



External Relations Department

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SBP unveils ambitious Third Five-year Strategic Plan for Islamic Banking Industry

State Bank of Pakistan (SBP) today unveiled its third five-year Strategic Plan for the Islamic Banking Industry. The strategic plan has set headline targets for Islamic banking industry to be achieved by 2025. These include: (i) 30 percent share in both assets and deposits of overall banking industry, (ii) 35 percent share in branch network of overall banking industry, and (iii) 10 percent and 8 percent share of SMEs and Agriculture financing respectively, in private sector financing of Islamic banking industry.

In order to steer the growth of Islamic banking on sound footings, SBP has been providing proactive guidance through issuance of Strategic Plans for the Islamic banking industry; so far, two five-year Strategic Plans have been issued. This third Strategic Plan for Islamic banking industry (2021-25) aims to set a strategic direction for the industry to strengthen the existing progressive momentum and lead the industry to the next level of growth. The plan has been developed in close coordination and consultation with all key relevant stakeholders.

The strategic plan envisages achieving the aforementioned specified targets by focusing on six strategic pillars namely: (i) strengthening legal landscape, (ii) enhancing conduciveness of regulatory framework, (iii) reinforcing comprehensive Shariah governance framework, (iv) improving liquidity management framework, (v) expanding outreach & market development, and (vi) bolstering human capital & raising awareness.

The Islamic banking industry has widened its footprint in banking system of the country. Currently, 22 Islamic banking institutions (5 full-fledged Islamic banks and 17 conventional banks having standalone Islamic banking branches) are offering Shariah compliant products and services through a network of 3,456 branches and 1,638 Islamic banking windows (dedicated counters at conventional branches) spread across 124 districts of the country. In terms of share, the Islamic banking industry has acquired a market share of 17 percent and 18.3 percent in assets and deposits of overall banking industry, respectively by end December 2020.

State Bank aims at making Islamic banking one third of the overall banking industry by 2025. Keeping in view the potential towards ensuring broad based economic growth and development, Islamic banking has remained a top priority area for the SBP. The plan provides a consensus based agenda and strategy to make Islamic banking an efficient and practical solution for consumers. It also contains an extensive focus on improving the public perception of Islamic banking as a distinct and viable system capable of catering to the varied financial services needs of various segments of the society that would significantly contribute to increasing overall financial inclusion in Pakistan.

The plan also emphasizes that Islamic banking institutions must develop innovative products based on distinctive Shariah characteristics to cater to underserved sectors particularly SMEs and Agriculture, which are critical for growth of the country's economy.



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The Islamic banking industry is expected to fully capitalize on the potential of Islamic finance to attain the shared vision of a vibrant and sustainable Islamic banking sector in Pakistan. The Strategic Plan is accessible at URL:

<https://www.sbp.org.pk/departments/pdf/StrategicPlanPDF/Strategic-Plan-2021-25.pdf>
