Differences between Products of Islamic and Conventional Banks

S. No	Islamic Banks	Conventional Banks
1	The relation between the Bank and its Depositors is that of Mudarib and Rabb-ul-Maal (in case of Savings Account and Term Deposits)	The relation between Bank and Depositors that Borrower and Lenders
2	The Bank invests the funds it receives at the depositors' own risk (in case of Savings Account and Term Deposits) but being a trustee, is accountable to the depositors in case of its negligence resulting in loss	Conventional Banks provide guarantee of the capital to their depositors.
3	Profit is shared with the Rabb-ul-Maal at a pre-agreed ratio, that is, the Bank pays a share of the profits it actually earns from its operations to its depositors	Depositors are paid at a pre-agreed interest rate.
4	Profit payment to depositors cannot be of fixed nature. Islamic Banks cannot pre-advise rate of return to depositors but may indicate a range based on their past performance with no guarantee of the principal or profit	Interest payment is fixed
5	The relation between the Bank and its customers can vary (on the asset side)	The relation between the Bank and its customers is also based on lending and borrowing
6	Transactions are real asset-based (on the asset side)	Transactions are financial asset-based, that may not be physical assets