ISLAMIC BANKING: FORMALLY SHARIAH-COMPLIANT, FUNCTIONALLY CONVENTIONAL

Mansoor Khan *

* UniSA Business School, University of South Australia, Adelaide, Australia
Contact details: UniSA Business School, University of South Australia, P. O. Box 2471, Adelaide, SA 5001, Australia

OPEN ACCESS

How to cite this paper: Khan, M. (2025). Islamic banking: Formally Shariah-compliant, functionally conventional. *Corporate Ownership & Control*, *22*(4), 78–88. https://doi.org/10.22495/cocv22i4art7

ISSN Online: 1810-3057
ISSN Print: 1727-9232

Received: 14.02.2025
Revised: 21.04.2025; 28.05.2025; 14.11.2025
Accepted: 04.12.2025

JEL Classification: F0, G2, G3, M21
DOI: 10.22495/cocv22i4art7

Abstract

Islamic banking replaces conventional interest-based mechanisms with risk-sharing and interest-free arrangements. It integrates finance with the real economy while promoting ethical conduct, transparency, and market stability. Over recent decades, it has grown rapidly to become an integrated part of global finance. However, there are growing concerns among the Muslim polity and scholars regarding the authenticity of its practices and adherence to Islamic principles. The study offers a critical evaluation of the conceptual frameworks and practical implementations of deposit and financing structures within prominent Islamic banks around the world. Comparative data and empirical analysis indicate that the returns on Islamic banking products are statistically indistinguishable from those of conventional banks. While these products comply with Shariah requirements in form, they often replicate the economic substance of interest-based instruments. The findings point to an urgent need for structural reforms to promote genuinely risk-sharing, asset-based, and authentically Islamic banking practices.

Keywords: Asset-Based Financing, Ethical Investment, Ijarhah, Mudarabah, Musharkah, Murabahah, Risk-Sharing Mechanisms, Qard Al-Hasan, Shariah Supervisory Board, Tawarruq

Authors' individual contribution: The Author is responsible for all the contributions to the paper according to CRediT (Contributor Roles Taxonomy) standards.

Declaration of conflicting interests: The Author declares that there is no conflict of interest.

1. INTRODUCTION

The emergence of Islamic banking in the early 1970s across the Middle East was supported by strong political and institutional backing from national governments seeking to develop a financial system that aligned economic activity with Islamic ethical and legal principles. Since its inception, Islamic banking has experienced substantial growth, expanding its presence and influence on a global scale. It emphasizes investment in real economic activities that enhance productivity and societal welfare, while explicitly excluding sectors deemed harmful, such as gambling, alcohol, tobacco, pornography, weapons, and interest-based finance. With its ethical foundations and market-oriented approach, Islamic banking has established itself as a credible alternative within the global financial landscape.

The global Islamic finance industry is projected to expand from US$5.5 trillion in 2024 to US$7.5 trillion by 2028. Islamic banking accounts for over 70% of total Islamic finance assets, and its asset base is expected to rise from US$4 trillion to US$5.2 trillion across 84 markets during the same period (Standard Chartered, 2025). Regionally, the Gulf Cooperation Council (GCC) holds 53.1% of global Islamic finance assets, followed by East Asia and the Pacific (led by Malaysia and Indonesia) at 21.9%, and the Middle East and North Africa (excluding the GCC) at 16.9%. In South Asia, Pakistan and Bangladesh have emerged as major Islamic finance hubs. The global expansion of Islamic finance underscores its potential to foster sustainable, inclusive, and ethically driven economic growth (Islamic Financial Services Board [IFSB], 2025).

Islamic banking and finance today provide an extensive array of products and services, including asset and wealth management, equity and hedge funds, *sukuk, takaful*, risk and liquidity management, real estate financing, and corporate finance. With significant growth in assets, human capital, and institutional capacity, Islamic banks are increasingly well-positioned to develop innovative and genuinely Shariah-compliant financial solutions. Nevertheless, persistent concerns among Muslim communities and stakeholders suggest that Islamic banks continue to mirror conventional banking models while operating under Islamic labels. This study investigates whether Islamic banks have effectively upheld the ethical and jurisprudential foundations of Islamic finance or whether market dynamics have compromised Shariah authenticity.

This study employs a quantitative, descriptive-analytical approach, drawing on data collected from annual reports, official websites of Islamic and conventional banks, and other relevant academic and industry sources.

The paper is organized into the following sections. Section 2 provides a concise literature review, highlighting Shariah-related concerns and reported instances of non-compliance in contemporary Islamic banking practices. Section 3 explores the Shariah foundations and legitimacy of core Islamic banking instruments, evaluating both their theoretical underpinnings and practical relevance. Section 4 offers a critical comparison of deposit-taking and financing operations between leading Islamic and conventional banks, focusing on return structures, risk-sharing, and Shariah compliance. Section 5 evaluates structural convergence and Shariah violations in Islamic banks worldwide. Finally, Section 6 summarizes the key findings and provides concluding remarks.

2. LITERATURE REVIEW

Islamic banks claim to offer Shariah-compliant products grounded in the principles of asset-based financing, risk-sharing, and ownership. However, early empirical studies suggest that Islamic banks rely on conventional banking practices to achieve market acceptance and maintain operational viability. For instance, Islamic banks use conventional indices such as the London interbank offered rate (LIBOR) to calculate returns on profit-and-loss sharing (PLS) deposits. High monitoring costs, information asymmetry, uncertain investment results, and the absence of Shariah-compliant deposit insurance and liquidity tools prevent these banks from providing returns that truly correspond to actual investment performance. To manage risks and preserve deposit parity, PLS deposits are converted into fixed-return instruments, departing from their intended risk-sharing framework (Iqbal & Llewellyn, 2002; Haron & Ahmad, 2000; Warde, 2000; Kaleem & Isa, 2003; El-Gamal, 2006; Febianto & Kasri, 2007; Chapra, 2008; Ahmed, 2009; Iqbal & Mirakhor, 2011).

Most research studies observe that Islamic banks primarily rely on *murabahah* (cost-plus-profit) and *ijarah* (lease-to-own) financing, yet their operational mechanisms and return profiles often closely resemble conventional financing. Islamic banks frequently use market-based benchmarks, such as LIBOR, to determine profit margins on their lending products. In *murabahah* financing, they require customers to either fulfill purchase commitments or compensate them for any breaches, thereby insulating themselves from market and financial risks. They transfer operational risks, such as damage or loss of goods to customers, to maintain nearly fixed, low-risk returns on *murabahah* investments. In *ijarah* financing, they combine lease and sale contracts by transferring asset ownership to the customer before the lease term ends. This shifts ownership-related costs and risks, such as insurance, taxes, and major repairs, onto customers, which legally should be borne by them as the lessor. Moreover, they charge customers for insurance, late payments, and defaults to secure predetermined and low-risk returns on these financing products (Sharjari & Kamalzadeh, 1995; Kaleem & Isa, 2003; El-Gamal, 2006; Dusuki, 2007; Khan & Bhatti, 2008; Chong & Liu, 2009; Haniffa & Hudaib, 2010; Siddiqi, 2014).

