sr.No	Is Islamic Banking achieving the objectives of Islamic finance by maximizing profits(good percentage of return to investors)?	N	%
1	Very Satisfied	80	21.0
2	Satisfied	197	51.7
3	Neutral	75	19.7
4	Dissatisfied	25	6.6
5	Very Dissatisfied	4	1.0
6	Total	381	100.0

Islamic Banking System is a part of Islamic Finance . And the main purpose to put its foundation was to promote Islamic economic and Finance in Pakistan. Quaid e Azam Muhammad Ali Jinnah said:



Figure 1.6 The picture of Quaid e Azam

The Western world, in spite of its advantages of mechanization and industrial efficiency is today in a worse mess than ever before in history. The adoption of Western economic theory and practice will not help us in achieving our goal of creating a happy and contented people. We must work our destiny in our own way and present to the world an economic system based on true Islamic concept of equality of manhood and social justice. We will thereby be fulfilling our mission as Muslims and giving to humanity the message of peace which alone can save it and secure the welfare, happiness and prosperity of mankind.”(41)

So the study gives a bird’s eye view of the perception of the employees working in five full fledged Islamic Banks of Pakistan about the principles of Islamic Finance that either they are achieved by Islamic Banks or not.

The first principle is the maximization of the profit and the analysis of the perception of the employees is presented in Table 4.18 and its picturesque description is presented in Figure 4.17. The percentage of the satisfaction and dissatisfaction level is presented as: 21.0% of the respondents were very satisfied with the perception that Islamic Banks maximize profit , 51.7% were satisfied , 19.7% were neutral , 6.6% were dissatisfied while 1% were very dissatisfied with this perception which shows that 7.6% did not think that Islamic Banks maximize profit. The frequency of the respondents is ; out of 381 , 80 respondents were very satisfied , 197 were satisfied , 75 were neutral , 25 were dissatisfied and 4 respondents were very dissatisfied. In this segment the satisfaction level of the employees is again at the highest point.

Table 1.11 Analysis of the perception of employees that Islamic Banks in Pakistan are achieving the objectives of Islamic Finance by promoting sustainable development Projects

Sr.No	Is Islamic Banking achieving the objectives of Islamic finance by promoting sustainable development projects?	N	%
1	Very Satisfied	52	13.6
2	Satisfied	209	54.9
3	Neutral	103	27.0
4	Dissatisfied	14	3.7
5	Very Dissatisfied	3	.8
6	Total	381	100.0

Third principle is the promotion of sustainable projects and the analysis of the perception of the employees is presented in Table 4.20 and its picturesque description is presented in Figure 4.19. The percentage of the satisfaction and dissatisfaction level is presented as: 13.6% of the respondents were very satisfied with the perception that Islamic Banks promote sustainable projects, 54.9% were satisfied, 27.0% were neutral, 3.7% were dissatisfied while .8% were very dissatisfied with this perception which shows that 4.5% did not think that Islamic Banks promote sustainable projects. The frequency of the respondents is ; out of 381, 52 respondents were very satisfied, 209 were satisfied, 103 were neutral, 14 were dissatisfied and three respondents were very dissatisfied. In this segment the satisfaction level of the employees is again at the highest point. Table 1.12 Analysis of the perception of employees that Islamic Banks in Pakistan are achieving the objectives of Islamic Finance by minimizing cost of Operation.

Sr.No	Is Islamic Banking achieving the objectives of Islamic finance by minimizing cost of operations?	N	%
1	Very Satisfied	56	14.7
2	Satisfied	179	47.0
3	Neutral	118	31.0
4	Dissatisfied	26	6.8
5	Very Dissatisfied	2	.5
6	Total	381	100.0

Fourth principle is the minimization of the cost of profit and the analysis of the perception of the employees is presented in Table 4.21 and its picturesque description is presented in Figure 4.20. The percentage of the satisfaction and dissatisfaction level is presented as: 14.7% of the respondents were very satisfied with the perception that Islamic Banks minimize the cost of operations, 47.0% were satisfied, 31.0% were neutral, 6.8% were dissatisfied while .5% were very dissatisfied with this perception which shows that 7.3% did not think that Islamic Banks minimize the cost of operations. The frequency of the respondents is ; out of 381, 56 respondents were very satisfied, 179 were satisfied, 118 were neutral, 26

were dissatisfied and two respondents were very dissatisfied. In this segment the satisfaction level of the employees is again at the highest point.

