

## ABSTRACT

This research is conducted to identify the reasons of preference of the Islamic banks by the customers in Hyderabad. Growth of Islamic banks in last few years shows higher profitability. Conventional banks also open their Islamic windows to compete with pure Islamic banks. Now a day's Islamic banking is getting momentum not only in Pakistan but across the world. Islamic banking has the same purpose as conventional banking: to make money for the banking institute by lending out capital. But that is not the sole purpose either. Adherence to Islamic law and ensuring fair play is also at the core of Islamic banking. Because Islam forbids simply lending out money at interest

In Pakistan, Islamic banking faces multi challenges however three of them are very vital for its existence. First is Sharia compliance in its operations in an environment which is dominated by interest based practices even in Muslim societies. Second is perception of financial industry practitioners about its performance whether the system is able to serve the total needs of trade and industry. Third is the perception of a large majority of Muslims whether existing practice of Islamic banking is Sharia compliant or mere copy of conventional practices under the banner of Sharia.

Through this research the two groups of reasons of preference were studied. The first group contains reasons of preference of Islamic banking based on Islamic point of view only and second group contains reasons other than Islamic. It is identified that major reason due to which customers adopt Islamic banking are based on Islamic point of view only. The promotion of Islamic point of view by banks for public awareness can increase the rate of revenue generation and profit ability of the Islamic banking industry in Hyderabad.