Numerous studies argue that Islamic banks' reliance on conventional financial instruments undermines their ideological distinctiveness. Researchers critically highlight the lack of sufficient research and development (R&D) dedicated to creating fully Shariah-compliant financial solutions and hold Shariah supervisory boards (SSBs) accountable for this shortfall. SSBs are entrusted with the critical responsibility of ensuring rigorous oversight of Islamic banks and promoting the development of innovative, genuinely Shariah-compliant products. However, in practice, they often approve conventional financial instruments that are merely rebranded with Islamic labels. Consequently, Islamic banking products are frequently perceived as overly complex and less competitive, raising serious concerns about the authenticity, credibility, and overall effectiveness of contemporary Islamic banking practices (Iqbal & Mirakhor, 2007; Ginena, 2014; Mollah & Zaman, 2015; Nguyen, 2021).

A growing body of literature criticizes Islamic banks for falling short of their broader social and religious responsibilities, including providing banking services to the poor, offering interest-free loans (*qard al-hasan*), and distributing *zakah* to marginalized communities. As a result, the vast majority of Muslims perceive Islamic banks primarily as commercial entities that employ Islamic branding more as a marketing strategy than as a means to advance the moral and social objectives of Shariah (Warde, 2000; Iqbal & Mirakhor, 2007; El-Diwany, 2006; Khan & Bhatti, 2008; Chong & Liu, 2009; Hassanain, 2015).

Within this context, the Islamic banking literature has long recognized the persistent challenges and shortcomings related to Shariah compliance since the inception of Islamic banking practices. However, contemporary research still exhibits a significant gap regarding recent developments in Shariah compliance among Islamic banks worldwide. This study aims to address this gap by critically examining the current state of Shariah compliance in leading Islamic banks operating across major global Islamic finance hubs.

3. THE ISLAMIC BANKING MODEL

The Islamic banking model primarily relies on PLS instruments, supplemented by interest-free instruments, to facilitate financial intermediation. The following discussion explores both the primary and secondary instruments within the Islamic banking framework.

3.1. Profit-and-loss sharing instruments: *Mudarabah* and *musharakah*

Under a *mudarabah* (joint venture) arrangement, Islamic banks mobilize funds from depositors and channel them to entrepreneurs or investors within a PLS framework. In this setup, Islamic banks serve as the *rabb-ul-mal* (capital provider), while the entrepreneur acts as the *mudarib* (investment manager) responsible for managing business operations. Profits generated from muḍarabah investments are distributed between the banks and depositors according to a pre-agreed ratio, whereas any financial losses are borne solely by the capital provider. Under this framework, Islamic banks may engage in direct investments in Shariah-compliant ventures to promote ethical and productive economic activity (Chapra, 1985; Iqbal & Llewellyn, 2002; Al-Omar & Abdel-Haq, 1996).

Under a *musharakah* arrangement, Islamic banks pool funds from depositors along with their own capital to invest in joint ventures or other productive business activities. Profits are distributed according to a pre-agreed ratio, while losses are shared proportionally based on each partner's capital contribution. This model promotes ethical financial intermediation by encouraging Islamic banks to actively participate in the real economy (Nienhaus, 1983; Siddiqi, 1983; Usmani, 1998; Ahmad, 1993; Khan & Bhatti, 2008).

Within the PLS system, Islamic banks operate as partners, traders, and investors, taking an active role in economic activities rather than functioning merely as lenders.

3.2. Interest-free instruments

3.2.1. Murabahah (cost-plus-profit)

Murabahah is a cost-plus-profit sale contract in which Islamic banks purchase an asset and sell it to customers at a pre-agreed profit margin on a deferred payment basis. Islamic Shariah requires Islamic banks to maintain the trade-based nature of *murabahah* by acting as genuine traders and taking actual ownership of the asset before selling it. They must also assume the market risks, including potential losses if the customer fails to complete the purchase. Once the contract is finalized, the sale price cannot be altered, and no additional fees may be charged for delays, as such charges constitute *riba* (interest). *Tawarruq*-like arrangements within *murabahah* are likewise prohibited, as they effectively replicate conventional lending. Islamic scholars consistently caution that deviations from these core principles render *murabahah* functionally equivalent to conventional loans (Usmani, 1998; El-Gamal, 2006; Iqbal & Mirakhor, 2007; Siddiqi, 2014).

3.2.2. Ijarah (operating lease)

Under an *ijarah* arrangement, Islamic banks acquire an asset and lease it to customers for a predetermined period in exchange for rental payments. In accordance with the principles of risk-sharing and asset-backing, banks retain legal ownership of the asset and assume responsibilities related to its maintenance, insurance, and depreciation. Upon the lease's expiry, they may either renew the lease or transfer ownership through a separate sale agreement to the customer or another party. The *ijarah* contract must not include any clauses that transfer ownership of the asset to the customer (lessee) during the lease term, as this would effectively transform it into a conventional financial lease, which is prohibited under Shariah law. Islamic banks commonly use *ijarah* structures to finance vehicles, equipment, and real estate assets (Chapra, 1985; Khan & Mirakhor, 1987; El-Diwany, 2006; Dusuki, 2007).

3.2.3. Bai salam (advance payment)

Under a *bai salam* arrangement, Islamic banks make a full advance payment to customers for an asset to be delivered at a specified future date. This contract is commonly used in sectors such as agriculture and commodity production, where sellers require upfront capital to finance cultivation or manufacturing. To manage delivery risk and generate profit, Islamic banks often enter a separate parallel *bai salam* contract, selling the same asset to a third party. These contracts are strictly asset-based and require actual physical delivery, with full prepayment made at the time of the agreement (Usmani, 1998; Obaidullah, 2005; Hanif, 2016).

4. ISLAMIC BANKING PRACTICES AT GLOBAL ISLAMIC FINANCE HUBS

Islamic banking and finance operations are overwhelmingly concentrated in 10 countries. This section provides a comparative analysis of the returns on deposit and financing products offered by leading Islamic and conventional banks across global Islamic finance hubs. The analysis explores the differences between Islamic and conventional banking frameworks, with a particular focus on variations in return mechanisms and adherence to Shariah principles.

