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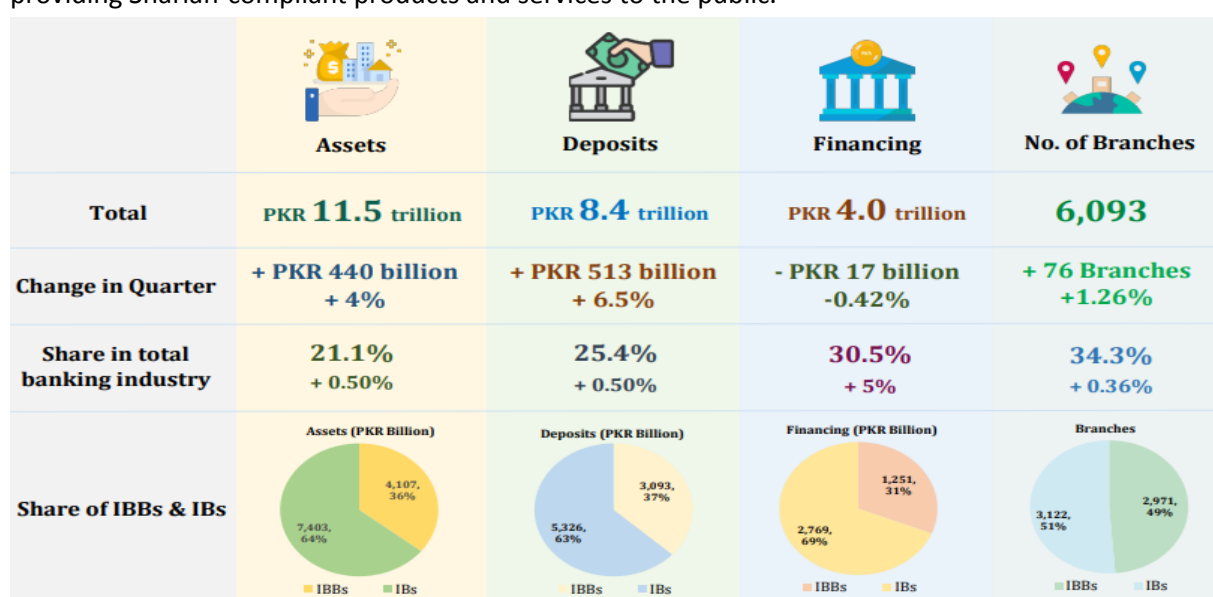
Abstract: *This case explores the transformational process of the Faysal Bank Limited (FBL) conversion from a conventional bank into a full-fledged Islamic bank. This conversion marked the largest global conversion and the first of its type in Pakistan (Iqbal, 2023), where all the banking operations, products, and services were converted in line with the Shariah principles. The case is analyzed using a narrative case method, which employs qualitative data collected from the bank President and CEO's lectures and talks on conversion and achievements (BIBF, 2025). The narrative case method has been recognized globally as the best pedagogical tool for capturing and reporting the complexity of organizational change and decision making process. Unlike other descriptive and technical cases, the narrative case provide even more coherent storytelling to engage students with lived experiences of stakeholders and the circumstantial dynamics of the transformation (Ullah, 2014). The primary objectives of the case are to examine the conversion process, challenges, leadership experiences, and outcomes within the broader context of Islamic banking and finance.*

