



Empowering Micro, Small and Medium Enterprises Through Islamic Finance

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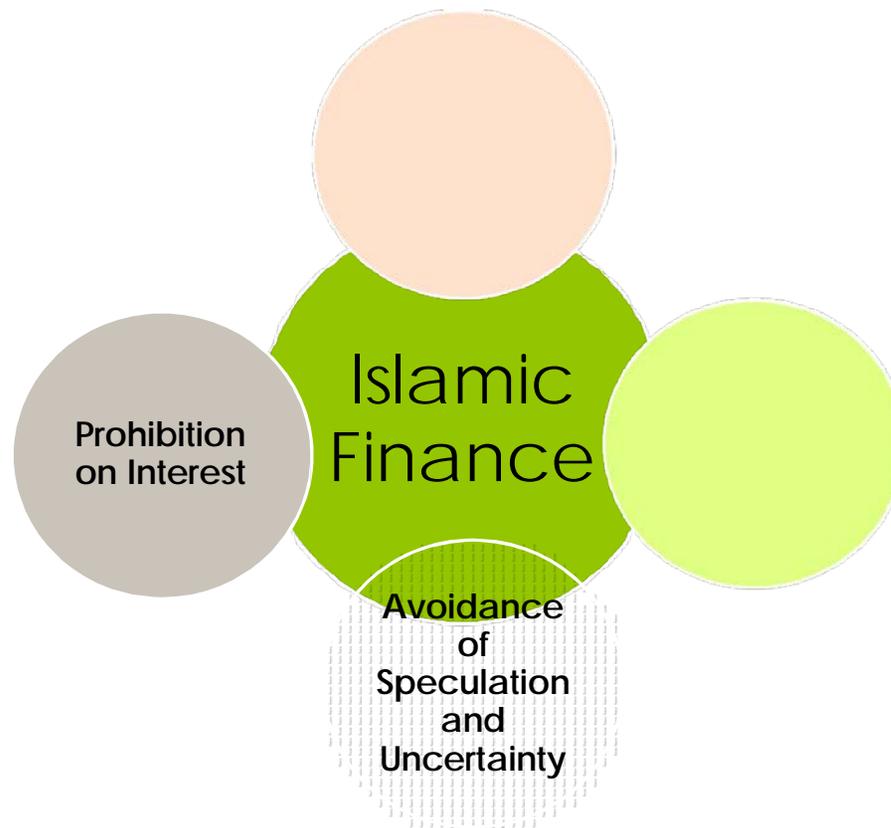
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Key Principles of Islamic Finance



Global Muslim Population

Regional distribution of Muslims

Population by region as of 2010



Percentage of world Muslim population in each region as of 2010



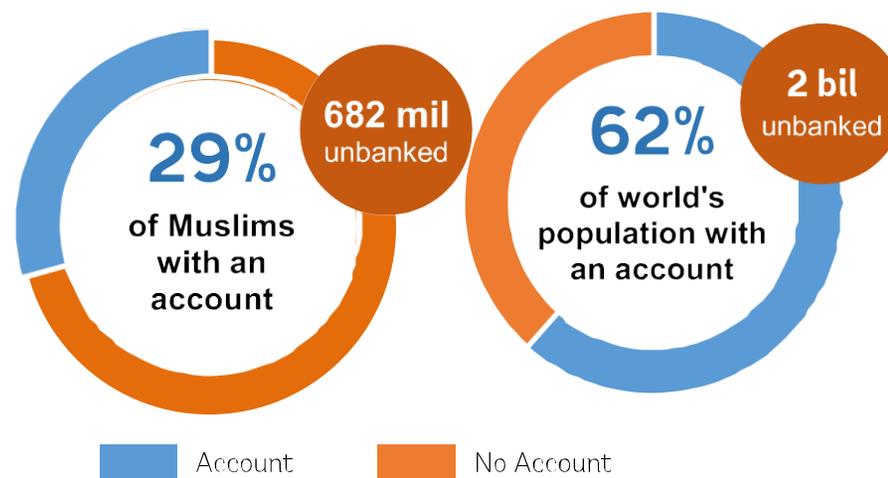
Note: Population estimates are rounded to the ten thousands. Percentages are calculated from unrounded numbers. Figures may not add to 100% due to rounding.

PEW RESEARCH CENTER

Source: Pew Research Center

Financial Inclusion In Figures

Figure 10: Adults with a bank account



Source: Global Findex Database, World Bank staff estimates.