Table 1.13 Analysis of the perception of employees that Islamic Banks in Pakistan are achieving the objectives of Islamic Finance by enhancing Product and Service quality.

Sr.No	Is Islamic Banking achieving the objectives of Islamic finance by enhancing product and service quality?	N	%
1	Very Satisfied	107	28.1
2	Satisfied	184	48.3
3	Neutral	85	22.3
4	Dissatisfied	1	.3
5	Very Dissatisfied	4	1.0
6	Total	381	100.0

Fifth principle is the enhancement in the product and service quality and the analysis of the perception of the employees is presented in Table 4.22 and its picturesque description is presented in Figure 4.21. The percentage of the satisfaction and dissatisfaction level is presented as: 28.1% of the respondents were very satisfied with the perception that Islamic Banks enhance the product and service quality, 48.3% were satisfied, 22.3% were neutral, .3% were dissatisfied while 1.0% were very dissatisfied with this perception which shows that 1.3% did not think that Islamic Banks enhance the product and service quality. The frequency of the respondents is ; out of 381, 107 respondents were very satisfied, 184 were satisfied, 85 were neutral, one respondent was dissatisfied and four respondents were very dissatisfied. In this segment the satisfaction level of the employees is again at the highest point.

Table 1.14 Analysis of the perception of employees that Islamic Banks in Pakistan are achieving the objectives of Islamic Finance by offering viable and competitive financial products.

Sr.No	Is Islamic Banking achieving the objectives of Islamic finance by offering viable and competitive financial products?	N	%
1	Very Satisfied	114	29.9
2	Satisfied	194	50.9
3	Neutral	67	17.6
4	Dissatisfied	6	1.6
5	Very Dissatisfied	0	0
6	Total	381	100.0

Sixth principle is the offer of the viable and competitive financial products and the analysis of the perception of the employees is presented in Table 4.23 and its picturesque description is presented in Figure 4.22. The percentage of the satisfaction and dissatisfaction level is presented as:

29.9% of the respondents were very satisfied with the perception that Islamic Banks offer viable and competitive financial products , 50.9% were satisfied , 17.6% were neutral while 1.6% were dissatisfied with this perception. The frequency of the respondents is ; out of 381 ,114 respondents were very satisfied , 194 were satisfied , 67 were neutral and six respondents were dissatisfied. In this segment the satisfaction level of the employees is again at the highest point.

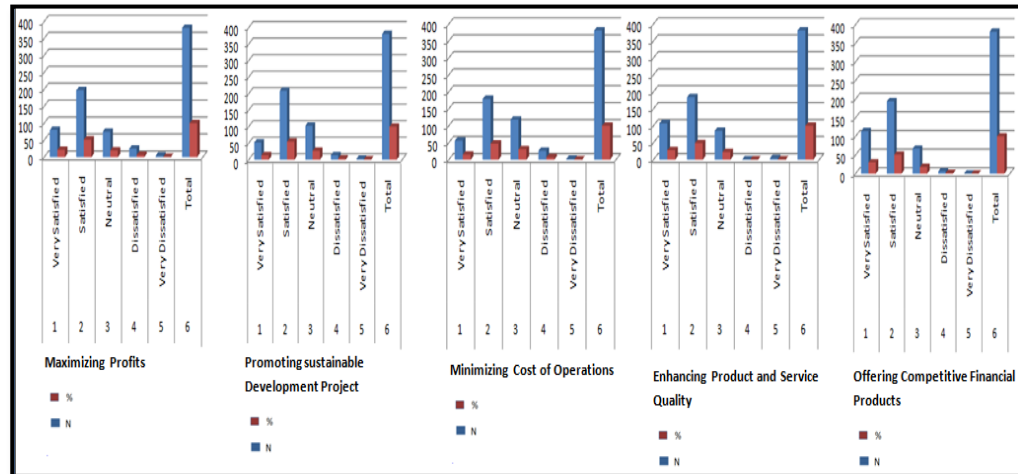


Figure 1.7 Description of the perception of employees that Islamic Banks in Pakistan are achieving the Financial objectives of Islamic Finance by maximizing profit, promoting sustainable development project, minimizing cost of operation, enhancing product and service quality and offering competitive financial products.