4.1. Malaysia

Malaysia has emerged as a leading global centre for Islamic finance, representing over 20% of the worldwide market, with total Islamic finance assets exceeding US$600 billion as of 2024. Within the domestic banking sector, Islamic banking constitutes approximately 43%, with assets surpassing US$260 billion (Fitch Ratings, 2025). Bank Negara Malaysia (BNM) has implemented a robust regulatory and governance framework that facilitates the efficient operations of Islamic banks within the dual banking system. Key Islamic banks include Bank Islam Malaysia Berhad, Maybank Islamic, CIMB Islamic Bank, Al Rajhi Bank Malaysia, and Hong Leong Islamic Bank.

Although guided by different legal and ethical principles, Islamic and conventional banks in Malaysia offer similar returns across most financial products. For instance, CIMB Islamic Bank[1] and Maybank Islamic provide deposit profit rates ranging from 1.85% to 2.25% for tenures of one to 60 months, closely aligning with interest rates from 1.75% to 2.25% offered by AmBank[2] and Public Bank over comparable periods. In home financing, Kuwait Finance House (KFH) Malaysia and OCBC Bank Malaysia[3] offer "*ijarah muntahiyah bitamleek*" (lease-to-own property agreement) and "*Al-Min*

[1] https://www.cimbislamic.com/en/our-businesses/for-individuals.html
[2] https://www.ambankgroup.com/products-and-services/investments
[3] https://www.ocbc.com.my/personal-banking/loans/property

Manarat Home", at profit rates of 4.45% to 4.50%, closely mirroring the 4.2% to 4.3% interest rates charged by HSBC Malaysia[4] and Standard Chartered Malaysia. Similarly, Maybank Islamic's "*murabaha*-based vehicle financing" carries rates from 3.40%, while Public Bank Berhad[5] offers conventional auto loans at 3.6%. For personal financing, KFH Malaysia[6] and Maybank Islamic offer *murabahah* and *ijarah*-based products at rates of 6.25% and 6.50%, respectively. These are comparable to conventional loans from Bank Simpanan Nasional (BSN)[7] and HSBC Malaysia, which are priced at 6.5% and 6.75 for the same period (Maybank Islamic, n.d.).

Tables A.1–A.5 and Figure A.1 (see Appendix) illustrate the strong convergence of returns between Islamic and conventional banking products in Malaysia. These similarities in pricing and returns reflect BNM's objective of maintaining parity between Islamic and conventional banks. However, such convergence challenges the true Shariah compliance at Malaysian Islamic banks.

4.2. Saudi Arabia

Saudi Arabia is the leading global hub for Islamic finance, with assets exceeding US$830 billion, representing 25% of the global total by the end of 2023. It also accounts for 33% of worldwide Islamic banking assets, making it the largest single market for Islamic banking. Within the national banking sector, Islamic banking dominates with 75–80% of total assets (Saudi Central Bank [SAMA], 2023; Fitch Ratings, 2024). The sector's growth and resilience are underpinned by the SAMA's comprehensive regulatory framework, which ensures Shariah compliance, transparency, and innovation. Major Islamic banks include Al Rajhi Bank, Bank AlJazira, Alinma Bank, and Islamic Development Bank (IsDB).

The returns on Islamic and conventional deposits and loans are largely comparable in Saudi Arabia. For example, the Bank Albilad's[8] Investment *wakalah* deposits yield 4.70%–4.99% for 1–12 months, closely paralleling Deutsche Bank Saudi Arabia's[9] fixed conventional deposits at 5.20%. In home financing, Bank AlJazira's[10] *murabahah*-based mortgage at 4.80% and Banque Saudi Fransi's[11] conventional loan at 5.44% show minimal pricing variance. Likewise, *ijarah*-based auto financing by Bank AlJazira at 6.77% approximates Saudi National Bank (SNB's)[12] 7.1% conventional car loan, while Emirates NBD's[13] Islamic personal financing at 7.4% is comparable to SNB's 6.71% conventional credit.

Tables A.1–A.5 and Figure A.1 demonstrate a pronounced similarity in returns between Islamic and conventional banking in Saudi Arabia. While this alignment reflects SAMA's objectives of ensuring financial stability, it simultaneously raises significant concerns about the genuine adherence of Islamic banking practices to Shariah principles.

4.3. United Arab Emirates (UAE)

The United Arab Emirates (UAE) is one of the largest Islamic finance hubs, with total assets of approximately US$4.9 trillion. Islamic banking assets account for 17.1% of the UAE's total banking sector, totalling US$195.4 billion (Central Bank of the UAE [CBUAE], 2024). The country is home to the world's first Islamic bank, Dubai Islamic Bank (DIB), established in 1975. Other prominent Islamic banks include Abu Dhabi Islamic Bank (ADIB), Emirates Islamic Bank, First Abu Dhabi Bank (FAB), Sharjah Islamic Bank, and Ajman Bank. CBUAE has implemented a comprehensive regulatory and Shariah governance framework to foster the growth of Islamic banking within a predominantly conventional financial system.

Islamic banks in the UAE offer financial products that closely parallel conventional banking in terms of financial outcomes. For instance, ADIB[14] offers profit rates of 0.36%–0.60% for deposits between AED 5,000 and AED 25,000 over 1–12 months, compared with Commercial Bank Dubai's[15] deposit interest rates of 0.55–0.85% with similar terms. In home financing, ADIB and FAB provide *murabahah* and *ijarah*-based products from 3.99% and 3.94%, respectively, while RAKBANK's[16] conventional loans start at 3.89%. For auto financing, ADIB and FAB[17] charge profit rates ranging from 2.35 to 2.59%, compared with interest rates of 2.49% at HSBC UAE[18] and 2.50% at the National Bank of Fujairah[19]. In personal financing, ADIB offers *murabahah* and *ijarah*-based loans at profit rates ranging from 3.72 to 3.85%, while Citibank UAE[20] provides conventional loans at rates between 3.70 and 3.89%.

Tables A.1–A.5 and Figure A.1 present empirical evidence of a pronounced convergence in returns between Islamic and conventional banking products in the UAE. While this trend may bolster market competitiveness under the Central Bank's dual banking framework, it simultaneously casts doubt on the extent to which Islamic finance in the UAE genuinely adheres to Shariah principles.

4.4. Kuwait

Kuwait is a significant player in global Islamic finance, holding US$109 billion in Islamic finance assets, representing 2% of global Islamic finance assets and 6% of global Islamic banking assets. Domestically, Islamic banking constitutes approximately 49–50% of Kuwait's total banking assets (Mordor Intelligence, 2025). Leading Islamic banks include KFH, Boubyan Bank Kuwait, Warba Bank, and Kuwait International Bank (KIB). The Central Bank of Kuwait (CBK) offers regulatory support that facilitates the growth and integration of Islamic banking within Kuwait's dual banking framework.

