



**A DRAFT SPEECH**

**Launching Ceremony of BOK Islamic Branch at Madyan, District Swat**

**by Managing Director SBP BSC**

**at Madyan, Swat KPK**

**Tuesday, September 21<sup>st</sup> 2021**

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*Respected Mr Muhammad Ali Gulfaraz.– Managing Director Bank of Khyber, Mr. Atif Hanif –  
Group Head Bank of Khyber Raast Islamic Banking,  
Members of business communities,  
My colleagues from State Bank of Pakistan  
Ladies and gentlemen!*

*Assalam O Alaikum.*

It is a great honor for me to inaugurate the BOK Islamic Banking branch in Madyan, Swat. It is indeed a right step towards the provision of banking services to the far flung, neglected and rural areas of Pakistan, especially in the KPK region. The opening of this branch will facilitate the people and businesses alike, in terms of financial inclusion as well as access to finance, which is a top priority of the State Bank of Pakistan.

I would like to inform you that SBP has been driving 'Financial Inclusion' as a strategic goal through a three-pronged approach, which covers agile & innovative regulations, development of market information & infrastructure and capacity building of providers & clients. BOK has been our devoted partner in the success of these interventions, particularly in the province of KPK.

Being a country with dominant Muslim population, the development of Islamic banking has remained a key agenda of State Bank of Pakistan (SBP). Islamic banking industry has now become a systemically important component of the banking industry by experiencing remarkable growth over the last two decades.

In Pakistan, currently there are 5 full-fledged Islamic banks and 17 conventional banks operating with standalone Islamic banking branches offering a wide array of Shariah compliant financial solutions. As of March 31, 2021, the market share of the Islamic banking industry assets and deposits in the overall banking sector stood at 17% and 18.7% respectively and the branch network of Islamic banking institutions comprises over 3,504 branches and 1,595 windows.

State Bank of Pakistan is fully committed in promoting Islamic banking as envisioned in its 3rd five year strategic plan 2021-25 by setting targets of:

- a. 30 % share in assets and deposits of overall banking industry
- b. 35 % share in branch network of overall banking industry
- c. 10 % share of SMEs' Financing in Private Sector Financing of Islamic banking industry
- d. 8 % share of Agriculture Financing in Private Sector Financing of Islamic banking industry.

However, the achievements of these targets is not possible without the active participation and commitment of the banks operating in the country. To quote an example; the role of the banking industry became more evident in the government's response to the covid-19 pandemic and, its subsequent measures to stimulate the economy and prevent closure of businesses and layoffs of workers, especially in the SME sector. Here, SBP along with commercial and Islamic banks, stepped in to provide support to business and to jumpstart economic activity by launching multiple schemes (Salaries and Wages Scheme, Refinance Facility for Combating COVID – 19 and Temporary Economic Relief) and slashing policy rate.

It gives me great pleasure to inform you that this synergy led to concrete results which were lauded not only in Pakistan but across the world on various forums:

#### SBP's Economic Policy Support Measures

Billion Rs; as of 10th august 2021	
Measures	Impact
Interest Rate Benefit	470
Loan Deferment	657
Loan Rescheduling	254
Rozgar Scheme	238
Support For New Investment/BMR	436
Support For Hospitals	18
<b>Total</b>	<b>2,073</b>
Percent Of GDP	5.0

Bank of Khyber and BOK Raast Islamic Bank were instrumental in the above achievements in the KPK region. Their commitment, zeal and performance in the region prompt appreciation of the highest order.

*Ladies and gentlemen,*

I would like to mention that it has always been our priority to take various initiatives from time to time for facilitating businesses and livelihoods in the country. These initiatives include both long-term and short-term measures, and mainly focus on the provision of easy access to finance through SBP Concessional Refinance Schemes and improving ease of doing business through Forex Regulatory Approval System and Promoting ADCs for tax collection. These initiatives are targeted at priority sectors because of their potential to contribute in Gross Domestic Product (GDP), employment generation and poverty alleviation. Among the priority sectors, the small & medium enterprises (SMEs) take a central place due to the fact that i) 90% of business enterprises in our country are SMEs, ii) SMEs contribute up to 40% of national GDP and iii) contribute 25% in export earnings.

*Distinguished Guests.....*

As you are aware that SBP has announced various concessional schemes in recent past to promote SME financing in the country. A challenge to the success of these schemes is that SMEs are viewed by our banks as a high-risk sector due to certain reasons including lack of documentation, non-availability of collateral, and lack of SMEs' awareness about procedures/requirements of commercial banks.

To counter these challenges, I am pleased to share a good news with you that State Bank in collaboration with Government of Pakistan has issued a Refinance Scheme i.e. 'SME Asaan Finance' or SAAF in the last week to support small businesses. The SAAF is a refinance and credit guarantee facility which has been developed through a wide-ranging consultative process and is aimed at assisting SMEs that are creditworthy, but do not have the required collateral. Under the scheme, selected banks will get refinance from SBP at 1% p.a. and extend financing to SMEs at a rate of up to 9% p.a. which is very attractive compared to informal finance costs. Under SAAF, all SMEs that are new borrowers of a bank will be eligible to avail financing of up to Rs. 10 million. The collateral-free (clean) financing will be available to SMEs for long-term fixed capital investment as well as for working capital finance requirements. I hope that BOK Raast Islamic Group will create awareness of this scheme amongst the business community in the region. Our SBP Office at Peshawar will remain available to facilitate the public to resolve any issues faced by them in availing financing under the SAAF.

I must appreciate BOK for its role in making all these schemes successful through their efforts on awareness and coordination.

Over the years, SBP-BSC Peshawar has a privilege of organizing a number of programs in coordination with BOK for awareness and promotion of policies related to wellbeing of business community. I am very hopeful that BOK will extend full support to SBP team for success of enhancing financial inclusion and access to finance to the neglected communities of the province.

*Distinguished guests*, I believe that we can significantly promote financial inclusion by working together. I would be very pleased to hear your ideas and suggestions for SBP to develop new market interventions and take measures to improve financial inclusion and ease of doing the business in the region.

Thank you!

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