



Keynote Address:



**Ghulam Muhammad Abbasi** —  
Director Islamic Banking Department,  
State Bank of Pakistan

New Opportunities for Islamic Finance in Pakistan

Panelists:



**Yavar Moini** — Senior Investment  
Officer, International Finance  
Corporation (*Moderator*)



**Ahmed Ali Siddiqui** — Group Head - Shariah  
Compliance, Meezan Bank



**Ghulam Muhammad Abbasi** —  
Director Islamic Banking Department,  
State Bank of Pakistan



**Mufti Irshad Ahmed Aijaz** — Chairman, Shariah  
Advisory Committee State Bank of Pakistan and  
Chairman, Shariah Advisory Committee Securities &  
Exchange Commission of Pakistan



**Tayyaba Rasheed** — Head - Investment  
Banking Group, Corporate &  
Investment Banking, Faysal Bank

IFN concludes its first series of the IFN Roadshows in 2021 with a highlight on Pakistan, home to the world’s second-largest Muslim population. To date, there are five fully-fledged Islamic banks and 21 Islamic windows offering products and services.

The State Bank of Pakistan has set the ambitious target for the country’s Islamic banking assets to reach a 30% market share by 2025 from 17% last year, an astounding growth of 76%. The five-year strategic plan, which was released in April this year, is focused on several key areas of growth. The government and the State Bank of Pakistan are working toward better supporting SMEs in the nation through providing a greater variety of products and services in this category.

Pakistan is also taking proactive steps through its existing Green Banking Guideline to turn it into mandatory instructions for all banks. This is part of its efforts in supporting the five-year strategic plan and observing the UN Sustainable Development Goals.

The discussion focused on all the key areas that will influence the growth of Islamic banking in Pakistan such as:

Dr Scott Levy



- Creating greater market awareness — more effort is required from all key stakeholders to further educate the market about Islamic finance and differentiate it from conventional finance.
- Developing Shariah compliant Sukuk markets — greater government issuance is required to enable Islamic financial institutions to efficiently manage their liquidity. Product innovation through the issuance of green Sukuk should also occur.
- Digital financial services — these present considerable opportunities for Islamic financial institutions to expand outreach and increase their customer base. New partnerships between Islamic financial institutions, fintechs and e-commerce platforms could be developed through embedded finance to improve access to finance for SMEs.
- Gender finance — this is consistent with the State Bank of Pakistan's focus on promoting greater financial inclusion for women and an area where there is an opportunity for Islamic financial institutions to tailor their products based on sex-disaggregated data.

*Dr Scott Levy is CEO of Bedford Row Capital.*

Islamic finance in Pakistan has become strategically significant with a market share of over 18.2% which is expected to grow to 30% by 2025. In 2020, despite the challenges posed by COVID-19, the industry grew by 30%.

One of the areas of significant growth is the area of sovereign Sukuk and quasi-sovereign Sukuk with issuances worth over PKR750 billion (US\$4.75 billion) issued from April 2020 to date. Sukuk issuance has not only helped the government to reduce the cost of borrowing but also helped in the growth of Islamic banking and financial inclusion.

Ahmed Ali Siddiqui



The intrinsic real asset-based structure of Sukuk also makes them ideal instruments to promote sectors of the real economy like housing, agriculture and SMEs. It is high time that even conventional banks need to change by stepping away from interest bonds, derivatives and toxic assets and focus on real sectors.

Innovative Sukuk structures like Salam-based Sukuk for agriculture, green Sukuk to promote green and renewable energy and hybrid structures for the promotion of tourism and SMEs will be instrumental in increasing public-private partnership.

Another emerging trend is the digitization trend in Pakistan for the Islamic banking sector. COVID-19 has proved to be a blessing in disguise and has accelerated the adoption and digitization of the economy with the use of electronic channels witnessing a growth over 100% at Islamic banks.

Islamic banks now need to focus on digital onboarding, digital credit and data analytics to enhance the reach of Islamic finance to a wider audience which is much needed in Pakistan with a 98% Muslim population.

*Ahmed Ali Siddiqui is the group head of Shariah compliance at Meezan Bank.*

## TESTIMONIALS

<p><b>HIFDZI HAMZAH, HIFDZI SALMIAH KEE HANISAH &amp; CO</b></p> <p>“Really benefited all Islamic finance players.”</p>			<p><b>RAHMAT ULLAH, IBA CENTRE FOR EXCELLENCE IN ISLAMIC FINANCE</b></p> <p>“It was good enough.”</p>
<p><b>MUFTI SYED ZAHID SIRAJ, AL BARAKA BANK (PAKISTAN)</b></p> <p>“It was good and well managed.”</p>			<p><b>ALIZAIN WAHAB, SINDH BANK</b></p> <p>“The forum was quite interesting and its frequency may be increased.”</p>
<p><b>ASLAM NAVAID, INTERNATIONAL FINANCE CORPORATION (IFC)</b></p> <p>“Amazing event.”</p>			<p><b>IMRAN AHMAD, STATE BANK OF PAKISTAN</b></p> <p>“This was a very-well managed forum with experienced speakers. Various topics of current importance were discussed at large. Suggestions were also discussed. I wish IFN all the more success in future.”</p>
<p><b>NOR NASYRIQ SALEH, HIFDZI SALMIAH KEE HANISAH &amp; CO</b></p> <p>“Good input.”</p>			