Source: Identifying New Growth Pathways. Development Digest; no. 2, World Bank, 2017.

Pakistan

- 93% of non-banked consider interest to be prohibited
- Overall demand for Islamic banking is 73% amongst businesses

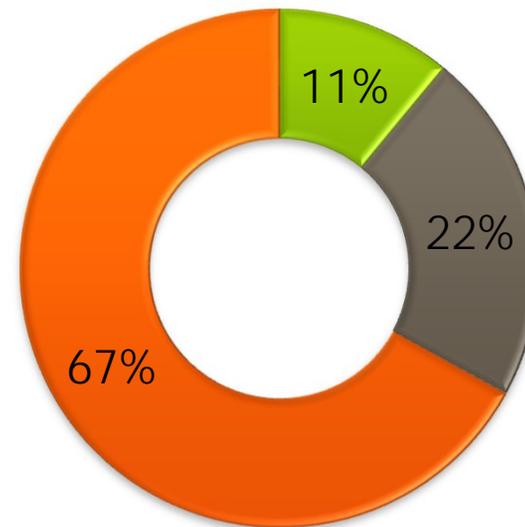
Source: KAP Study, Knowledge, Attitude And Practices Of Islamic Banking In Pakistan, State Bank of Pakistan and Department for International Development

Pakistan

- 30% of GDP from SMEs
- 25% of SMEs do not take formal financing due to their religious beliefs

SMEs in Pakistan

- Well-served
- Underserved
- Un-served



Source: *Islamic Banking Opportunities Across Small and Medium Enterprises – Pakistan*, IFC, 2017.

Pakistan

- IFC has signed an advisory agreement with Meezan Bank to help bolster SME access to Islamic finance.

Kyrgyz Republic

- 70-75% are financially un-served
- Almost 80% of the country's MSMEs have indicated their **strong** preference for and interest in Islamic banking products and services

Source: *Islamic Banking and Finance : Opportunities Across Micro, Small and Medium Enterprises in the Kyrgyz Republic*, IFC, 2016.

Afghanistan

- 34% of the country's population cite religious factors as a barrier to finance

Source: International Monetary Fund Working Paper Series, Can Islamic Banking Increase Financial Inclusion?, Sami Ben Naceur, Adolfo Barajas, and Alexander Massara, February 2015

Indonesia

- 49% of the rural population in East Java consider interest as prohibited and would prefer Islamic financing

Sources: Islamic Economic Studies, Volume 20 No. 2, The Role of Islamic Finance in Enhancing Financial Inclusion in Organization of Islamic Cooperation (OIC) Countries, Mahmoud Mohieldin, Zamir Iqbal, Ahmed Rostom and Xiaochen Fu, 2 December 2012

Philippines

- Over 3.5 million Muslims live in ARMM
- 21 bank branches and 33 ATMs
- ARMM grew by 1.2% in 2012
- BSP: Islamic finance to uplift ARMM

Sources: *Report on the State of Financial Inclusion in the Philippines*, Bangko Sentral ng Pilipinas, 2015; *Gross Regional Domestic Product*, Philippine Statistics Authority, July 2016

Bangladesh

- 25% of total banking market
- Islami Bank – largest and most profitable bank
- 23% of SME market in Bangladesh

Source: IFSI Suitability Report 2016

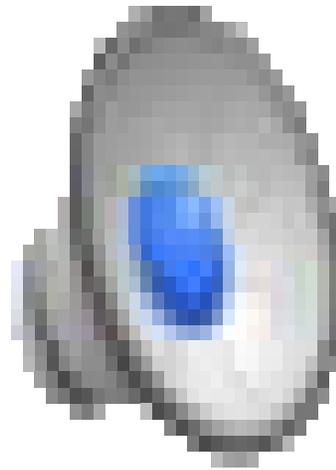
Incorporating Islamic Finance in ADB Operations

- New Credit Guarantee Institution Project
- Agribusiness Development Assistance for Small Farmers in Mindanao
- Financial Market Development and Inclusion Project
- PSOD: Wind Power Project

Incorporating Islamic Finance in ADB Operations

- R-KSTA: Islamic Finance for Inclusive Growth
- KSTA: Islamic Finance for Philippines

Akhuwat



Source: Akhuwat Official (Youtube Channel)

Thank you.