Comparison of Islamic Banking and Conventional Banking

The difference between Islamic and Conventional Banking is as follows:

Islamic Banking	Conventional Banking
Money is not a commodity though it is used as a medium of exchange and store of value. Therefore, it cannot be sold at a price higher than its face value or rented out.	Money is a commodity besides medium of exchange and store of value. Therefore, it can be sold at a price higher than its face value and it can also be rented out.
Profit on trade of goods or charging on providing service is the basis for earning the profit.	Time value is the basis for charging interest on capital.
Islamic Banking operates on the basis of profit and loss sharing. In case, the businessman has suffered losses, the Bank will share these losses based on the mode of finance used Mudarabah, Musharakah.	Interest is charged even in case the organisation suffers losses by using Bank's funds. Therefore, it is not based on profit and loss sharing.
The execution of agreements for the exchange of goods and services is a must, while disbursing funds under Murabahah, Salam and Istisna contracts.	While disbursing cash finance, running finance or working capital finance, no agreement for exchange of goods and services is made.
Islamic Banking tends to create links with the real sectors of the economic system by using trade related activities. Since the money is linked with real assets, therefore, it contributes directly in the economic development.	Conventional Banks use money as a commodity which leads to inflation.