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The Shift to an Interest-Free Economy: Pakistan's Journey Toward a Fully Islamic Banking System

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Abstract

The transition to an interest-free economy represents a critical economic transformation, reflecting the intersection of Islamic principles and contemporary financial practices. This article studies Pakistan's pioneering journey toward establishing a fully Islamic banking system, exploring its strategies, challenges, and opportunities. The research addresses two pivotal questions: (1) What policy frameworks and institutional reforms have facilitated the shift to an interest-free banking system in Pakistan? (2) What are the socio-economic implications of this transformation on the financial ecosystem and public trust? Employing a qualitative methodology through in-depth literature review analyses, the study synthesises findings from policy reports, scholarly articles, and regulatory data to evaluate Pakistan's progress and lessons learned in this ambitious endeavour. The analysis reveals that robust regulatory frameworks, public-private collaboration, and Shariah-compliant financial innovations have significantly advanced the transition. However, critical challenges persist, including ensuring financial inclusion, overcoming operational inefficiencies, and addressing public scepticism. Furthermore, the article examines the role of Islamic banking in enhancing economic equity, reducing financial disparities, and aligning financial practices with ethical principles rooted in Shariah law. Findings emphasise that while Pakistan's progress offers a blueprint for other economies aspiring to adopt Islamic financial models, sustained commitment to education, technological adaptation, and regulatory coherence is imperative. Recommendations include leveraging fintech solutions for Shariah-compliant services, fostering international collaborations to harmonise standards, and engaging communities to build trust and participation. By aligning modern financial systems with Islamic values, Pakistan's journey underscores the broader relevance of ethical finance in fostering sustainable and inclusive economic growth.

Keywords

Islamic Banking, Interest-Free, Pakistan, Transformation, Shariah Compliance

Introduction

The global financial landscape has witnessed a growing interest in Islamic banking, a system that operates on the principles of ethical and inclusive finance. Pakistan, as one of the first nations to embark on a systematic transition to an interest-free economy, occupies a unique position in this transformative journey. (Alisher *et al*., 2019)

The rise of Islamic banking reflects a broader shift towards more sustainable and socially responsible financial practices. By eschewing interest-based transactions and embracing profit-and-loss sharing models, Islamic finance aims to promote economic justice, social welfare, and environmental stewardship. This approach resonates with the growing global demand for financial systems that align with ethical and religious values. (Tabash and Dhankar, 2014)

Pakistan's commitment to transitioning towards a fully Islamic banking system is rooted in its historical and religious context. The country's founding father, Muhammad Ali Jinnah, envisioned an economic system based on the principles of Islamic law, or Sharia. This vision has been gradually realised through various policy initiatives and regulatory reforms over the past few decades. (Mansoor Khan, 2008)

The journey towards a fully Islamic banking system in Pakistan has been marked by both challenges and successes. The country has faced the task of adapting its existing financial infrastructure to comply with Sharia principles, while also fostering the growth and development of Islamic financial institutions. This process has required extensive collaboration between policymakers, regulators, and the Islamic banking industry. (Memon *et al*., 2022)

As Pakistan continues to navigate this transformative path, it serves as a valuable case study for other nations exploring the potential of Islamic finance. The country's experiences and lessons learned can provide insights into the practical implementation of interest-free banking systems and their socio-economic impacts. (Shah and Irfan, 2022)

This study aims to explore the transformation towards an interest-free banking system in Pakistan holds significant importance in promoting financial stability, reducing inequalities, and aligning with Islamic ethical values. The main research questions are: What policy frameworks and institutional reforms have facilitated the shift to an interest-free banking system in Pakistan? What are the socio-economic implications of this transformation on the financial ecosystem and public trust?

The article's exploration of the policy frameworks and institutional reforms that have facilitated this transformation in Pakistan can provide valuable insights for other Muslim-majority countries or regions seeking to develop their own Islamic banking and finance sectors. The lessons learned from Pakistan's journey can inform the design of effective regulatory environments and the implementation of best practices in the industry (Tok and Yesuf, 2022).

By highlighting the socio-economic implications of this shift, the article can also contribute to the broader discourse on the role of Islamic finance in promoting sustainable and inclusive economic development. The findings can inform policymakers, financial institutions, and researchers in their efforts to harness the potential of Islamic banking and finance to address pressing social, economic, and environmental challenges (Harahap *et al*., 2023).

