

## Difference between Conventional Banking Products and Islamic Banking Products of ZTBL

### Deposit Product

Product	Modus Operandi	Usage	Difference from Conventional Products
<b>Current Account</b>	A checking account where customer deposits funds based on the concept of (Qard) loan and Bank is liable to repay customer its deposited amount upon demand without any benefit or profit.	Daily banking needs of individuals/institution.	No exclusive benefit of any nature (monetary or non-monetary) can be given to the customer in current accounts as opposed to conventional current account.  The deposit amount is only invested in Shariah-compliant avenues as opposed to interest-based investments.
<b>Saving Account</b>	Account where customer deposits money as a Rab-ul-Mal to the Bank and bank as Mudarib invest in Shariah-compliant activities in accordance with contract of Mudarabah. The profit, if any, is shared as per the declared profit-sharing ratio and loss is borne by the Rab-ul-Maal.	Daily banking and Investment need of individuals/institutions.	The profit shall be divided in proportion as agreed at the time of contract and no party shall be entitled to a predetermined amount of return or remuneration. Moreover, the loss (if any) is borne as per capital ratio. These accounts are based on Mudarabah whereas their conventional counterparts are based on loan. The deposit amount in Islamic Banks can only be invested in Shariah-compliant avenues as opposed to interest-based investments. Profit rate is not guaranteed.
<b>Riba Free Certificate</b>	A fixed term certificate reflecting customer's investment as a Rab-ul-Mal to the Bank (Mudarib) to invest in Shariah-compliant activities in accordance with contract of Mudarabah. The profit, if any, is shared as per the declared profit-sharing ratio and loss if borne by the Rab-ul-Maal.	Saving and investment needs.	The profit shall be divided in proportion as agreed at the time of contract and no party shall be entitled to a predetermined amount of return or remuneration. Moreover, the loss (if any) is borne as per capital ratio. These accounts are based on Mudarabah whereas their conventional counterparts are based on loan. The deposit amount in Islamic Banks can only be invested in Shariah-compliant avenues as opposed to interest-based investments. Profit rate is not guaranteed .

### Financing Products

Product	Modus Operandi	Usage	Difference from Conventional Finance
<b>Murabaha</b>	Short-term facility where Bank sells specified goods/raw material to customer on deferred or spot payment basis by disclosing cost and profit.	Requirement for Working capital and procurement of raw materials and assets.	Instead of a loan based transaction as that of conventional bank, Murabaha is an actual sale of commodity by the bank to the client in which client is also informed about the cost of product.
<b>Ijarah</b>	Ijarah refers to a transaction where the ownership of leased assets remains with the Lessor and the Lessee is allowed to benefit from the usefulness of these assets (their usufruct i.e. the rent on usage of asset) for a consideration. Only those assets can be leased which can be used while retaining their original form, e.g., land, building, machinery, tools, crockery & cutlery.	Procurement of plant, vehicle, machinery, equipment.	<p>Contract of Rent (Islamic leasing) instead of loan</p> <p>Rental to start after delivery of asset instead of disbursement date.</p> <p>Rental to stop if asset is unusable or destroyed</p> <p>Ownership risk of asset is on the Bank during lease of tenure unless misconduct, fraud or negligence is proven on part of customer</p> <p>No markup/penalty on late payment by customer. Customer may however, undertake to charity certain amount to Bank for charitable purposes in case of late payment</p>
<b>Diminishing Musharaka h</b>	Medium to long-term facility Diminishing Musharakah (DM) is a form of co-ownership in which two or more people share the ownership of the asset in an agreed proportion and one of the co-owners undertakes to buy in periodic installments the proportionate share of the other co-owner until the title to such tangible asset is completely transferred to the purchasing co-owner.	Procurement of plant, vehicle, machinery, equipment.	<p>Contract of partnership-cum- Islamic Leasing instead of loan.</p> <p>Rental to start after delivery of asset to customer</p> <p>Rental to stop if asset is unusable or destroyed</p> <p>Ownership Risk of asset to the extent of bank share, is on the Bank unless misconduct, fraud or negligence on part of customer markup/penalty on late payment by customer.</p> <p>Customer may however, undertake to charity certain amount to bank for charitable purposes in case of late payment</p>

	<p>Only those assets can be financed which can be used while retaining their original form, e.g. Land, building, machinery, tools, crockery &amp; cutlery. Consumable assets cannot be leased under DM</p>		
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