Islamic and conventional financial products in Kuwait exhibit notable convergence in pricing and returns. For example, Boubyan Bank Kuwait offers profit rates of 3–4% on 3–12-month Al Mona deposits, closely aligning with the 3.25–4% deposit

[4] https://www.hsbc.com.my/mortgages/
[5] https://www.publicislamicbank.com.my/personal-banking/banking/financing/vehicle-financing-i/
[6] https://www.kfh.com/en/home/Personal/Financing/Installment-Financing.html
[7] https://www.bsn.com.my/PersonalBanking/Index/personal-banking-index?lang=en&csrt=14319262326642255209
[8] https://www.bankalbilad.com.sa/en/personal/financing/real-estate/Pages/default.aspx
[9] https://wealth.db.com/en/what-we-do.html#333
[10] https://www.bankaljazira.com/en-us/Personal-Banking/Finance-Products
[11] https://bsf.sa/english/personal/finance/home-finance-products
[12] https://www.alahli.com/en/pages/personal-banking/finance/alahli-car-finance
[13] https://www.emiratesnbd.com/en/loans/home-loans
[14] https://www.adib.ae/en/personal
[15] https://www.cbd.ae/personal/loans/personal-loan
[16] https://www.rakbank.ae/en/loans/home-loans/home-loan
[17] https://www.bankfab.com/en-ae/personal/loans
[18] https://www.hsbc.ae/loans/products/personal/
[19] https://nbf.ae/personal/loans/personal-loan/
[20] https://www.citibank.ae/personal-banking/personal-account?icid=AEBHMMBA02

interest rates at Gulf Bank and the National Bank of Kuwait (NBK). Similarly, KIB's home financing, pegged to *sukuk* benchmarks at 6.63%, is comparable to NBK's 5.75% mortgage rate, while its *murabahah*-based auto and personal financing at 2.5% and 3.06% closely match the interest rates of 2.5% and 3.06% offered by Doha Bank and Gulf Bank for similar products[21].

Tables A.1–A.5 and Figure A.1 demonstrate a high degree of convergence in returns between Islamic and conventional banking in Kuwait. While this alignment reflects the CBK's policy on return parity and financial stability, it also raises concerns regarding the authenticity of Shariah compliance in Islamic banking practices in the country.

4.5. Bahrain

Bahrain is a leading hub of Islamic finance, with assets exceeding US$80 billion. Islamic banking dominates the sector with 78% of total Islamic finance assets and 41.4% of domestic banking assets. Major Islamic banks include Bahrain Islamic Bank (BisB), Al Baraka Islamic Bank, Khaleeji Commercial Bank, and Al Salam Bank Bahrain. The Central Bank of Bahrain (CBB) plays a pivotal role in sustaining the competitiveness and stability of Islamic banking within the country's dual financial system (CBB, 2025).

Islamic banking products in Bahrain frequently deliver financial outcomes that are closely aligned with conventional offerings. For example, Al Baraka Islamic Bank[22] offers deposit profit rates of 5.05–5.4% for 1–12 months terms, in line with the CBB benchmark of 5.00–5.5% applicable to both banking systems (CBB, 2025). In home financing, Al Baraka provides "*ijarah muntahia bittamleek*" arrangements at a profit rate of 5% for up to 25 years, comparable to HSBC Bahrain's interest rate of 5.09% and Bank of Bahrain and Kuwait's (BBK) 5.5%. Similarly, for auto financing, Al Baraka's *murabahah*-based loans are priced at 2.88% for up to seven years, while State Bank of India (SBI) and BMI[23] bank charge interest rates between 2.65% and 2.66%. Personal financing follows a similar pattern, with Al Baraka offering a profit rate of 2.92%, closely matching the National Bank of Bahrain's interest rate of 3.00%[24].

Evidence from Tables A.1–A.5 and Figure A.1 highlights a pronounced convergence in returns between Islamic and conventional banking products in Bahrain. While CBB regulations appear to enforce near-parity to ensure market competitiveness and financial stability, this trend raises serious concerns about the ability of Islamic banks to offer truly innovative and authentically Shariah-compliant products.

4.6. Qatar

Qatar's Islamic finance sector accounts for approximately US$187.5 billion in assets, representing about 5.5% of global Islamic finance assets and nearly 27% of the country's total financial system. Within the domestic banking sector, Islamic banking accounts for 28% of total banking assets, equivalent to about US$160.73 billion, highlighting its significant role within Qatar's dual financial system (London Stock Exchange Group [LSEG], 2025). The country's first and largest Islamic bank, Qatar Islamic Bank (QIB), along with Masraf Al Rayan, Dukhan Bank, and Qatar International Islamic Bank (QIIB), dominate the domestic Islamic banking landscape.

Islamic banking products in Qatar closely resemble those offered by conventional banks. For instance, QIB[25] and Masraf Al Rayan[26] offer profit rates of 3.20% to 3.50% on 1–12-month deposits up to QAR 250,000, aligning closely with interest rates of 3.25% to 3.50% offered by Qatar National Bank (QNB)[27] and Commercial Bank of Qatar[28] on deposits for similar tenures and amounts. In home financing, Masraf Al Rayan employs diminishing *musharakah* and *ijarah* models, offering flat profit rates of 4.50% for up to 25 years. This is comparable to Doha Bank's[29] conventional home loan interest rate of 4.30%. Similarly, auto financing from Masraf Al Rayan, based on *murabahah*, is priced at 3.17%, nearly identical to Mashreq Bank Qatar's[30] flat interest rate of 3.18% for similar tenures. In the personal finance segment, Masraf Al Rayan offers Tasheel Al Rayan at a flat profit rate of 2.42%. For 4–6 years, Commercial Bank of Qatar offers personal loans at an interest rate of 2.67% for similar terms.

Tables A.1–A.5 and Figure A.1 reveal a pronounced convergence in returns between Islamic and conventional banking products in Qatar. While the Qatar Central Bank's (QCB's) regulatory framework ensures financial stability through near-identical lending and borrowing rates, this alignment raises serious concerns about the ability of Islamic banks to deliver truly innovative and authentically Shariah-compliant products.

4.7. Pakistan

Pakistan is a major hub for Islamic finance, accounting for approximately 2% of global Islamic finance assets. Domestically, Islamic banking represents around 19% of total banking assets and 23.2% of deposits. Major Islamic banks include Meezan Bank, Faysal Bank Pakistan, Bank Alfalah, Dubai Islamic Bank, and Al Baraka Bank. Under the State Bank of Pakistan's (SBP) robust regulatory framework, the sector is progressing toward full Shariah compliance by December 2027, in line with the Federal Shariat Court's 2022 ruling (Institute of Cost and Management Accountants of Pakistan [ICMA Pakistan] & Gallup Pakistan, 2025; SBP, 2024).