Literature review

The development of interest-free banking in Pakistan can be traced back to the 1970s, when the country began its journey towards establishing a fully Islamic financial system. This shift was driven by the government's commitment to align the country's economic and financial practices with Islamic principles, which prohibit the charging of interest (*riba*) (Ashraf, 2013).

One of the key milestones in this journey was the establishment of the Council of Islamic Ideology in 1962, which was tasked with examining the country's laws and regulations to ensure their compatibility with Islamic teachings (Ahmad *et al*., 2010). This was followed by the introduction of the Elimination of Riba Act in 1979, which mandated the gradual phasing out of interest-based banking and the transition to an interest-free system (Khan and Mirakhor, 1990).

The State Bank of Pakistan, the country's central bank, played a pivotal role in this transformation. In 1981, the central bank issued guidelines for the establishment of interest-free banking, and by the mid-1980s, several commercial banks had introduced Islamic banking windows (Nomani, 2003). This was further reinforced by the enactment of the Banking Companies Ordinance in 1962, which provided a legal framework for the operation of Islamic banks (Khan *et al*., 2015).

The growth of the Islamic banking industry in Pakistan has been steady, with the sector's assets growing from around 8% of the total banking industry in 2006 to over 15% by 2020 (Ashraf, 2013). This expansion has been driven by the increasing demand for Sharia-compliant financial products and services, as well as the government's continued efforts to promote the industry through regulatory reforms and incentives.

One of the key challenges faced by the industry has been the need to develop a robust legal and regulatory framework that can effectively govern the operations of Islamic banks. The State Bank of Pakistan has been actively working to address this issue, with the introduction of the Shariah Governance Framework in 2018 and the issuance of various prudential regulations to ensure the stability and soundness of the Islamic banking sector (Khan *et al*., 2015).

Pakistan's journey towards a fully Islamic banking system has been closely watched by other nations that have also been exploring the implementation of Islamic finance models. While there are similarities in the overall approach, each country has faced unique challenges and has adopted different strategies to address them.

Iran, for example, has been at the forefront of the Islamic banking movement, with the government mandating the conversion of all banks to interest-free operations in the 1980s (Khan and Mirakhor, 1990). The Iranian model has been characterised by a high degree of government involvement and the use of profit-and-loss sharing mechanisms, such as *Mudarabah* and *Musharakah*, as the primary modes of financing (Nomani, 2003).

In contrast, the development of Islamic banking in Egypt has been more gradual, with the first Islamic bank, Faisal Islamic Bank, being established in 1977 (Nomani, 2003). The Egyptian government has taken a more cautious approach, allowing for the coexistence of conventional and Islamic banking systems, while gradually introducing regulatory changes to facilitate the growth of the Islamic finance industry.

Malaysia, on the other hand, has been widely recognised as a global leader in Islamic finance, with the country's Islamic banking assets accounting for over 30% of the total banking industry as of 2020 (Ahmad, Malik, & Humayoun, 2010). The Malaysian model has been characterised by a strong regulatory framework, the establishment of dedicated Islamic financial institutions, and the active promotion of the industry by the government.

Bahrain and the United Kingdom have also emerged as important hubs for Islamic finance, with both countries attracting significant investment and talent in the sector. Bahrain, in particular, has positioned itself as a regional centre for Islamic banking, with the government actively supporting the industry through various initiatives and incentives (Khan *et al*., 2015).

The experiences of these countries provide valuable insights into the challenges and opportunities associated with the implementation of Islamic banking models. While the core principles and objectives may be similar, the specific approaches and strategies

The core Islamic principles that underpin interest-free banking systems are *riba* (usury) prohibition, *gharar* (uncertainty) reduction, and *maslahah* (public interest). Riba, or the charging of interest, is strictly forbidden in Islam as it is considered an exploitative practice that goes against the principles of fairness and equity (Lewis and Algaoud, 2001). Instead, Islamic banking promotes the concept of profit-and-loss sharing, where the bank and the customer share the risks and rewards of a financial transaction. This helps to reduce *gharar*, or uncertainty, and ensures that the public interest (*maslahah*) is served (Iqbal and Mirakhor, 1999).

