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State Bank committed to provide enabling environment for Islamic banking industry: Yaseen Anwar

Mr. Yaseen Anwar, Deputy Governor, State Bank of Pakistan has said that the central bank is committed to provide an enabling and supportive legal, policy and regulatory framework for the development of the Islamic banking industry on sound footings in the country.

While delivering a welcome note at a talk on 'Narrowing the gap between philosophical underpinnings of Islamic finance & its practices' by Dr. Abbas Mirakhor, a renowned economist & Islamic finance professional and former Executive Director of the International Monetary Fund at SBP, Karachi this afternoon, Mr. Anwar said that the State Bank is taking a number of initiatives for the promotion of Islamic finance in Pakistan.

He said that in addition to developing the regulatory, supervisory and Shariah compliance framework, SBP is also partnering with the industry to create awareness about the utility of Islamic banking and finance in achieving socio economic prosperity at the individual as well as community and state levels. "SBP also is helping to build human resource capacity which is critically important for the industry for sustaining the growth momentum and improving its footprint and share in the banking system," he added.

SBP Deputy Governor said that the Islamic banking Industry has grown manifold since its launch in 2001 and presently constitutes about 6.7% of the banking system in Pakistan. The industry now has a network of more than 750 branches across the country and given the strong growth momentum and rising acceptability, it is likely to increase its share to 10-12% over the next 2-3 years, he said. "The overall outlook for the industry in Pakistan is thus positive and its prospects to make further strides in the foreseeable future are very bright," he added.

Mr. Anwar said that the global outlook of the Islamic finance industry is also positive as it has been growing at a fast pace and extending its outreach beyond the Muslim countries. Since 2006 the industry grew on average 28 percent annually with its asset base reaching about \$1 trillion, he added.

He said that the recent crisis in the western financial markets has also given a big boost to the acceptability and promotion of Islamic banking as a more stable and prudent system than its conventional counterpart. "The inherent checks and balances in the Islamic financial system, which prohibits Islamic banks to deal in speculative activities and strongly links growth of financial assets with that of the real economy largely kept the Islamic banks insulated from the financial crisis," he added.

Mr. Anwar said that while the philosophical appeal of the Islamic economic system is very strong, the Islamic banking practices, however, revolve overwhelmingly around the conventional banking system. Most of the Islamic banking products are Shariah compliant structures of conventional products and produce more or less similar economic results, he said and added that the significant differences between the philosophical underpinnings and practices of Islamic finance give rise to debate and confusion about the real difference between Islamic and conventional banking.

SBP Deputy Governor lauded the services of Dr. Abbas in the field of Islamic finance.