Introduction

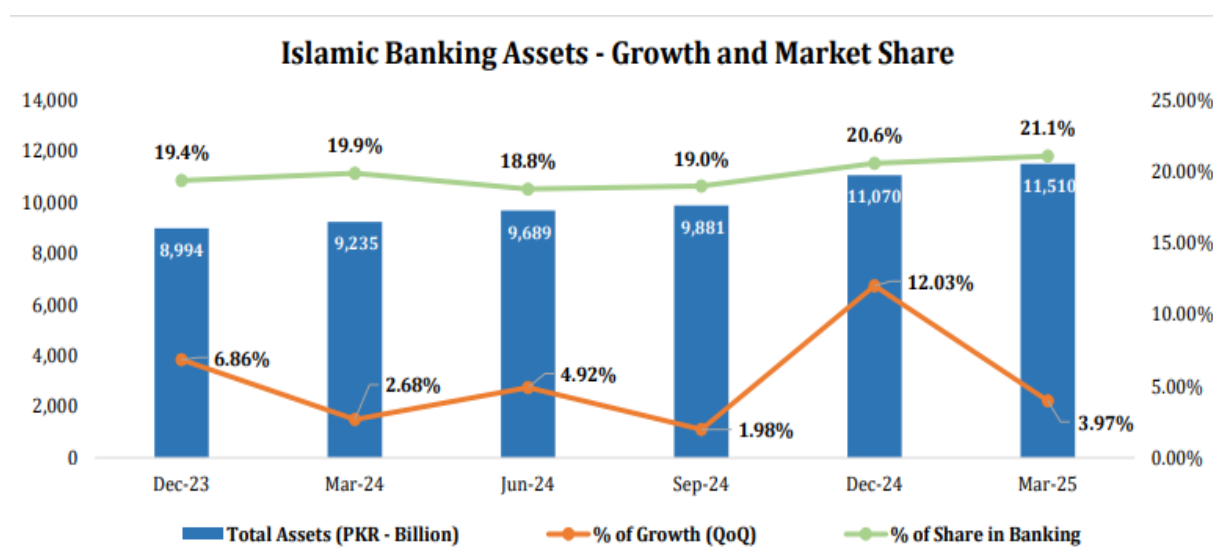
The global Islamic financial services industry has recorded a substantial and steady year-on-year (YoY) growth of 14.9%, with total assets reaching USD 3.88 trillion. While Islamic banking remains the leading segment, a steady YoY growth of 25.6% in sukuk, and 16.9% in Islamic insurance (takaful), underlines the increasing momentum of other non-banking players within the Islamic financial services industry (Islamic Financial Services Board, 2025). Pakistan, being the world's second largest Muslim population country, has made a significant contribution to Islamic banking and finance. The State Bank of Pakistan (SBP) has continuously promoted Islamic banking and finance, with assets accounts of 24.6% and deposits of 22.5% and aimed to increase its market share to 30% (SBP Islamic Banking Bulletin, 2025). Apart from these efforts, the Federal Shariat Court (FSC) decision also declared the elimination of Riba from the country by stating that "Hence, after considering all these arguments and noting all the practical aspects we are of the view that five years period is reasonably enough time for the implementation of our decision completely i.e. convert economy of Pakistan into, equitable, asset

based, risk sharing and Interest-Free Economy. Therefore, we would specify the 31st day of December, 2027, on which the decision shall take effect by way of complete elimination of Riba from Pakistan.” (Judgment on Riba -S-P 30-L1991 Riba Case-28.04.2022, 2022).

After this landmark judgment, SBP reached out to the Supreme Court of Pakistan for guidance on conversion regarding the regulatory, legal, and Shariah governance framework in line with the injunctions of Islam (SBP External Relations Department ERD/M&PRD/PR/01/2022-77, 2022). On June 28, 2024 (IFPD Circular No. 03 of 2024), SBP issued guidelines for the conversion of a conventional bank into an Islamic bank as part of the SBP Vision 2028. FBL recognized as the country’s one of the best performing bank started the journey of conversion to a full-fledged Islamic bank before the FSC decision and this is one of the reasons that this study is titled as a Case of Faith and Belief as the bank’s leadership started this largest global transformation journey without any court order or regulatory requirements. They only started this journey by following their faith and belief in Allah SWT. This strategic and visionary move reflected the bank's leadership commitment to Islamic banking and providing Shariah-compliant products and services to the public.



(SBP Islamic Banking Bulletin, 2025)



(SBP Islamic Banking Bulletin, 2025)

The Conversion Process

The FBL's conversion journey started with joining of the bank's President and CEO, Mr. Yousaf Hussain, in 2017. He led the transformation process by achieving financial inclusion through innovative products, services, digitalization, and other awareness activities in a country like Pakistan, where a large portion of the adult population is financially excluded due to many factors. After FBL conversion, as per Karandaaz (2025) the current statistics of financial inclusion are providing a powerful road map for advancing inclusive finance in Pakistan by reaching from 8% in 2013 to 35% in 2024 including those population that are actively using bank accounts, mobile wallets, and non-banking financial institution. Furthermore, SBP reported the adult population share in using bank account is 64% in 2024 as compared to 16% in 2025 (Dawn, 2025). The bank converted 855 branches across 340 cities and towns in Pakistan, serving a customer base of 2 million, and offering multiple products. This journey was arduous as the path was unguided due to the innovative decision, as no other bank had followed such a conversion in the history of Pakistan. The journey was challenging but a rewarding one, as today, after the FSC decision, FBL is quoted as an example for other banks.