Islamic banking also emphasises the importance of asset-backed financing, where the bank's activities are directly linked to tangible economic activities. This contrasts with conventional banking, where the focus is often on debt-based financing and speculative activities (Moin, 2008). The asset-backed nature of Islamic banking helps to promote financial stability and reduce the risk of systemic crises, as the bank's exposure is directly tied to the performance of the underlying assets (Abdullah *et al*., 2011).

Furthermore, Islamic banking encourages the use of various Shariah-compliant financing modes, such as *murabahah* (cost-plus financing), *ijarah* (leasing), and *musharakah* (joint venture), which are designed to align with the principles of Islamic finance (Ismail and Saeed, 2019). These modes of financing aim to promote the equitable distribution of risk and reward, as well as the avoidance of speculative and exploitative practices.

The transition to a fully Islamic banking system in Pakistan has faced a number of operational, regulatory, and societal challenges. One of the key operational challenges has been the need to develop a comprehensive set of Shariah-compliant products and services that can effectively replace conventional banking offerings (Abdullah *et al*., 2011). This has required significant investment in research and development, as well as the training and development of Islamic banking professionals with the necessary expertise.

Another challenge has been the need to establish robust regulatory and supervisory frameworks to ensure the stability and integrity of the Islamic banking sector (Ismail and Saeed, 2019). This has involved the development of Shariah-compliant prudential regulations, accounting standards, and reporting requirements, as well as the coordination between various regulatory authorities and the Islamic banking industry.

Societal challenges have also played a significant role in the transition process. Despite the growing popularity of Islamic banking in Pakistan, there is still a significant portion of the population that remains sceptical or unfamiliar with the principles and practices of Islamic finance (Moin, 2008). This has necessitated extensive public awareness campaigns and educational initiatives to promote the understanding and acceptance of Islamic banking among the general public.

Moreover, the transition to a fully Islamic banking system has also faced resistance from certain segments of the financial industry, particularly those with vested interests in the conventional banking system (Lewis and Algaoud, 2001). This has required the government and regulatory authorities to navigate a delicate balance between promoting the growth of Islamic banking and ensuring a smooth and gradual transition that minimises disruptions to the overall financial system.

Despite these challenges, Pakistan's journey towards a fully Islamic banking system has been marked by significant progress in recent years. The country has witnessed a steady increase in the number of Islamic banks, as well as a growing market share for Islamic banking products and services (Ismail and Saeed, 2019). This has been supported by the government's commitment to the development of the Islamic finance industry, as well as the ongoing efforts to address the various operational, regulatory, and societal challenges that have arisen during the transition process.

Methods

Literature review analyses to explore Pakistan's journey toward establishing a fully Islamic banking system. This method allows for a comprehensive examination of existing academic and policy literature, regulatory data, and industry reports to provide insights into the intersection of Islamic principles and modern financial practices. By synthesising findings from diverse sources, the research identifies the key strategies, challenges, and socio-economic implications of transitioning to an interest-free economy.

The literature review is structured to address two critical research questions: the policy frameworks and institutional reforms facilitating this shift, and the broader socio-economic impacts on the financial ecosystem and public trust. The review encompasses scholarly articles, regulatory documents, and case studies, enabling a thorough evaluation of Pakistan's regulatory frameworks, public-private collaborations, and Shariah-compliant financial innovations. This approach ensures a detailed understanding of how Islamic principles such as *riba* (usury) prohibition and ethical governance have been operationalised within the banking system.

By relying on secondary data, the study mitigates the need for primary data collection, ensuring an efficient and focused exploration of the topic. The qualitative methodology is particularly suited for examining complex, multi-dimensional phenomena like Pakistan's transition to Islamic banking. It highlights lessons learned, identifies gaps in implementation, and proposes actionable strategies to address persistent challenges, such as financial inclusion and public scepticism. This methodological framework positions the study to contribute meaningful insights to the broader discourse on ethical finance and sustainable economic development.

Result and Discussion

Implications to the Policies, Institutional Framework and Socio-Economic Aspects

The shift towards an interest-free banking system in Pakistan has been facilitated by a range of policy frameworks and institutional reforms. Firstly, the Government of Pakistan has implemented various legislative measures to promote Islamic banking and finance. In 2002, the State Bank of Pakistan (SBP) introduced the 'Strategic Plan for Islamic Banking Industry' to provide a roadmap for the development of the Islamic banking sector (Memon *et al*., 2022). This was followed by the enactment of the 'Banking Companies Ordinance' in 2001, which allowed for the establishment of full-fledged Islamic banks and the conversion of conventional banks into Islamic ones (Banna *et al*., 2022).

