**Outlines**

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**Introduction:**

This project Islamic banking structure has been started to understand the role, functioning in retail, corporate and investment services in Islamic banking in Islamic states (Afghanistan, Mauritius, Saudi Arabia and Yemen). The Islamic banking is actually based on Sharia principles and compliances established around 1400 years before in Holy Quran book. The sharia laws and compliances guidance had been inspired around with basic idea of sharing profit or loss, prohibition of interest based financial transactions and hedging .The Islamic banking system believes in establishing the business relationship for sharing both profit and loss between the parties.

The key features of Islamic banking is usage of UPSIA (Unrestricted profit sharing) and loss bearing) investment accounts is investment products that believes in sharing profit and loss proportionately as agreed before enter into the agreement. The UPSIA is not well recognized in many US and European countries where certain percentage of return had been fixed before making in investment decisions. The main characteristics of Islamic banking system is prohibition of Riba (interest which is excess or fix addition for any investment decisions) and making financing and investment decision in prohibited (haram) business like pork, alcohol and interest based financing business. (Algaoud, 2001). The spectacular expansion of Islamic banking and investment products in US, European and Asian countries attract many investors and bankers to adopt Islamic banking products and services for getting continuous positive return on investments. Malaysia, Indonesia, UAE, Morocco and specially Saudi Arabia are few countries shows continuous growth in investment returns on the schemes that are allowed under sharia compliance acts. Currently they are more than 33 government run banks, 40 private banks and 71 Islamic investment companies operating all around the globe.

**Research Questions:**

1) Is Islamic banking is successful in Islamic States

2) Is Islamic banks governs by country laws and regulations

3) Is there is any risk in Islamic banking system

**Research methodology:**

This research project about Islamic banking functioning in Saudi Arabia had been initiated for gathering information’s from various sources by visiting banks, financial institutions, investment companies and talking to faculty members and general public. The Islamic banking system in Saudi Arabia is very selective and special privilege subject that needs clear and deeper understanding about these banking system real functions and its future prospects in Saudi Arabian markets and around the world financial markets. Doing the literature review through the library, journals, books, and Internet.

**Part II:**

**Part III**

**Part IV :**

**Conclusion:**

The study Islamic banking structure covers the various practices, structures and setup exists in different Islamic states. Islamic banking are here to stay for long period of time and can become very competitive for traditional existing commercial banking norms and procedures. Even though there is lot of competition from commercial banking industry where interest based personal, retail, commercial and treasury functions are carried out with viable and referable economic benefits. However, Islamic banking had some very innovative products and ideas that transform the banking industry in different parts of the world. The country like Saudi Arabia had achieved economic growth through application of Islamic banking system only. This trade and practices are carried out in local Islamic banks are become the guide for other banks to follow. The countries like Afghanistan, Mauritius and Yemen are successfully following the norms; procedures and regulations of Sharia based Islamic bank functions are achieving tremendous growth and benefits.

Even though, the Islamic banking system are progressing with complacent pace, still there is lot of people willing to participate on the religious background basis for depositing their money just for not getting interest on their deposits. Therefore there is tremendous scope for Islamic banking and finance products and services to prosper not Muslim countries but also in other parts of the world.