

CONVERSION OF PAKISTAN'S EXTERNAL DEBT INTO SHARIAH- COMPLIANT MODE: AN OPPORTUNITY TO EXPLORE

BY

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A Project submitted to Department of Management Studies, Bahria Business School, Bahria University – Karachi Campus, in partial fulfillment of the requirement for BS A&F Degree



BS (ACCOUNTING & FINANCE)

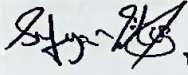
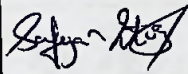
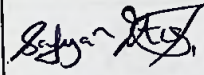

SPRING-2023

Bahria University Karachi Campus

1st Half Semester Progress Report

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Supervisor Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
1	22-2-23	Sir's cubicle	Discussion on various topic	
2	3-3-23	Sir's cubicle	Topic Finalized	
3	6-3-23	Sir's cubicle	Discussion on options to conduct interviews.	
4	16-3-23	Online	Interview conducted	

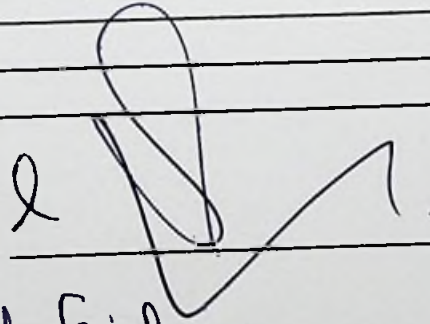
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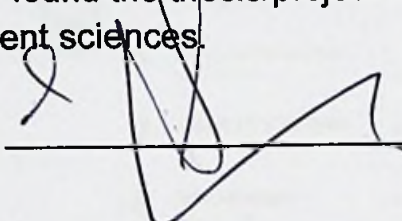
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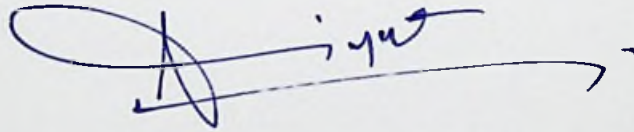


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ABSTRACT

This research project explores options for the conversion of Pakistan's external debt into Shariah-compliant mode. With Pakistan facing significant external debt obligations, this study investigates the potential benefits and challenges of converting such debt into Sharia-compliant instruments in line with Islamic principles. Through an exploratory research approach, interviews with Shariah-based specialists were conducted through which, various options were examined. By understanding the key features of Shariah-compliant products, policymakers and stakeholders can assess the potential for reshaping the external debt structure of Pakistan by Islamic financial norms. The study analyzes different modes of Islamic finance, including Sukuk (Islamic bonds), syndicate financing, and diminishing Musharakah (partnership), among others, to evaluate their applicability to Pakistan's external debt conversion. Furthermore, the research identifies the challenges and potential risks associated with the conversion process, such as political instability and mismanagement and most importantly the lack of risk appetite of Islamic banks. Findings suggest that it can be done but it may take several years, and it is off the map for policymakers to navigate the complexities associated with this process while highlighting the potential advantages of embracing Islamic financial principles in managing the country's debt obligations.

Keywords: External debt, Shariah-compliant Islamic finance, Conversion, Exploratory research, Sukuk