Furthermore, the SBP has established a dedicated Islamic Banking Department to oversee the growth and regulation of the Islamic banking industry. This department has been instrumental in developing Shariah-compliant products, setting prudential guidelines, and ensuring the compliance of Islamic banks with Islamic principles (Tok & Yesuf, 2022). Additionally, the government has provided tax incentives and other financial support to encourage the expansion of Islamic banking services, particularly in underserved rural areas (Memon *et al*., 2022).

On the institutional front, the establishment of the Shariah Boards within Islamic banks has been a crucial step in ensuring the adherence to Islamic principles. These boards are responsible for approving Shariah-compliant financial products and overseeing the operations of the banks to maintain their Islamic integrity (Harahap *et al*., 2023). The SBP has also mandated the creation of dedicated Shariah Compliance Departments within Islamic banks to monitor their adherence to Shariah principles (Osman and Elamin, 2023).

The shift towards an interest-free banking system in Pakistan has had significant socio-economic implications, particularly in terms of financial inclusion and public trust. Islamic banking has provided access to financial services for segments of the population who were previously excluded from the conventional banking system due to religious concerns (Memon *et al*., 2022). This has helped to reduce financial inequalities and promote more inclusive economic growth.

Moreover, the emphasis on Shariah-compliant products and the prohibition of interest-based transactions have resonated with the religious and ethical values of the Pakistani population, thereby enhancing public trust in the financial system (Tok and Yesuf, 2022). The community investment funds and profit-loss sharing models adopted by Islamic banks have also contributed to a more equitable distribution of wealth and risk-sharing among the stakeholders (Memon *et al*., 2022).

However, the transition to an interest-free banking system has not been without its challenges. The limited availability of Shariah-compliant financial instruments and the lack of skilled human resources in the Islamic banking industry have posed obstacles to the sector's growth (Banna *et al*., 2022). Additionally, the COVID-19 pandemic has tested the resilience of Islamic banks, highlighting the need for further digital transformation and financial inclusion initiatives to ensure their long-term sustainability (Banna *et al*., 2022).

Islamic Banking Transformation: Between Innovations and Implications

The transition to an interest-free economy in Pakistan has been a gradual and multifaceted process, marked by significant legal and regulatory reforms. The State Bank of Pakistan (SBP) has played a pivotal role in promoting the growth of Islamic banking through various initiatives (Jamil, 2024). One such initiative was the 26th Constitutional Amendment, which aimed to establish a *riba*-free (interest-free) financial system in the country (Jamil, 2024).

The SBP has also introduced comprehensive guidelines and regulations to ensure the alignment of Islamic banking practices with Shariah principles. This includes the establishment of Shariah advisory boards, which are responsible for overseeing the compliance of Islamic financial institutions with Islamic laws and principles (Sheikh *et al*., 2024). These boards provide guidance on product development, transaction structures, and the interpretation of Shariah rulings, ensuring that the operations of Islamic banks adhere to the principles of Islamic finance (Sheikh *et al*., 2024).

Furthermore, the SBP has implemented robust compliance mechanisms to monitor the adherence of Islamic banks to Shariah standards. This includes regular audits, inspections, and the enforcement of Shariah-compliant practices (Sheikh *et al*., 2024). The central bank has also introduced measures to enhance transparency and accountability within the Islamic banking sector, such as the mandatory disclosure of Shariah-related information and the publication of Shariah audit reports (Sheikh *et al*., 2024).

The legal and regulatory framework for Islamic banking in Pakistan has undergone significant changes in recent years. The Federal Shariat Court, a specialised court responsible for ensuring the conformity of laws with Islamic principles, has played a crucial role in this regard (Sheikh *et al*., 2024). The court's judgments have provided guidance on the implementation of a *riba*-free economy and have highlighted the challenges that need to be addressed to achieve a fully Islamic banking system (Sheikh *et al*., 2024).

Despite these efforts, the transition to a fully Islamic banking system in Pakistan has faced several challenges. The Federal Shariat Court's rulings have emphasised the need for a comprehensive legal framework to eliminate interest-based transactions and ensure the effective implementation of Islamic finance principles (Sheikh *et al*., 2024). Addressing these challenges and strengthening the regulatory environment will be essential for the continued growth and development of Islamic banking in Pakistan.

