



External Relations Department

ERD/M&PRD/PR/01/2021-27

March 24, 2021

SBP reports highest growth in Islamic banking assets and deposits since 2015

The overall assets and deposits of the Islamic banking industry have shown tremendous growth of 30 percent and 27.8 percent, respectively, during CY2020. This is the highest increase in assets in a year since 2012 and in deposits since 2015. Over the last five years, both assets and deposits of the Islamic Banking Industry have more than doubled. State Bank of Pakistan (SBP) has reported this today in its quarterly report - Islamic Banking Bulletin for the quarter ending December 31, 2020. This growth in assets and deposits of the Islamic banking industry is encouraging, particularly due the fact that the industry was also faced with the Covid19 pandemic challenges during 2020.

SBP has been playing a pivotal role in the promotion and development of Islamic banking in the country. Due to continuous efforts of SBP and relevant stakeholders, the Islamic banking industry has been growing consistently over the years and this is reflected in the sizeable market share it has acquired in the overall banking industry. The assets of Islamic banking industry increased to Rs4269 billion, whereas deposits reached Rs3389 billion by end December, 2020 that are 17.0 percent in assets and 18.3 percent in deposits of the overall banking industry.

Financing of the Islamic banking industry has also grown by 16 percent during CY20. Further, non-performing finances (NPFs) to financing (gross) ratio has declined from 4.3 percent, as of end December 2019, to 3.2 percent as of end December 2020.

SBP is amongst the few regulators who have introduced a comprehensive legal, regulatory and Shariah governance framework for Islamic banking industry in the country. During the last few years, significant efforts have been made by SBP for growth of Islamic banking in the country. Some of the major steps include strengthening of the Shariah governance framework, ensuring availability of Shariah compliant refinance facilities, detailed guidelines to facilitate the industry during COVID-19 for rescheduling/restructuring of financing facilities according to Shariah principles, standardization of Islamic banking practices in line with best international practices, issuance of instructions for enhancing the scope of Islamic banking windows operations and issuance of guidelines for conversion of a conventional bank into an Islamic bank.

SBP has also played a key role in the development of the Shariah structure for Naya Pakistan Certificate, i.e. Islamic Naya Pakistan Certificate (INPC). INPCs are available through the Roshan Digital Account for investment to the overseas Pakistanis and those resident Pakistanis who have declared assets abroad. Moreover, extensive efforts have also been made in close collaboration and coordination with the stakeholders for capacity building and awareness creation about Islamic banking across the country. In this respect, SBP's key initiative for establishment of three centers of excellence in Islamic finance education at well renowned business schools i.e. IBA Karachi, LUMS Lahore and IMS Sciences in Peshawar was a timely decision and these centers are now contributing not only on the research and awareness related areas but simultaneously helping the industry in provision of the Islamic banking experts.

In continuation of its on-going strategy, State Bank remains committed towards promotion of Islamic banking industry on sound and sustainable basis in the country by providing a level playing field. It may be recalled that in recognition of its efforts for development of Islamic banking industry, SBP has been



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voted as the best central bank in promoting Islamic finance for 2020 by a poll conducted by Islamic Finance News (IFN), REDmoney Group Malaysia. SBP has also won this award in 2015, 2017 and 2018. Moreover, Global Islamic Finance Award (GIFA) has also bestowed the “Best Central Bank of the Year 2020” award to SBP in 2020.

The bulletin is accessible at URL: <https://www.sbp.org.pk/ibd/bulletin/2020/Dec.pdf>
