

## **Preface**

State Bank of Pakistan first embarked upon the complex task of documenting financial sector reforms in early 2000s that culminated in the publication of its first report on Pakistan Financial Sector Assessment 1990-2000. This was SBP's first endeavor to capture the essence of the developments and assess the impact of the reform process initiated in the early 1990s on the economy in general and on the financial sector in particular. Since then SBP has regularly brought out an update of the assessment each year, all the while striving to enhance the scope and depth of the analysis. The present document, Pakistan Financial Sector Assessment 2005 (FSA 2005) is the 5<sup>th</sup> in the annual series. Unlike its annual predecessors, this FSA covers the period 2000-2005; the aim is to provide a review of developments and assessment of the financial sector during the last five years in one concise document.

Keeping with the tradition of enhancing the scope and analysis, the FSA 2005 tries to improve upon the depth of analysis by empirically investigating some important issues. These include: (i) impact of macroeconomic improvements on financial sector performance, covered in Chapter 1; (ii) impact of privatization on profitability and efficiency of privatized banks, in Chapter 3; (iii) determinants of banking system profitability, included in Chapter 3; (iv) transmission mechanism of monetary policy on banks' lending and deposit rates, in Chapter 3; (v) determinants of growth and profitability of major groups in NBFIs, in Chapter 4; (vi) determinants of growth in insurance companies net premiums, in Chapter 6; (vii) determinants of foreign currency loans, in Chapter 7 etc.

It is hoped that the FSA 2005, like its predecessor the FSA 1990-2000, would serve as a benchmark document for the financial sector analysis as its coverage is extended over a period of five years. The empirical analysis would spawn independent research; and deepen our understanding of financial sector and its linkages to economic growth and development.