The President and CEO adopted a transformational Islamic leadership style rooted in vision, mission, strategies, and their execution. Unlike other leaders, the FBL leadership prioritizes faith and belief guided by moral responsibilities to make this conventional bank into Islamic and provide an opportunity to 1,000 FBL employees to earn rizq-e-halal. The journey was essentially a purpose-built one standing for the right cause by safeguarding, following the Maqasid al-Shariah framework. Along with the faith and belief-based vision, the bank's leadership was also convinced of the fast-paced growth of Islamic banking in the country and the available market niche. Hence, the leadership was basically following a two-sided benefit model; a conversion plus grabbing the opportunity of first mover advantage by acquiring a large pool of customers for commercial benefits and becoming the second largest Islamic bank of the country. This journey was started with the alignment of the vision of the bank's leadership and the management team, which was responsible for the transformation process.

The Transformation Journey

• Responsible Conversion

After convincing the bank's top leadership on the conversion process and the available business opportunity, the bank decided to conduct a responsible conversion, avoiding disruption to its current customers to retain them, providing return on equity to the shareholders, following regulatory compliance, maintaining commercial benefits, increasing franchise value, and managing employees through keeping them motivated and committed. For this purpose, a milestone-based approach was implemented, which is called transformation plus growth model.

• Governance Model

Considering the large number of stakeholders of FBL, the governance model was developed to explain how the bank will approach the conversion. A board commitment and supervision committee was established to oversee the entire strategic process. At the management level, there was a leadership team of like-minded officials who were committed to the cause and responsibility of mindset transformation, which was very important and mandatory. These heads were empowered with cross-functional authority, enabling them to impact all the functions of the products, processes, business, and compliance functions. An example of cross-functional authority is a CFO who was assigned this task. A sales discipline was also established, ruling out the conversion of products, new conventional businesses will not be registered, and all the new businesses will be booked in Islamic banking.

Conversion Approach

The bank followed the quick wins approach, which meant focusing on what could be done rather than attempting the impossible. This was purposely adopted to build momentum and stick to the timeline, and keep the team motivated, as the milestone-based approach was adopted to keep the team feeling proud on every bit of achievement.

- **Strategic Plan**

As mentioned earlier, there was no precedent for a large-scale conversion. Hence, the bank's management, in consultation with relevant consultants, decided to develop a five-year corporate strategy that included a growth and Islamic transformation plan. The bank conducted market sizing and also customer behavior for assessing what it would take the bank to convert and what it would take the bank to grow, and that was all mapped in the corporate strategy. Product planning was also completed by meeting with the customers, and the bank did not want to disrupt any process or procedure and also ensure the disruption of the customers. Resource planning was a huge issue in the industry, and bank had difficulty finding quality people. The bank focused on reskilling and retooling people on new systems and policies.

The bank was constantly engaged with the SBP in terms of a business transformation plan, along with engagement and consultation from the Securities and Exchange Commission of Pakistan (SECP). Shariah board and scholars were also engaged for compliance purposes. The balance conversion was also planned based on an asset-led milestone-based plan, and the bank agrees to do whatever it takes to convert the asset, as Sukuk availability in Pakistan was then an issue. The financing part was converted first with the support of customers and businesses.

- **Employee Mindset Transformation**

In this conversion process, employees emerged as true change agents. The management team and the leadership of the bank worked deeply on instilling the true meaning of faith and belief in the employees' minds to transform and develop the mindset by connecting the transformation with the spiritual values of earning rizq-e-halal, amanah, and integrity. Islamic banking and finance are faith-driven phenomena, and the bank management used the same motto, along with providing training and development opportunities to employees, planned to unlearn and relearn the conventional and Islamic banking practices, respectively. These trainings were designed to equip employees with the knowledge to face the customers confidently and resolve their queries. The bank management and leadership also arranged town hall events, different thematic workshops, and faith-based sessions with Shariah scholars and awareness activities for employees so they can develop a new mindset of Islamic banking and finance. These integrated activities of moral convictions and expertise in technical competence transformed the employees' attitude, and they became the change agents in inspiring customers' trust.

- **Customer Centric Engagement**

During this conversion process, customers, including those with large deposits and significant asset portfolios, were managed responsibly and individually. The bank leadership focused on managing a list of customers on a routine basis to track the progress of those who have agreed to convert to Islamic banking. Employees were already trained to guide customers through the new documentation process and provide them with alternative products of Islamic banking, and this was possible with clear and authentic communication. Notably, only a dozen out of 1.5 million customers declined to convert; the remaining were successfully consented to convert, which showed the success of the engagement strategy based on faith and belief complemented by transparency.

