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COMPARATIVE ANALYSIS OF PERFORMANCE OF ISLAMIC BANKS  
AND CONVENTIONAL BANKS: RISKS AND OPPORTUNITIES

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## Annotatsiya

Bugungi kunda dunyo aholisining 25% tashkil qiluvchi 2 milliardga yaqin odam Islom diniga e'tiqod qiladi. Ammo butun dunyo bo'ylab butun bank tizimining atigi 1 % Islom banki yoki moliya instituti sifatida ishlaydi. Islom bank tizimini an'anaviy tizimidan farqlashning asosiy muammosi va vositasi "foiz (riba)" hisoblanadi. An'anaviy bank tizimida banklar foiz (riba) asosida ishlaydi va asosan foizli kreditlar, investitsiyalar va boshqa moliyaviy mahsulotlar orqali foyda oladi, islom banklari esa to'lash yoki olishni taqiqlovchi shariat tamoyillari asosida ishlaydi. foiz (riba). Buning o'rniga islom banklari islom tamoyillariga mos keladigan foydani taqsimlash, risklarni taqsimlash bo'yicha hamkorlik va aktivlar bilan ta'minlangan moliyalashtirish operatsiyalarini amalga oshiradilar. Tadqiqotlarimiz uchun yanada aniq, ishonchli va to'g'riroq ma'lumotlarni taqdim etish uchun mahalliy va xorijiy olimlarning ilmiy kitoblari va dissertatsiyalari, davlatimiz qonunlari va shariat qonunlarini o'rgandik. Va nihoyat, tadqiqot obyektlari sifatida biz 2023 yilning eng yaxshi islom banki deb topilgan "A Saudi JSC AL Rajhi Banking and Investment Corporation" va 2023 yilning eng yaxshi an'anaviy banki deb topilgan "JPMorgan Chase" banklarini tanladik. Har ikki bank tizimining o'rganilgan va tahlil qilingan imkoniyatlari va risklari asosida ilmiy, nazariy va amaliy tavsiya va takliflarni umumlashtirdik.

**Kalit so'zlar:** foiz (riba), shariat qonunlari, foizli ssudalar, sarmoyalar, moliyaviy mahsulotlar, foyda olish maqsadidagi hamkorlik, tavakkalchilikni bo'lishish maqsadidagi sheriklik, aktivlar bilan ta'minlangan moliyaviy operatsiyalar.

## **Abstract**

Today, about 2 billion people, which is 25% of the world's population, are practicing Islam. But worldwide, only 1% of the entire banking system operates as Islamic bank or financial institution. The main problem and differentiating tool is the “interest (riba)” between Islamic banking system and conventional (traditional) banking. In the conventional banking system banks operate based on interest (riba) and generate profits mainly through interest-bearing loans, investments, and other financial products, while Islamic banks operate according to the principles of Shariah law, which forbids the payment or receipt of interest (riba). Instead, Islamic banks engage in profit-sharing cooperations, risk-sharing partnerships, and asset-backed financing transactions that abide by Islamic principles. We have conducted the study of national and International scholars' books, research thesis, and national laws and Shariah laws for presenting far more accurate, reliable and reasonable data for our research. At least but not last, we have selected the best Islamic bank 2023 “A Saudi JSC AL Rajhi Banking and Investment Corporation” and the best conventional bank 2023 “JPMorgan Chase&Co.” as subjects of our research and compared their performance through analyzing their annual reports 2023. Based on the studied and analyzed opportunities and risks of both banking systems, we have summarized Scientific-theoretical and practical recommendations and suggestions.

**Key words:** interest (riba), Shariah law, interest-bearing loans, investments, financial products, profit-sharing cooperation, risk-sharing partnerships, asset-backed financial transactions.



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## GENERAL INTRODUCTION

### Significance of research

The theory of classical banking system tells us that banks should mainly operate on the basis of interest rates, which form the banks' profits. However, after the global financial crises of 2007-2008, it became clear that interest rate-based banking was built on fragile foundations. In a globalized world, banking theory gives absolute priority to stability objectives and high interest rates, and almost all economists agree that the use of interest rate-based credit for business or economic growth of countries usually results in increased losses or deficits, with no real impact on growth itself.

In advanced economies like in Japan and USA internal economy regulations especially banking system are structured properly and effectively. In these countries These countries' developed financial market and economy expanding through carrying out perfect banking system as far as it is known that the banking system is the main "vein blood vessel" of countries' economy.

Moreover, giant global financial organizations such as the International Monetary Fund (IMF), the World Bank Group, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and others support special development projects of governments by providing various low or zero interest rate loans.

We will discuss the economic view of zero interest rate in more detail in the thesis. Although central banks try to control the lending rates of commercial banks, short-term or long-term loans or deposits usually fail to justify themselves as a profitable instrument of banks' core business. Thus, in the thesis we have analyzed the advantages and disadvantages of both Islamic conventional banking systems as the significance of the research will be opened in the chapters of the research.