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## Islamic finance acceptability in the world increasing: Dr. Umer Chapra

Dr. Umer Chapra, a renowned international scholar on Islamic economics and finance, has said that there is a greater acceptability of Islamic finance in the world after the recent global financial crisis.

Delivering a lecture on 'Current Islamic Banking Paradigm and the Way Forward' at SBP, Karachi today, Dr. Chapra said that Islamic Finance is now more respected all over the world because of several economic crises created by the global financial system in the last four decades. He said the recent financial turmoil was the most severe of all involving approximately \$3 trillion to \$4 trillion in bailout funds.

He said that primary cause of the recent crisis was excessive and imprudent lending by the banks which happened because of inadequate market discipline and lack of regulation and supervision. He gave a complete run down on how the international financial crisis evolved and highlighted salient features of the Islamic financial system which can prevent occurrence of such a crisis in future.

Dr. Chapra said that risk-sharing and equitable allocation of credit are the hallmark of Islamic financial system based on Islamic principle of justice. He said the Islamic financial system lays greater emphasis on equity and profit and loss sharing which make banks more cautious in lending and added that in Islamic system debt is not created through direct lending and borrowing but rather through the sale and purchase of real goods and services.

He said the Islamic financial system puts several conditions on debt financing which, inter alia, include that the asset being sold or leased must be real and not notional or imaginary. Similarly, debt cannot be sold and the risk of default associated with it must be borne by the lender himself which will motivate creditor to be more careful in lending, he added. He said the market discipline that Islam imposes put a check on excessive expansion of debt. Dr. Chapra said that Islamic finance is still in its infancy stage but there is a lot potential of its growth. "Islamic financial system has showed the world why conventional system failed.....and this system can save the international financial system," he added.

Earlier, Syed Salim Raza, Governor, State Bank of Pakistan in his welcome address acknowledged the valuable contributions made by Dr. Chapra in the field of Islamic economics and finance. Dr. Chapra is currently a Senior Research Advisor at Islamic Research and Training Institute (IRTI) of the Islamic Development Bank. Before joining IRTI, he worked as Senior Economic Advisor at the Saudi Arabian Monetary Agency where he served for 35 years. He has authored 10 books and monographs, and more than 70 papers and book reviews.

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