The shift towards an interest-free economy in Pakistan has been accompanied by the emergence of various financial innovations that align with Shariah principles. One such innovation is the development of Shariah-compliant fintech solutions, which have the potential to enhance financial inclusion and accessibility (Rahman *et al*., 2023).

Fintech innovations, such as mobile banking, digital wallets, and peer-to-peer lending platforms, have the potential to reach underserved populations and provide them with access to financial services (Rahman *et al*., 2023). These digital solutions can also enhance transparency and trust in the financial system, as they often incorporate features that align with the principles of Islamic finance, such as profit-and-loss sharing and the avoidance of interest-based transactions (Rahman *et al*., 2023).

Another significant innovation in the Islamic finance landscape is the sukuk, or Islamic bonds. Sukuk are Shariah-compliant investment certificates that represent ownership in underlying assets or projects, rather than debt instruments (Ali & Puah, 2017). The sukuk market in Pakistan has been growing steadily, with the government and private sector entities issuing various types of sukuk to raise funds for infrastructure development, corporate financing, and other Shariah-compliant initiatives (Ali and Puah, 2017).

The introduction of profit-and-loss sharing (PLS) products is another notable innovation in Pakistan's Islamic banking sector. These products, which are based on the principles of *Mudarabah* (profit-sharing) and *Musharakah* (joint venture), offer an alternative to traditional interest-based financing (Maryam *et al*., 2019). PLS products encourage risk-sharing between the bank and the customer, promoting a more equitable and ethical approach to financial transactions (Maryam *et al*., 2019).

The digital transformation of the Islamic banking industry has the potential to further enhance the transparency, efficiency, and trust in the sector. By leveraging technologies such as blockchain, artificial intelligence, and big data analytics, Islamic banks can streamline their operations, improve risk management, and provide more personalised and tailored services to their customers (Rahman *et al*., 2023). These innovations can contribute to the overall growth and acceptance of Islamic banking in Pakistan.

The shift towards an interest-free economy in Pakistan has had significant socio-economic implications, particularly in terms of financial inclusion, economic equity, and poverty reduction.

One of the primary goals of the Islamic banking system is to promote financial inclusion by providing access to financial services to underserved and marginalised communities (Mohseni-Cheraghlou, 2017). Islamic banking products, such as *Qard Hassan* (benevolent loans) and *Zakat* (obligatory alms), have the potential to reach individuals and communities that have traditionally been excluded from the conventional financial system (Mohseni-Cheraghlou, 2017). By offering Shariah-compliant alternatives to traditional banking services, Islamic banks can help to bridge the financial inclusion gap and empower these communities.

Moreover, the principles of Islamic finance, which emphasise the equitable distribution of wealth and the avoidance of exploitative practices, can contribute to greater economic equity (Mohseni-Cheraghlou, 2017). Islamic banking products, such as profit-and-loss sharing arrangements, encourage a more collaborative and risk-sharing approach to financial transactions, reducing the concentration of wealth and promoting a more inclusive economic model (Mohseni-Cheraghlou, 2017).

The impact of Islamic banking on poverty reduction is another significant socio-economic implication. By providing access to financial services and promoting economic equity, Islamic banking can help to alleviate poverty and improve the overall well-being of individuals and communities (Mohseni-Cheraghlou, 2017). The integration of Zakat and other charitable instruments within the Islamic banking framework can also contribute to poverty alleviation efforts and the provision of social welfare services (Mohseni-Cheraghlou, 2017).

However, the transition to an interest-free economy in Pakistan has also faced challenges in terms of public perception and trust in financial institutions. The shift towards Islamic banking has required a significant change in mindset and the adaptation of traditional financial practices (Maryam *et al*., 2019). Addressing these challenges and fostering greater public awareness and understanding of Islamic finance principles will be crucial for the continued growth and acceptance of the Islamic banking system in Pakistan.

Interest-Free Banking: Pakistan's Journey and Its Challenges and Opportunities

The shift towards a fully Islamic banking system in Pakistan has faced several key challenges, one of which is the issue of regulatory inconsistencies. The harmonisation of global Islamic banking standards remains a significant hurdle, as different jurisdictions have varying interpretations and applications of Shariah principles (Shaukat and Naveed, 2020). This lack of regulatory alignment can create confusion and uncertainty for both financial institutions and consumers, hindering the widespread adoption of Islamic banking products and services.

