

## **Al-Saudia Virtual Academy**

### **Pakistan Online Tuition – Online Tutor Pakistan**

#### **DISTINGUISH BETWEEN ISLAMIC BANKING AND INTERNATIONAL (INTEREST BASED) BANKING**

The real aim objectives of establishing Islamic Banks are to put the Islamic economic system into practice through banking and financial institution, these banks operate within the frame work of Shariah, and their system and procedures are tailored to meet the challenges posed by the present complex and competitive markets. At present there are about one hundred Islamic banks and financial Institution in different parts of the world.

#### **INTERNATIONAL BANKING SYSTEM**

Banking is harsh when the borrower Suffers loosed or the value of Security is depreciated, but they soften the terms of advances when Borrowers are prospering.

The wealthiest and most powerful Capitalist operates through these banks.

Imbalance situation has been created in various sector of the economy, because the Flow of credits is largely connected with the income generated from the advances, even ignoring the priority sector.

Smaller number of borrowers has been greatly benefited at the cost of large number of depositors. Banks generally act in the Interest of their major clients due to their high Credit rating.

Contribute to create inflationary tendency.

#### **ISLAMIC BANKING SYSTEM**

Contribute towards economic development and Prosperity within the doctrine of Islamic justice and offer alternate financial system, which steers Clear of interest.

Restrict financial to activities, which are ethical and socially desirable.

Sympathize with those who most need funds, or are in temporary distress or who suffer business looses. This is done by the profit and lose sharing Zakat and Beneficent loans.

Pass on the earned profits by businessman from banks financing to a large number of Depositor / investor who place their funds with them.

Check inflection and create capacity to absorb Shocks in recession.

**NOTE:**

The international (interest based) system of banking is now centuries old and has developed over year on the basis of research and experience. The Islamic banking system has however yet to mature, and undoubtedly future will be impatient to witness its success and glory coupled with service and satisfaction of humanity.