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Islamic banks' assets grow to Rs 323 billion till September 2009: SBP Governor Salim Raza

Syed Salim Raza, Governor State Bank of Pakistan has said due to active support of the central bank total assets of Islamic banking industry have grown to Rs 323 billion till September 2009 while their deposits reached to Rs 245 billion.

Speaking at a function held at a local hotel in connection with the launching of ten new branches of Dubai Islamic Bank in Karachi today, Mr. Raza said that in terms of market share total assets and deposits account for 5.3% and 5.5% of the conventional bankig industry, respectively. He said cumulative growth rate of islamic banking industry has remained above 55 percent since inception despite a healthy growth in conventional banks. The growth rate has slowed down during 2008 and 2009 due to global economic down turn, however, when compared with their conventional counterparts it is impressive by all counts, he added.

SBP Governor said that last year central bank unveiled its Strategic Plan for Islamic Banking in Pakistan that broadly outlines the future direction of Islamic banking until year 2012. "Our target is to increase the share of islamic banking in Pakistan to 12% of total assets of the banking sector," he added. He pointed out that branch network of six full-fledged Islamic banks and 13 conventional banks with dedicated Islamic banking branches increased to 560 branches. The Islamic banking branches are spread over the length and breadth of the country covering 80 cities, he said.

SBP Governor said that the central bank is determined to ensure a level playing field for the Islamic banking industry and it has put in place a robust regulatory framework with a strong focus on Shariah compliance and competitiveness. He said State Bank played a key role in issuance of Govt. of Pakistan Ijara Sukuk, which has paved the way for effective liquidity management of Islamic banks. "We have also ensured a tax neutral regime for Islamic banking transactions through amendments in tax laws," he said.

He said that SBP has introduced a comprehensive Shariah compliance framework which includes the first-ever Shariah compliance inspection of Islamic banking by a central bank coupled with joint audit of profit distribution to depositors by the external auditors and Shariah Advisor of the bank. Each bank is also required to publish report of their Shariah Advisor on Islamic banking operations in annual accounts, he added.

At the end, Mr. Raza congratulated the management of Dubai Islamic Bank, which is one of the oldest Islamic banks in the world, and hoped that they will continue to work for the growth of Islamic Banking in Pakistan.
