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Islamic banking industry constitutes 7.3 percent of overall banking system in Pakistan: Kamran Shehzad

Mr. Muhammad Kamran Shehzad, Deputy Governor, State Bank of Pakistan has said that the Islamic banking industry at present constitutes about 7.3% of the overall banking system in Pakistan.

Addressing the closing ceremony of a five-day Training Program on Islamic Banking which was jointly organized by State Bank of Pakistan (SBP) and Islamic Research and Training Institute (IRTI) at the National Institute of Banking and Finance (NIBAF), Islamabad today, he said the Islamic banking industry since its re-launch in 2001 has gradually increased its share in the market.

He said that there are 5 full-fledged Islamic banks and 12 conventional banks having Islamic banking branches with a network over 840 branches in more than 70 districts across the country. He noted that the Islamic banking industry has maintained strong growth momentum with over 30 percent average annual growth during the last 6-7 years.

The Deputy Governor observed that the growth trend in Islamic banking industry is likely to gather further momentum with increasing awareness level and expansion of Islamic banking network in second and third tier cities of the country.

Mr. Kamran Shehzad said that the strong growth momentum witnessed by the industry in Pakistan could be attributed, among others, to the key role played by the State Bank of Pakistan in providing an enabling environment. 'The State Bank has been at the forefront of almost all the initiatives that have been taken to help develop and promote the industry' he added.

Besides developing a supportive regulatory and supervisory framework, the SBP is actively engaged in promotion and training and capacity building of the Islamic banking industry, he said. 'To address the awareness and misconception issues, we have launched an awareness campaign whereby targeted seminars and conferences are being organized for business community, academia, bankers and policy makers throughout the country. Further, a media campaign is being launched for mass awareness using electronic and print media, he added.

The Deputy Governor said that a number of initiatives have been taken to build the industry's HR capacity and skills mix. The financial and technical support of reputed national and international institution like IRTI, Islamic Financial Services Board (IFSB) are also being mobilized to organize training and capacity building programs, he said. Our membership and

active engagement with International Islamic Financial Services Board (IFSB), Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Islamic Financial Market (IIFM) also helps us in leveraging their resources for our awareness and capacity building initiatives', he added.

'We believe that these collaborative efforts would translate into significant improvement in the industry's HR capacity and public awareness levels about Islamic banking in the near future. Similarly, we are actively engaged with the industry to diversify the product mix and develop cost effective liquidity management solutions,' he said.

SBP Deputy Governor said that the asset backed nature of Islamic financial transactions, coupled with prohibition of sale of debt and investments in speculative activities, ensures growth of finance in tandem with the growth of real economy and thus lends prudence and stability to the financial system.

'The resilience of Islamic financial institutions during the recent international financial crisis has testified the ability of Islamic economic and financial system to lend the much needed stability to the financial market, which have been experiencing crisis with increasing frequency. Encouragingly, post crisis, there has been significantly increased recognition of Islamic finance as a more prudent, stable and better alternate to the conventional system, which gives us the optimism about growth and development of Islamic finance industry at an even higher pace', he added.

Mr. Kamran Shehzad said that IRTI as a research and training arm of the Islamic Development Bank Group has played a key role in development of Islamic Financial Industry in the member countries through its research & development and capacity building initiatives. He expressed the hope that the cooperation and collaboration between IRTI and SBP would continue to build the Industry's HR capacity and also explore new vistas for growth and development of the industry.