Islamic banks in Pakistan offer products that closely parallel conventional banking instruments. For instance, Faysal Bank Pakistan's[31] *muntazim* savings deposits yield 8–9%, comparable to Habib Bank Limited's (HBL)[32] conventional savings rates of 9.50–9.92%. In home financing, Faysal Bank Pakistan's diminishing *musharakah* loans at 9.8% are similar to HBL's conventional mortgage rate of 9.6%. Likewise, Faysal Bank Pakistan's *murabahah*-based auto loans at 9.6% closely align with Allied Bank Limited (ABL)'s[33] conventional vehicle loans at 9.5%, while Bank Alfalah's[34] personal loans at 9.5% nearly mirror JS Bank's[35] 9.0%.

[21] https://yallacompare.com/kwt/en/
[22] https://albaraka.bh/en-gb
[23] https://www.bankmuamalat.co.id/index.php/produk-layanan-consumer
[24] https://www.globalpropertyguide.com/middle-east/bahrain/mortgage-interest-rate

[25] https://www.qib.com.qa/en/personal/accounts/timedeposit/
[26] https://www.alrayan.com/en/personal-banking/financing-products/home-finance#sub-menu
[27] https://www.qnb.com/sites/qnb/qnbqatar/page/en/endepositproducts.html
[28] https://www.cbq.qa/en/personal/loans
[29] https://qa.dohabank.com/personal/loans/
[30] https://www.mashreq.com/en/uae/neo/loans/mortage-loans/home-loan-residents/
[31] https://www.faysalbank.com/home-finance
[32] https://www.hbl.com/personal/loans/hbl-car-loan
[33] https://www.abl.com/personal/loans/
[34] https://www.bankalfalah.com/personal-banking/home-finance/
[35] https://www.jsbl.com/personal-loan/

Tables A.1–A.5 and Figure A.1 show that under SBP oversight, Islamic and conventional banks in Pakistan offer closely convergent returns. While this reflects strong market competition, it also raises concerns about the authenticity of Shariah compliance in Islamic banking practice in the country.

4.8. Indonesia

Indonesia's Islamic finance sector is a prominent global hub, with total Islamic finance assets estimated at US$152.4 billion, representing approximately 1% of global Islamic finance assets. Islamic banking assets amounted to US$59.7 billion, accounting for 7.72% of the country's total banking assets (Axe Finance, 2025). Bank Indonesia (BI) has established a comprehensive regulatory framework to strengthen governance, risk management, and Shariah compliance across Islamic financial institutions. Major participants in the sector include Bank Syariah Indonesia (BSI), Bank Muamalat Indonesia (BMI), Bank Victoria Syariah, and Bank Panin Dubai Syariah.

Islamic and conventional banks in Indonesia maintain close rate parity across financial products. For example, BSI offers *mudharabah*-based deposits at 2.25%, compared to Bank Central Asia (BCA)[36] at 3.00% for 12-month deposits. In home financing, BSI and BMI provide loans based on *murabahah*, diminishing *musharakah*, and *ijarah* at 8.5–8.75% for up to 25 years, closely aligning with conventional mortgages from HSBC Indonesia[37] and BCA at 8.25–9.00%. In auto financing, BSI[38] applies *murabahah* and *ijarah* structures with flat profit rates of 6–8%, while Bank Negara Indonesia (BNI)[39] offers conventional vehicle loans at interest rates of 6.5–8.5%. Similarly, BMI's personal financing, based on *murabahah* and *ijarah*, is priced at 9% with gold collateral, whereas BNI's personal loan is offered at an interest rate of 8.46% with flexible terms.

Tables A.1–A.5 and Figure A.1 indicate a strong alignment of returns between Islamic and conventional banking products in Indonesia. This convergence highlights BI's regulatory efforts to ensure competitiveness and stability within the dual banking system. However, it also raises questions about the authenticity of Shariah compliance in Islamic banking practices.

4.9. Bangladesh

Bangladesh's Islamic finance sector is a significant hub in the global Islamic finance landscape, with total assets of US$3.58 billion, representing approximately 1% of global Islamic banking assets. Domestically, Islamic banking deposits account for 22.37% of total banking deposits (IFSB, 2025; Business Research Insights, 2025). Islamic banks such as Islami Bank Bangladesh, Al-Arafah Islami Bank, Social Islami Bank, Shahjalal Islami Bank, and Global Islami Bank. Bangladesh Bank plays a central role in promoting the growth, governance, and stability of Islamic banking within the country's dual financial system.

Islamic deposit and lending products in Bangladesh closely mirror conventional banking rates. For example, Islami Bank Bangladesh and Al-Arafah Islami Bank offer Mudarabah savings deposits at 9.5% for 1–12 months, compared with 10% on conventional fixed deposits at National Bank Limited and Mercantile Bank. Similarly, Shahjalal Islami Bank provides 15-year housing finance at 11%, aligning with IFIC Bank's conventional mortgage rate of 10.75%. Social Islami Bank's auto financing is priced at 13% for 1–6 years, matching Modhumoti Bank's conventional vehicle loans, while Global Islami Bank's personal loans at 14% closely correspond to NRB Commercial Bank's 14.5% conventional personal loans[40].

Tables A.1–A.5 and Figure A.1 reveal a pronounced convergence of returns between Islamic and conventional banking products in Bangladesh. This alignment raises concerns about the authenticity of Shariah compliance and the adherence to ethical practices within the country's Islamic banking sector.

5. STRUCTURAL CONVERGENCE AND SHARIAH VIOLATIONS AT ISLAMIC BANKS

The preceding discussion indicates that returns on Islamic deposits and financing closely align with those of conventional banks. This section examines the structural and economic similarities between Islamic and conventional products, raising concerns about authentic Shariah compliance, the integrity of ownership, and adherence to the foundational principles of Islamic risk-sharing.

5.1. Profit benchmarking and return parity

Islamic banks predominantly rely on conventional interest benchmarks, such as LIBOR and Karachi Interbank Offered Rate (KIBOR), to price and calculate returns on PLS deposits as well as home, auto, and personal financing products. For example, they claim that PLS returns reflect the actual performance of underlying investments. In practice, however, they employ conventional benchmarks, profit equalization reserves, and risk absorption mechanisms to stabilize payouts and align with market deposit rates. These practices protect depositors and mitigate deposit migration risk but undermine the Shariah principle that profits should fluctuate with investment outcomes and that losses should be borne by capital providers. Similarly, pricing instalments or rental payments for home and auto financing using interest-based benchmarks guarantees predetermined returns, effectively rendering these contracts economically equivalent to conventional loans and in conflict with the prohibition of *riba* (interest).

Figure 1 shows that the t-statistic of 0.975 is below the two-tailed critical value of 3.18, indicating that the null hypothesis (H_0) — that Islamic banking products do not differ statistically from conventional products — cannot be rejected. This implies that returns on deposits, car loans, home loans, and personal loans are not significantly different between Islamic and conventional banks at the 5% significance level. Evidence presented in Tables A.1–A.5 further reinforces the prevalence of profit benchmarking and return parity across Islamic and conventional banking products.

