

Governor's Keynote Address on Islamic Economy in the Digital Age:

Innovation within the Framework of Compliance

6th AlBaraka Forum Regional Conference

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Pearl Continental Hotel, Karachi

Honorable Mr. Yousef Hassan Khalawi,

Secretary General of the Islamic Chamber of Commerce and Development

Presidents and CEOs of banks and corporate sector

Members of the business community, Shariah scholars

Distinguished guests, ladies and gentlemen

Assalam-o-Alaikum and a very good afternoon!

It is a great pleasure for me to join you today at the 6th AlBaraka Forum Regional Conference, organized by the Islamic Chamber of Commerce and Development and AlBaraka Forum. Today's conference is a continuation of a legacy that reflects the commitment of the organizers in fostering dialogue on today's challenges and opportunities for the broader economic and Islamic financial landscape. I would like to appreciate the efforts of Mr. Yousef Hassan Khalawi, Secretary General of the Islamic Chamber of Commerce and Development, and Mr. Atif Hanif, CEO of AlBaraka Bank Pakistan, for making the event an annual feature here in Pakistan.

Ladies and Gentlemen,

The global financial system is undergoing one of the most profound transformations in its history. Instant payment platforms, distributed ledgers, and artificial intelligence are no longer theoretical concepts. They are now integral to the modern financial system. Today, more than 70 percent of people worldwide use at least one digital financial service, and over 80 percent are willing to shift to digital banking. This clearly signals a major change in consumer behavior and expectations. Therefore, no financial firm can sustainably grow, or even maintain, its footprint without a strong and scalable digital presence.

Islamic finance enters the digital age with a distinct feature. Islamic finance is grounded in divine principles of justice, transparency, and risk-sharing. Guided by the *Maqasid al-Shariah*, Islamic finance should closely link financial activity with the real economy. And it must do so without compromising fairness, transparency, and shared prosperity. Under ideal circumstances, Islamic finance is not a random set of transactions. It is not merely conventional banking with different parameters. Instead, it is a deliberate effort to build an inclusive

ecosystem. An ecosystem that serves the diverse financing needs of the wider community, rather than a select few.

In this regard, I want to emphasize that the adoption of digital innovation is not an end by itself, but a means to serving broader socioeconomic purposes. Technology adoption in Islamic finance, as well as in the broader financial services industry, can significantly expand financial inclusion. It can lower costs, reduce geographic barriers, and enable access to finance for small businesses, farmers, and women entrepreneurs—segments of our economy that have traditionally remained outside the formal system.

Ladies and Gentlemen,

The government and the State Bank aim to transition the country towards a digitally enabled economy, where citizens, businesses, and government entities can transact securely and confidently through digital means. Considering the immense potential of digitalization and its importance for the financial system, SBP's Vision 2028 outlines a strategic direction to enhance the digital payments landscape in Pakistan and to transition the banking industry towards a Shariah-compliant mode. With regards to digital financial services, SBP is continuously updating its regulations and working on fast, secure, and reliant digital payments infrastructure in the country. To support real-time digital payments, SBP launched Raast in 2021—Pakistan's instant payment system—which enables seamless, cost-effective, and secure financial transactions.

As a result of SBP's policy interventions, expansion of digital infrastructure, and strong consumer adoption of internet-based platforms, national payments ecosystem has witnessed significant advancements in recent past. Mobile banking apps—including banks, branchless banking wallets, and EMIs—have been the primary growth driver, accounting for 78 percent of total digital retail transactions. Moreover, SBP has ensured that payment infrastructure remains resilient and conforms to international standards. I am also glad to highlight that under the Licensing Framework for Digital Banks introduced in 2022, five entities were granted in-principle approval; presently one digital bank has already started its Islamic operations, while another is in the pilot phase—marking a new chapter in Shariah-compliant digital finance in the country.

Initiatives such as Raast, Asaan Mobile Accounts (AMA), digital onboarding frameworks, Roshan Digital Account, and the licensing of digital banks have collectively expanded access of formal financial services for the masses, while improving efficiency and transparency of financial sector as whole. I am happy to share that under successive National Financial Inclusion Strategies, Pakistan has made notable progress. And I am encouraged to note that Islamic banks have made significant contribution, helping us achieve these targets.

Ladies and Gentlemen,

While digital innovation offers immense promise, it also brings complex challenges that require careful navigation. Greater reliance on digital infrastructure increases exposure to cybersecurity threats, data privacy breaches, and risks to consumer protection and operational resilience. There is also a risk that technology may simply replicate conventional financial models in digital form, prioritizing speed and scale over substance and alignment as per Shariah principles.

To mitigate these risks, financial institutions must go beyond basic compliance. They must have robust data protection frameworks and uphold the highest regulatory standards. Human oversight remains essential to monitor AI-driven decisions, especially in sensitive areas such as credit approval and customer due diligence. Moreover, for Islamic financial institutions, continuous engagement between Shariah scholars, regulators, fintech firms, and most importantly, the customers, is necessary. Only through this collective effort can digital innovation remain both responsible and true to the values of Islamic finance.

Ladies and Gentlemen,

Coming towards the conclusion of my talk, I would like to emphasize that the digital age presents yet another opportunity for the Islamic finance industry to grow and contribute to the growth and development of the economy and our citizens. In this regard, I encourage the industry to do the following:

First, the industry must fully leverage the momentum of digitalization in the country. This momentum should be used to close gaps in financial inclusion. Islamic finance can deliver innovative and practical solutions, especially for SMEs, the agriculture sector, and women-led enterprises. To achieve this, Islamic banking institutions must deepen strategic partnerships. Collaboration with other banks, fintech firms, IT companies, and service providers is no longer optional. It is essential.

Second, the Islamic banking industry must place customer experience at the center of its digital journey. This focus must extend and quality of service must be ensured from onboarding to the final stage of service delivery. In doing so, institutions should draw strength from the core values of Islamic finance. The Maqasid al-Shariah—fairness, transparency, and risk-sharing—must guide every customer interaction.

Third, none of these objectives can be achieved without strong human capital. A digitally enabled future requires a skilled and adaptable workforce. Investing in capacity building and continuous skill development is no longer a choice. It is an urgent necessity. The Islamic banking industry must prepare its human resources today for the demands of a digital tomorrow.

Finally, I urge the banking industry to strengthen its engagement with chambers of commerce and trade bodies. Greater collaboration can unlock new trade, investment, and business opportunities. This applies both locally and across borders. Platforms such as the ICCD provide an effective channel to expand these linkages and amplify impact.

Ladies and Gentlemen,

As regulators, Shariah scholars, industry leaders and innovators, we all carry a collective responsibility to ensure that technological progress serves the broader objectives of justice, inclusion, and societal wellbeing. For Pakistan, this moment presents an opportunity not only to modernize its financial system, but to demonstrate that Islamic finance can offer credible, scalable and principled solutions in rapidly evolving global economy.

The State Bank of Pakistan remains committed to supporting responsible innovation that strengthens financial stability and upholds Shariah principles. Let this conference move us beyond dialogue towards thoughtful action, enabling us to capitalize on the fruits of digitalization and serve humanity with integrity and purpose.

With that, I thank you for your time, and look forward to continue engaging with you as we chart out the way forward for Islamic banking in our country.

Thank you for your attention.