#### 4.1 Discussion:

The present study shows that Islamic Banking is following the objectives of Islamic Banking and Finance by maximizing profit (21.0%+51.7%=72.7% satisfied with this statement) , poverty eradication(16.8%+40.4%=57.2% satisfied with this statement ) , promoting sustainable projects 13.6%+54.9%=68.5% satisfied with this statement ) , minimizing cost of operation (14.7%+47.0%=61.7% satisfied with this statement ) , enhancing product and service quality (28.1%+48.3%=76.4% satisfied with this statement) , offering competitive and viable financial products 29.9%+50.9%=80.8% satisfied with this statement) , collecting and distributing Zakat(27.3%+37.3%=64.6% satisfied with this statement ) and removing the social inequalities(18.7%+39.1%=57.7% satisfied with this statement).

There are some of the studies which propose the objectives of the Islamic Banking and Finance essential as a whole as well as in the separate segments. In this regard, Khan et al., (42) highlight that Islamic banks should promote Islamic principles because the main reason of people's

preference for these banks is their religious beliefs. While Hareem Nayyar Khan and Nadia Asghar (43) document that the Islamic Banks are achieving their goals by following the objectives of Islamic Finance.

On the other hand, Lewis and Algaud (44) and Satkunsegaran (45) propose Ismail's (46) model, which stresses that Islamic banks should aim at maximising profits like normal commercial banks as long as it is done according to Islamic law.

Khan and Bhatti (47) also highlight that doing business with weaker groups and the poor is the unique feature of Islamic banking and, to promote sustainable economic growth, it specializes in financing small and medium sized enterprises.

Other studies, such as Sadr (48); Siddiqi (49); Ahmad (50); Haron (51); Ahmad (52); Chapra (53)(54); Siddiqi (55); Haron and Hisham (56); and Dusuki and Abdullah (57) argue about the role played by Islamic banks in society. These studies report that Islamic banks not only offer profit and loss based products but also promote social welfare in the society.

## **5. Conclusion:**

Although Islamic Banking has shown tremendous growth during the first decade of 21<sup>st</sup> Century globally and an equally very healthy growth in Pakistan, however, this growth is still not consistent with the potential, keeping in view the religious associations of Muslims (96% of population) with this industry. This research was conducted to gauge the perception of employees, of five full fledged Islamic Banks of Pakistan, about Religious Objectives of Islamic Finance, Social Objectives of Islamic Finance and Economical objectives of Islamic Finance. The study adopted the methodology of questionnaire survey (all the questions are close-ended to make the respondents answered them easily) to give their perception on the related issues. 381 questionnaires dealing with the Islamic Banking were distributed to bankers in the five districts of Southern Punjab. The data collected from the selected sample is analyzed and interpreted through SPSS version.17. The results revealed that bankers in Islamic Banks have a strong positive perception on the mentioned issues. Interestingly, few of the Bankers possessed a relevant academic background or relevant experience in Islamic Banking before embarking on this career.

The results reveal that the majority of the respondents regard Islamic banks as entities with distinctive characteristics which distinguish them from their counterparts. The respondents also regard Islamic banking as an interest free system that may serve different roles in society; in particular, they perceive Islamic banks as financial institutions characterised by ethical norms. As Islamic organizations, Islamic Banks are accountable to Allah

and to the communities in which they operate and have a duty to be transparent in all their activities.

### **5.1 Challenges and Controversies:**

It is unquestionable fact that Islamic banking , a phenomenon , has taken the financial world by storm. Its continuous growth has attracted even more interest into it. Some of the challenges that the Islamic banking industry faces today includes: Low Islamic Banking Literacy (emerging field, misconceptions) , shortage of trained Human Resource in Islamic banking & finance , Limited number of Shariah Scholars , Low Product Innovation and diversification , Absence of a separate Regulatory, Legal & Risk Management , Islamic Pricing Benchmarks , Lack of adequate legislative Framework , Lack of developed Islamic Money Market and Capital Market

### **5.2 Limitations:**

This study had some limitations as researcher was not capable to distribute the questionnaire all over the country, time period to carry out the study was very limited, some of the respondents did not answer the questions seriously, sample size was limited, which cannot be easily generalizable to the whole population and all respondents cannot retain same level of precision in answering the questions due to lack of time and concern. It may create slight divergence to some extent in formulating conclusions.

### **5.3 Future Research**

This research can be expanded further to gauge the perceptions of employees in Islamic banks as well as in conventional banks throughout Pakistan. Proper investigation through interviews and surveys to judge the perception of the employees and another research can be conducted after few years to check the perception of employees if there has been a change in it or not.

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