[36] https://www.bca.co.id/en/individu/produk/pinjaman
[37] https://www.hsbc.co.id/1/2/en/personal/accounts/personalbanking
[38] https://www.bankbsi.co.id/produk&layanan/tipe/individu#
[39] https://www.bni.co.id/en-us/personal/loans
[40] https://www.banksbd.org/compare

5.2. Lack of genuine ownership and risk-sharing

Islamic banks primarily use *murabahah, ijarah muntahiyah bittamlik*, and *tawarruq* for home, auto, and personal financing. However, these products generally lack genuine asset ownership, risk-taking, and trade-based substance. In *murabahah* arrangements, Islamic banks typically neither take possession of the asset nor assume ownership risks prior to resale. Instead, they appoint the customer as their agent to acquire the asset on their behalf. This formalistic approach effectively transforms *murabahah* into a debt-based instrument disguised as trade.

In Ijarah *muntahiyah bittamlik* financing, Islamic banks act as lessors only on paper, transferring ownership risks and operational costs such as insurance, taxes, registration fees, and major repairs to customers. They combine lease and sale contracts or execute sales before lease terms end, contravening the Shariah principle that one cannot lease an asset one does not truly own. In *tawarruq*-based personal financing, Islamic banks sell a commodity at a deferred price and immediately repurchase it for cash, typically through brokers, without actual delivery. These transactions effectively transform a trade-based contract into cash-based lending disguised as trade, lacking a genuine transfer of assets, ownership, or risk.

5.3. Formal compliance and functional Shariah defiance

Islamic banks largely comply with Shariah in form rather than substance. They adopt *murabahah, ijarah*, and *tawarruq* contracts directly from conventional loan templates, merely replacing terms such as “interest” with “profit”, “markup”, or “rental”. They also replicate conventional practices such as late-payment penalties, early-settlement rebates, and refinancing schemes, all of which embed the prohibited concept of the time value of money. In cases of default, repossession and resale procedures closely mirror those of conventional lending. Consequently, Islamic banking practices predominantly reflect a form-over-substance approach to Shariah compliance.

5.4. Formal compliance and functional Shariah defiance

The convergence of Islamic and conventional banking stems from systemic and regulatory constraints rather than mere institutional preference. In dual-banking systems dominated by conventional finance, Islamic banks face regulatory mandates and market pressures to offer returns comparable to conventional products, with regulators enforcing return parity to ensure competitiveness and stability. Genuine PLS financing is largely impractical due to high monitoring costs, asymmetric information, uncertain returns, and risk-averse customers. As a result, Islamic banks increasingly rely on debt-like instruments that deliver fixed, low-risk returns, enabling them to operate effectively in highly regulated and competitive global markets.

5.5. Implications for Shariah compliance and ethical integrity

Contemporary Shariah authorities, including the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Organization of Islamic Cooperation (OIC) Fiqh Academy, acknowledge that many Islamic banking products are formally compliant yet economically conventional. Such practices compromise transparency, fairness, and genuine risk-sharing, falling short of the expectations of the Muslim polity for truly Shariah-compliant finance.

6. CONCLUSION

Islamic banking is founded on Shariah principles that prohibit *riba* (interest), prioritize risk sharing, and require asset-based financing. Over the past several decades, the industry has expanded rapidly and is often portrayed as an ethical and potentially more inclusive alternative to conventional banking. This study undertakes a critical evaluation of the operational practices of major Islamic banks across the globe. Empirical evidence and comparative analyses indicate that financing structures based on PLS, *murabahah, ijarah*, and *tawarruq* frequently replicate the functional features and economic outcomes of conventional banking instruments. Furthermore, the widespread practice of benchmarking Islamic banking returns to interest-based indicators such as LIBOR and KIBOR effectively yields predetermined rather than performance-based returns. Additional practices, including late-payment penalties and debt-refinancing mechanisms, further blur the distinction between Islamic and conventional banking.

Overall, the findings reveal a persistent divergence between formalistic compliance with Shariah requirements and the ethical-economic ideals underlying Islamic banking. To preserve credibility, enhance ethical integrity, and ensure long-term sustainability, Islamic banks must move beyond symbolic compliance and adopt genuinely asset-based intermediation, meaningful risk-sharing arrangements, and investment-linked return structures. Such reforms are essential to realizing the true vision of Islamic banking as a socially responsible, equitable, and economically transformative financial system in the modern global context.

This study is limited by its reliance on secondary data, the restricted transparency of Islamic banks’ disclosures, and regulatory divergences across jurisdictions, all of which together hinder a comprehensive evaluation of Shariah compliance and risk-sharing practices. The lack of access to internal contractual documents, Shariah audit reports, and granular customer-level data further restricts analytical depth. Future research should incorporate primary data and detailed contractual evidence, examine the independence and effectiveness of SSBs, and explore behavioural factors influencing return expectations.

REFERENCES

Ahmad, A. (1993). *Contemporary practices of Islamic financing techniques* (Research Paper No. 20). Islamic Research and Training Institute, & Islamic Development Bank. https://ieaoi.ir/files/site1/pages/ketab/english_book/contemporary_practices_of_islamic_financing_techniques.pdf

Ahmed, H. (2009). Financial crisis: Risks and lessons for Islamic finance. *ISRA International Journal of Islamic Finance, 1*(1), 7–32. https://www.researchgate.net/publication/228337197

Al-Omar, F., & Abdel-Haq, M. (1996). *Islamic banking: Theory and practice and challenges*. Oxford University Press.

Axe Finance. (2025, April 23). *Islamic finance in Southeast Asia: A strategic inflection point — Case studies from Indonesia, the Philippines, and Malaysia*. https://www.axefinance.com/resources/news-blogs/news/islamic-finance-southeast-asia/

Business Research Insights. (2025, November 10). *Islamic finance market size, share, growth, and industry analysis, by type (Islamic banking, Islamic insurance, Islamic bonds, Islamic funds), by application (private, corporation), and regional insights and forecasts to 2033*. https://www.businessresearchinsights.com/market-reports/islamic-finance-market-117727

Central Bank of Bahrain (CBB). (2025). *Financial stability report* (Issue 37). https://www.cbb.gov.bh/wp-content/uploads/2025/06/FINANCIAL-STABILITY-REPORT-MARCH-2025.pdf

Central Bank of the UAE (CBUAE). (2024). *Annual report 2024*. https://www.centralbank.ae/media/flpj22ns/cbuae-annual-report_2024_en.pdf

Chapra, M. U. (1985). *Towards a just monetary system*. The Islamic Foundation.