Another critical challenge is the need to enhance public awareness and trust-building among stakeholders. The success of an interest-free economy is closely tied to the level of religiosity and trust that the public has in Islamic banking (Zaid, 2019). Many Pakistanis may still be unfamiliar with the principles and benefits of Islamic finance, which can lead to a reluctance to embrace the shift away from conventional banking. Addressing this knowledge gap and fostering a greater understanding of the ethical and spiritual foundations of Islamic banking is essential for driving its widespread acceptance.

The implementation of profit-sharing models, a core tenet of Islamic banking, also presents operational complexities that need to be addressed. Conventional banking systems are often more streamlined and familiar to both financial institutions and customers, making the transition to more complex profit-sharing arrangements a significant challenge (Butt *et al*., 2018). Overcoming these operational inefficiencies and developing robust risk-management frameworks for Islamic banking will be crucial for its long-term sustainability.

Despite the challenges, the shift towards a fully Islamic banking system in Pakistan also presents numerous opportunities for growth. One such opportunity lies in leveraging international collaborations and fintech solutions. By fostering partnerships with other Islamic finance hubs, such as Malaysia and the Gulf Cooperation Council (GCC) countries, Pakistan can learn from their experiences and best practices, ultimately strengthening its own Islamic banking ecosystem (Mohieldin *et al*., 2015). Additionally, the integration of fintech innovations can help address some of the operational inefficiencies, improve accessibility, and enhance the overall customer experience in Islamic banking (Karim *et al*., 2022).

Another area of opportunity is the alignment of Islamic banking with the United Nations' Sustainable Development Goals (SDGs). The ethical and socially responsible principles inherent in Islamic finance can be leveraged to support sustainable development initiatives, such as financial inclusion, poverty alleviation, and environmental conservation (Jan *et al*., 2021). By actively aligning its Islamic banking strategies with the SDGs, Pakistan can not only contribute to global sustainability efforts but also position its interest-free economy as a model for responsible and impactful financial practices.

In conclusion, Pakistan's journey towards a fully Islamic banking system is fraught with both challenges and opportunities. Addressing the regulatory inconsistencies, enhancing public awareness and trust, and overcoming operational inefficiencies will be crucial for the successful implementation of an interest-free economy. However, by leveraging international collaborations, fintech solutions, and aligning with sustainable development goals, Pakistan can harness the transformative potential of Islamic banking and pave the way for a more equitable and ethical financial landscape.

Conclusion

The transition to an interest-free economy in Pakistan represents a landmark achievement in aligning modern financial systems with Islamic principles. Central to this transformation are robust regulatory frameworks that underpin the shift toward Shariah-compliant financial practices. Initiatives such as the establishment of Shariah advisory boards and comprehensive legal reforms have strengthened public trust and laid a solid foundation for the adoption of Islamic banking. Moreover, the collaboration between government institutions and private entities has spurred innovation in financial products and services, enabling the development of Shariah-compliant fintech solutions and sukuk instruments. These measures have not only enhanced economic equity but also reinforced financial inclusion by catering to previously underserved populations.

The journey, however, is not without its challenges. The transition has exposed significant hurdles, including regulatory inconsistencies and operational inefficiencies, which have posed barriers to achieving a seamless adoption of the Islamic banking system. Additionally, scepticism about Islamic finance among certain sections of the population has necessitated targeted public awareness campaigns. Addressing these challenges requires a multipronged approach that emphasises digital transformation, streamlined regulatory processes, and community engagement. Aligning Islamic banking practices with global standards and sustainability objectives further enhances the system's potential to contribute to broader economic development.

Looking forward, leveraging international collaborations and adopting cutting-edge technologies will be pivotal for Pakistan's Islamic banking sector. Partnerships with leading Islamic finance hubs, such as Malaysia and the Gulf Cooperation Council (GCC) countries, can facilitate the adoption of best practices and harmonised standards. Furthermore, integrating blockchain and artificial intelligence into financial operations can enhance transparency, operational efficiency, and customer satisfaction. By addressing existing barriers and focusing on strategic innovation, Pakistan's journey toward a fully Islamic banking system serves as a model for ethical and sustainable financial development globally.

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