

**October 3, 2014**

**State Bank launches KAP Study report on Islamic banking**

State Bank of Pakistan (SBP) has launched the survey based report; “Knowledge, Attitude and Practices of Islamic Banking in Pakistan” on October 3, 2014 at LRC auditorium, SBP, Karachi. The ceremony was chaired by Mr. Ashraf Mahmood Wathra, Governor, State Bank of Pakistan and attended by presidents of banks and senior industry representatives, Shariah scholars, reputed members of academia, officials of DFID, World Bank and other reputed national and international organizations.

Governor State Bank encouraged the industry to focus on research and development to develop innovative financial solutions that can meet needs of growing clientele of Islamic banking industry. He emphasized that while Islamic banking industry has established its foot prints in international and local market, the industry should not be complacent and stride towards bringing it closer to the key objectives of Islamic economic system; transparency, social justice and equitable distribution of wealth. He formally launched the KAP report and appreciated the efforts of Islamic Banking Department, and EdBiz Consulting Ltd for successful completion of the project and thanked DFID for financing the study.

Subsequently, a detailed presentation on the survey findings was delivered. The first known initiative of its kind, the study has quantified the demand for Islamic banking in the country both for retail and corporate customers and has also identified demand supply gaps. The survey has a nation-wide representation of 9,000 households (Banked and Non-Banked) and 1,000 Corporate.

According to the survey there is an overwhelming demand for Islamic banking in the country that is evenly distributed amongst rural and urban areas, varied income strata and education levels. According to the analysis pent-up demand for Islamic banking is higher amongst retail (95 %) than businesses (73%). The study indicates that individuals in rural areas or in low income brackets have relatively limited access to financial services. This highlights a huge opportunity for Islamic microfinance in rural areas.

The study recommends that the role of Shariah scholars needs to be further enhanced and made more public in promoting Islamic banking and finance. Lack of general awareness about Islamic banking has emerged as one of the key challenges confronted by the industry.

The study indicates that rural markets, SME, agriculture and microfinance sectors have got huge financing needs and are potential markets for Islamic banking. It can also be inferred from findings of the study that Islamic banks are desired to significantly improve their investments in expanding their outreach to 2<sup>nd</sup> and 3<sup>rd</sup> tier cities both to improve their visibility across the country and also to increase their interaction with local businesses and trading communities. According to survey findings, given the supply-demand gaps, there is huge potential for further development of Islamic banking in Pakistan.

Deputy Governor State Bank of Pakistan Mr. Saeed Ahmad in his closing remarks informed the participants of measures taken by the central bank to address the keys challenges facing the Islamic banking industry. Mentioning the resolve and commitment of the Government of Pakistan for promoting Islamic banking in the country on sound foundations the Deputy Governor shared with the audience progress of the National Steering Committee on Islamic Finance.