Chapra, M. U. (2008). *The global financial crisis: Can Islamic finance help minimize the severity and frequency of such a crisis in the future?* Islamic Development Bank. https://unctad.org/meetings/en/Contribution/gsd_sd_2012-02-25_bp_chapra_en.PDF

Chong, B. S., & Liu, M. (2009). Islamic banking: Interest-free or interest-based? *Pacific-Basin Finance Journal, 17*(1), 125–144. https://doi.org/10.1016/j.pacfin.2007.12.003

Dusuki, A. W. (2007). Commodity murabahah programme (CMP): An innovative approach to liquidity management. *Journal of Islamic Economics, Banking and Finance*. https://www.iaif.ir/images/khareji/articles/other/26.pdf

El-Diwany, T. (2006). *The problem with interest* (3rd ed.). Kreatoc Ltd.

El-Gamal, M. A. (2006). *Islamic finance: Law, economics, and practice*. Cambridge University Press. https://doi.org/10.1017/CBO9780511753756

Febianto, I., & Kasri, R. A. (2007). Why do Islamic banks tend to avoid profit and loss sharing arrangements? In *Proceedings of the 2nd Islamic Conference 2007 (iECONS2007)*. Islamic Science University of Malaysia. https://doi.org/10.2139/ssrn.1672127

Fitch Ratings. (2024, August 5). *Saudi bank performance and growth prospects underpinned by favourable operating environment*. https://www.fitchratings.com/research/banks/saudi-bank-performance-growth-prospects-underpinned-by-favourable-operating-environment-05-08-2024

Fitch Ratings. (2025, February 5). *Malaysian Islamic banks dashboard: 2025*. https://www.fitchratings.com/research/banks/malaysian-islamic-banks-dashboard-2025-05-02-2025

Ginena, K. (2014). Shariah risk and corporate governance of Islamic banks. *Corporate Governance, 14*(1), 86–103. https://doi.org/10.1108/CG-03-2013-0038

Hanif, M. (2016). Economic substance or legal form: An evaluation of Islamic finance practice. *International Journal of Islamic and Middle Eastern Finance and Management, 9*(2), 277–295. https://doi.org/10.1108/IMEFM-07-2014-0078

Haniffa, R., & Hudaib, M. (2010). Islamic finance: From sacred intentions to secular goals? *Journal of Islamic Accounting and Business Research, 1*(2), 85–91. https://doi.org/10.1108/17590811011086697

Haron, S., & Ahmad, N. (2000). The effect of conventional interest rate and rate of profit on funds deposited with Islamic banking system in Malaysia. *International Journal of Islamic Financial Services, 1*(4). https://www.academia.edu/58600923/The_effects_of_conventional_interest_rates_and_rate_of_profit_on_funds_deposited_with_Islamic_banking_system_in_Malaysia?utm_source=chatgpt.com

Hassanain, K. M. (2015). Integrating zakāh, awqāf and IMF for poverty alleviation: Three models of Islamic microfinance. *Journal of Economic and Social Thought, 2*(3), 394–415. https://journals.econsciences.com/index.php/JEST/article/view/394

Institute of Cost and Management Accountants of Pakistan (ICMA Pakistan), & Gallup Pakistan. (2025). ICMA-Gallup survey on Islamic banking and the Islamization of Pakistan's economy. In *ICMA's chartered management accountant* (pp. 73–79). ICMA Pakistan. https://www.icmap.com.pk/Publications_SurveyReports/ICMAGallupSurveyonIslamicBankingandtheIslamizationofPakistansEconomy.pdf

Iqbal, M., & Llewellyn, D. T. (Eds.). (2002). *Islamic banking and finance: New perspectives on profit-sharing and risk*. Edward Elgar Publishing.

Iqbal, Z., & Mirakhor, A. (2007). Progress and challenges of Islamic banking. *Thunderbird International Business Review, 41*(4–5), 381–405. https://doi.org/10.1002/tie.4270410406

Iqbal, Z., & Mirakhor, A. (2011). *An introduction to Islamic finance: Theory and practice* (2nd ed.). John Wiley & Sons.

Islamic Financial Services Board (IFSB). (2025). *Islamic financial services industry stability report 2025*. https://www.ifsb.org/wp-content/uploads/2025/05/IFSI-Stability-Report-May-2025.pdf

Kaleem, A., & Isa, M. M. (2003). Causal relationship between Islamic and conventional banking instruments in Malaysia. *International Journal of Islamic Financial Services, 4*(4). https://www.iaif.ir/images/khareji/articles/bank/41.pdf

Khan, M. M., & Bhatti, M. I. (2008). Islamic banking and finance: On its way to globalization. *Managerial Finance, 34*(10), 708–725. https://doi.org/10.1108/03074350810891029

Khan, S. K., & Mirakhor, A. (1987). *Theoretical studies in Islamic banking and finance*. Book Distribution Centre.

London Stock Exchange Group (LSEG). (2025). *Qatar Islamic finance report 2025: Expanding horizons*. https://www.lseg.com/content/dam/data-analytics/en_us/documents/reports/qatar-islamic-finance-report-2025.pdf

Maybank Islamic. (n.d.). *Islamic hire purchase (AITAB): Modeled on the Shariah principle of Al Ijarah Thumma Al Bai (AITAB) which literally means leasing with subsequent purchase*. https://www.maybank.com/islamic/en/financing/vehicle/aitab.page

Mollah, S., & Zaman, M. (2015). Shari'ah supervision, corporate governance and performance: Conventional vs. Islamic banks. *Journal of Banking & Finance, 58*, 418–435. https://doi.org/10.1016/j.jbankfin.2015.04.030

