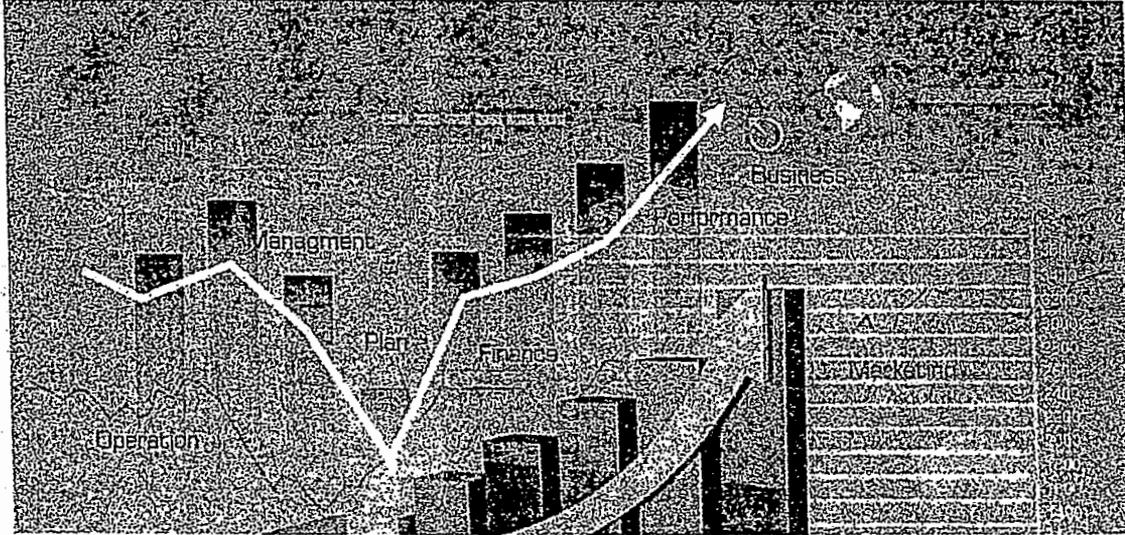


# SENATE OF PAKISTAN



## REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE AND REVENUE



**REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE AND REVENUE ON THE POINT OF PUBLIC IMPORTANCE RAISED BY SENATOR FAROOQ HAMID NAEK IN THE SITTING OF THE SENATE HELD ON 19<sup>TH</sup> OCTOBER, 2024 REGARDING "ISLAMIC BANKING IN PAKISTAN"**

**PRESENTED BY**

**SENATOR SALEEM MANDVIWALLA**

**CHAIRMAN**

*I.T.*

## SENATE SECRETARIAT

### REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE AND REVENUE ON THE POINT OF PUBLIC IMPORTANCE RAISED BY SENATOR FAROOQ HAMID NAEK IN THE SITTING OF THE SENATE HELD ON 19<sup>TH</sup> OCTOBER, 2024 REGARDING "ISLAMIC BANKING IN PAKISTAN"

I, Senator Saleem Mandviwalla, Chairman Senate Standing Committee on Finance and Revenue have the honor to present the report of the Committee on "The Point of Public Importance raised by Senator Farooq Hamid Naek in the sitting of the Senate held on 19<sup>th</sup> October, 2024 regarding "Islamic banking in Pakistan". The Committee comprises of the following honorable Members:-

1.	Senator Saleem Mandviwalla	Chairman
2.	Senator Farooq Hamid Naek	Member
3.	Senator Sherry Rehman	Member
4.	Senator Mohsin Aziz	Member
5.	Senator Syed Shibli Faraz	Member
6.	Senator Anusha Rahman Ahmad Khan	Member
7.	Senator Shahzaib Durrani	Member
8.	Senator Fesal Vawda	Member
9.	Senator Ahmed Khan	Member
10.	Senator Manzoor Ahmed	Member
11.	Senator Syed Faisal Ali Subzwari	Member
12.	Minister for Finance and Revenue	Ex-Officio Member

2. The Committee considered the matter in its meeting held on 13<sup>th</sup> November, 2024 at 2:00 p.m. in Committee Room No. 2, Parliament House, Islamabad. The following members attended the meeting:-

1.	Senator Saleem Mandviwalla	Chairman
2.	Senator Farooq Hamid Naek	Member
3.	Senator Mohsin Aziz	Member (Via Zoom)
4.	Senator Anusha Rahman Ahmad Khan	Member
5.	Senator Shibli Faraz	Member
6.	Senator Manzoor Ahmed Kakar	Member
7.	Senator Faisal Ali Sabzwari	Member
8.	Senator Danesh Kumar	Special Invitee

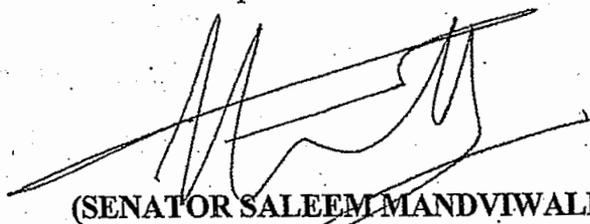
3. Senator Farooq Hamid Naek questioned the authenticity of Islamic banking in Pakistan, highlighting practices like fixed returns on savings and compounded markup on loans. He expressed skepticism about whether these practices align with Islamic principles and suggested inviting scholars for clarity.

4. Deputy Governor SBP clarified that Islamic banking prohibits ribah and aims to align with Sharia principles, focusing on permissible profit structures like Murabaha. However,

operational challenges persist, and there's debate over distinguishing interest from usury.

5. The Committee highlighted concerns over the terminology used in Islamic banking, such as "markup" replacing "interest." While Islamic banking claims to avoid compounding interest, some practices raise questions about whether they truly adhere to Quranic prohibitions.
6. Senator Farooq Hamid Naek referenced the historical origins of ribah and its condemnation in Islamic texts. He warned that inconsistencies in defining and addressing ribah could pose long-term challenges for Pakistan, especially in global financial interactions.
7. The Committee Members supported the idea of a dedicated session to thoroughly examine Islamic banking with input from scholars, the Islamic Ideology Council, and financial experts. The session would address misconceptions, inconsistencies, and practical implementation of Sharia-compliant banking practices.
8. Chairman Committee concluded that number of meetings would be scheduled to comprehensively discuss Islamic banking.
9. It is important to mention that the Committee had already taken the same agenda during its meetings held on 25<sup>th</sup> September, 2024, & 9<sup>th</sup> October, 2024, and it would remain on agenda for future meetings as well. Since it require details deliberations with various stake holders for devising a comprehensive strategy to make Islamic Banking at par with other international Islamic Banking models.
10. The Committee also gave approval for presentation of this report to the House.

  
(IFFAT MUSTAFA)  
Secretary Committee

  
(SENATOR SALEEM MANDVIWALLA)  
Chairman Committee