- **Brand and Identity Management**

One of the main challenges was managing the bank's identity during the transition process. The bank was trying to carefully balance its legacy as a conventional bank along with its evolving Islamic identity, as the bank was operating with both brand tags of traditional and Islamic. The bank devised a strategy to maintain dual-branding for some time, with explicit signaling of a direction shift for customers. As planned, after some time, the bank refreshed its brand identity by replacing the conventional one, highlighting the bank's transformation nationally and internationally. This rebranding process convinced the bank's stakeholders that this transformation was authentic, profitable, and sustainable.

- **Multi-Stakeholder Support**

This conversion process was not an isolated journey but a collective effort involving multiple stakeholders. The role of the SBP was truly phenomenal in facilitating the regulatory aspects of the conversion, the board of directors, who stood firm and believed in the bank's frontline leadership, and in reducing and providing them with confidence and resources. The Shariah scholars were also engaged in offering support to approve internal processes as per the Shariah guidelines, while also facilitating customers in solving their queries. The supportive ecosystem makes this conversion possible by adding credibility to the processes and ensuring the conversion's acceptability and sustainability.

- **Post-Conversion Growth and Sustainability**

This large-scale conversion of the bank is not the end, but it has started a new era of growth for the bank. After becoming a full-fledged Islamic bank in 2023, the bank reported an increase in deposits, rising from PKR 200 billion in 2023 to PKR 580 billion in 2025. The bank also introduced a large pool of Islamic products, enhanced its digital presence and offerings, and strengthened its CSR contributions in social activities. A proper post-conversion training policy is implemented to provide refresher training to employees for knowledge and motivation. The bank leadership agreed on one point that when the bank delivered value propositions in addition to faith-based assurance, the customers would remain loyal to the bank. Hence, growth and sustainability were decoupled in both the bank's ethical position and its business innovation.

Discussion

The conversion process of FBL into a full-fledged Islamic bank provides a unique experience that examines a large-scale institutional transformation in the financial sector. This case demonstrates that conversion is not only a matter of changing the financial products, but it is an intensely embedded process that requires compliance and alignment across different departments and policies, including governance, regulatory, legal, operational, culture, strategy, and market demand. The core structure of this transformation was based on a governance and leadership framework, which ensured credibility and direction, as strong leadership provides stability during difficult times of uncertainty, and the Shariah governance framework offered the processes, compliance, and authenticity. These components together inspired employees, customers, and regulators that the transaction was significant, not artificial. The role of employees as change agents was also very important; as such a scale of organizational transformation cannot succeed without the support of the internal team and primary stakeholders. By adopting rigorous training modules, transparent communication, and inclusive decision-making processes, employees were motivated and went above and beyond the compliance and accepted the new identity of the bank. The customer retention and constant conversion are also evidence of the bank's responsible and careful conversion approach in managing their perceptions. In such a competitive and unpredictable market, trust is the only factors that ensure continuity of the customer pool. The bank, along with customer retention, also attracted new clients by offering Shariah-

based value propositions. The bank also provides its brand identity and credibility through the conversion process and has developed a new identity as a trustworthy Islamic institution. This careful and strategic move maintains the market confidence and increases the bank's visibility within the Islamic financial market. The bank also ensures long-term sustainability by adopting an innovative approach to product development and strengthening institutional capacity by collaborating with regulators, scholars, and international stakeholders. This case highlighted that successful conversion is a multidimensional process involving various departments and policies, including governance that provides structure, leadership that designs a vision, employees who accept change, customers who offer validation, branding that delivers credibility, and, lastly, sustainability that ties all these elements together into a future-oriented strategy. For financial institutions, the FBL journey offered a proper roadmap with all the requirements and also the caution that conversion is not only demands a policy shift but a conviction, coherence, and continuity at every level of the organization.

Objectives of the Case:

The case aims to make the students understand:

1. What factors made FBL conversion unique in Pakistan and across the globe?
2. What is Shariah-compliant banking, and how does this concept help the bank in gaining customers trust and ensuring market positioning?
3. How does the conversion affect the bank's financial performance?
4. What is responsible conversion and how it benefits the bank?
5. How did governance and leadership shape the employees' (internal) commitment and customers' (external) trust during the conversion process?
6. How did the bank manage its relationship with the customers during the conversion phase?

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