

Pakistan: Financial Sector Assessment 2003



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The team bears the responsibility of all errors and omissions. The observations made in this report are entirely those of the working team and do not necessarily represent the views of the members of Advisory Group, SECP or those of the SBP management.

Preface

This report is the third in our annual series of financial sector assessments covering primarily the calendar year ending 31st December 2003. Since the latest audited balance sheets of banks are for end-December 2003 and those of many other institutions for end-June 2003, therefore the report presents an overall picture of the financial sector by consolidating the available data of these differing dates. Moreover, the report also assesses financial markets performance by analyzing the data for end-June 2004.

This report gives an enhanced assessment coverage by including two important segments of the financial sector; a review of the insurance industry is presented, which was previously not covered in our earlier assessments. Similarly, social protection funds are also being reviewed for the first time.

Assessment outline is built modularly, beginning with an overall picture of the financial sector, which highlights the major developments and moves towards assessment of individual segments. An overview of financial system credit is presented in chapter 2. Banks, NBFIs, insurance, NSS and social protection funds are covered in chapters 3 to 6. Chapter 7 reviews the performance of financial markets and the last chapter discusses the links between financial sector development, macroeconomic stability and economic growth.

With the rapid pace of development in the financial sector, the need for independent and critical reviews is becoming greater both for the policy makers and financial sector stakeholders. It is hoped that this report will not only fill this gap but also induce independent researchers to undertake more critical assessments with the objective of making our financial sector more sound and strongly linked to the process of economic growth and development.

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