Mordor Intelligence. (2025). *Islamic finance market size & share analysis — Growth trends and forecast (2025–2030).* https://www.mordorintelligence.com/industry-reports/global-islamic-finance-market
Nguyen, Q. K. (2021). Oversight of bank risk taking by audit committees and Sharia committees: Conventional vs Islamic banks. *Heliyon, 7*(8), Article e07798. https://doi.org/10.1016/j.heliyon.2021.e07798
Nienhaus, V. (1983). Profitability of Islamic PLS banks competing with interest banks: Problems and prospects. *Journal of Research in Islamic Economics (Jeddah), 1*(1), 31–39. https://iei.kau.edu.sa/Files/121/Files/153905_Vol-1-1-10E-Volker.pdf
Obaidullah, M. (2005). *Islamic financial services*. Islamic Economics Research Center. https://iaif.ir/images/khareji/books/finance/6.pdf
Saudi Central Bank (SAMA). (2023). *Financial stability report 2023.* https://www.sama.gov.sa/en-US/EconomicReports/Financial%20Stability%20Report/Financial%20Stability%20Report%202023.pdf
Sharjari, M., & Kamalzadeh, M. (1995). The interest rate and Islamic banking. *Islamic Economic Studies, 3*(1). https://ssrn.com/abstract=3166793
Siddiqi, M. N. (1983). *Issues in Islamic banking: Selected papers*. Islamic Foundation.
Siddiqi, M. N. (2014). Islamic economics: Where from, where to? *Journal of King Abdulaziz University: Islamic Economics, 27*(2), 61–71. https://doi.org/10.4197/Islec.27-2.3
Standard Chartered. (2025, May 19). *Standard Chartered: "Global Islamic finance assets to surpass USD 7.5 trillion by 2028"* [Press release]. https://www.sc.com/en/press-release/standard-chartered-global-islamic-finance-assets-to-surpass-usd-7-5-trillion-by-2028/
State Bank of Pakistan (SBP). (2024). *Quarterly Islamic banking bulletin.* https://www.sbp.org.pk/ibd/bulletin/2024/Islamic-Banking-Bulletin-March-2024.pdf
Usmani, M. T. (1998). *An introduction to Islamic finance*. Idaratul Ma'arif. https://www.academia.edu/19126170/Musharakah_and_Mudarabah_By_Maulana_Taqi_Usmani
Warde, I. (2000). *Islamic finance in the global economy*. Edinburgh University Press. https://doi.org/10.3366/edinburgh/9780748612161.001.0001

APPENDIX

Table A.1. Comparison of deposit returns at Islamic and conventional Banks for 2025

Islamic bank	*Profit rates on PLS deposits (% p.a.)*	*Conventional bank*	*Interest rates on deposits (% p.a.)*
CIMB Islamic Malaysia	1.85%	AmBank Malaysia	1.75%
Bank Albilad Saudi Arabia	4.99%	Deutsche Bank Saudi Arabia	5.20%
Abu Dhabi Islamic Bank (ADIB)	0.60%	Commercial Bank Dubai	0.55%
Boubyan Bank Kuwait	4.00%	National Bank of Kuwait (NBK)	4.00%
Al Baraka Islamic Bank Bahrain	5.05%	Central Bank of Bahrain (CBB)	5.05%
Qatar Islamic Bank (QIB)	3.20%	Qatar National Bank (QNB)	3.25%
Masraf Al Rayan Qatar	3.50%	Commercial Bank of Qatar	3.50%
Faysal Bank Pakistan	9.00%	Habib Bank Limited (HBL)	9.50%
Bank Syariah Indonesia (BSI)	2.25%	Bank Central Asia (BCA)	3.00%
Islami Bank Bangladesh	9.50%	National Bank Bangladesh	10.00%

Table A.2. Comparison of home loans returns at Islamic and conventional banks for 2025

Islamic bank	*Profit rates on Islamic home loans (% p.a.)*	*Conventional bank*	*Interest rates on conventional home loans (% p.a.)*
OCBC Bank Malaysia	4.50%	Standard Chartered Malaysia	4.30%
Bank AlJazira Saudi Arabia	4.80%	Banque Saudi Fransi Saudi Arabia	5.44%
First Abu Dhabi Bank (FAB)	3.94%	RAKBANK UAE	3.89%
Kuwait International Bank (KIB)	6.63%	National Bank of Kuwait (NBK)	5.75%
Al Baraka Bahrain	5.00%	HSBC Bahrain	5.09%
Masraf Al Rayan Qatar	4.50%	Doha Bank Qatar	4.30%
Faysal Bank Pakistan	9.80%	Habib Bank Pakistan	9.60%
Bank Syariah Indonesia	8.5%	HSBC Indonesia	8.25%
Bank Muamalat Indonesia	8.75%	Bank Central Asia (BCA)	9.00%
Shahjalal Islami Bank Bangladesh	11.00%	IFIC Bank Bangladesh	10.75%

Table A.3. Comparison of car loan returns at Islamic and conventional banks for 2025

Islamic bank	*Returns on Islamic car loans (% p.a.)*	*Conventional bank*	*Interest rate on car loans (% p.a.)*
Maybank Islamic Malaysia	3.40%	Public Bank Berhad	3.60%
Bank AlJazira Saudi Arabia	6.77%	Saudi National Bank	7.10%
First Abu Dhabi Bank (FAB)	2.59%	National Bank of Fujairah UAE	2.50%
Abu Dhabi Islamic Bank (ADIB)	2.35%	HSBC UAE	2.49%
Kuwait International Bank (KIB)	2.50%	Gulf Bank Kuwait	2.50%
Al Baraka Bahrain	2.88%	BMI Bank Bahrain	2.66%.
Masraf Al Rayan Qatar	3.17%	Mashreq Bank Qatar	3.18%
Faysal Bank Pakistan	9.60%	Allied Bank Pakistan	9.50%
Bank Syariah Indonesia	8.00%,	Bank Negara Indonesia	8.50%
Social Islami Bank Bangladesh	13.00%	Modhumoti Bank Bangladesh	13.00%

Table A.4. Comparison of personal finance returns at Islamic and conventional banks for 2025

Islamic bank	*Returns on Islamic personal loans (% p.a.)*	*Conventional bank*	*Interest rates on personal loans (% p.a.)*
Maybank Islamic Malaysia	6.50%	BSN Malaysia	6.50%
Kuwait Finance House Malaysia	6.25%	HSBC Malaysia	6.75%
Emirates NBD Saudi Arabia	7.40%	Saudi National Commercial	6.71%
Abu Dhabi Islamic Bank (ADIB)	3.72%	Citibank UAE	3.70%
Kuwait International Bank (KIB)	3.06%	Gulf Bank Kuwait	3.06%
Al Baraka Bahrain	2.92%	National Bank of Bahrain	3.00%
Masraf Al Rayan Qatar	2.42%	International Bank of Qatar	2.50%
Alfalah Islamic Bank Pakistan	9.50%	JS Bank Pakistan	9.00%
Bank Muamalat Indonesia	9.00%	Bank Negara Indonesia	8.46%
Global Islami Bank Bangladesh	14.00%	NRB Commercial Bank Bangladesh	14.50%

Table A.5. T-test (paired two samples for means) comparison between returns on deposit and loan products at Islamic and conventional banks for 2025

T-test: Paired two-sample for means	*Returns on conventional products*	*Returns on Islamic products*
Mean	0.058634722	0.056883
Variance	0.0000852	0.000124
Observations	4	4
Pearson correlation	0.95449648	
Hypothesized mean difference	0	
df	3	
t-stat	0.975490158	
P(T ≤ t) one-tail	0.200630828	
t-critical one-tail	2.353363435	
P(T ≤ t) two-tail	0.401261655	
t-critical two-tail	3.182446305	

Figure A.1. Comparison between returns on deposit and loan products at Islamic and conventional banks for 2025