

## State Bank working to develop Shariah compliant short-term securities: Salim Raza

Syed Salim Raza, Governor, State Bank of Pakistan has disclosed that SBP is actively working with the industry and the Federal Government to develop Shariah compliant short-term securities which will be issued on regular basis.

Speaking on the occasion of a talk on 'Current Islamic Banking Paradigm and the Way Forward' by Dr. Umer Chapra, a renowned international scholar on Islamic Economics and Finance at SBP, Karachi today, Mr. Raza said that State Bank's immediate objective is to improve and diversify avenues for short-term liquidity management for the Islamic banking industry.

" Islamic banks in Pakistan have to live with the big constraint of only being able to place their surplus funds with other Islamic banks, in the absence of suitable investment opportunity," he said and added that this market gap both limits earnings, and inhibits aggressive deposit mobilization drives.

Mr. Raza said the Islamic banking in the country, from a modest start in 2002, has made a good progress and achieved 6% market share. "The heightened global interest in the subject, particularly after the recent financial crisis, leads one to expect that Islamic banking will make more rapid strides globally and in Pakistan," he added.

SBP Governor stressed the need to improve understanding among investors more broadly about those principles in Islamic finance that provide investors assurance about risk evaluation and risk management frameworks and practices that improve upon most conventional counterparts. Referring to participatory financing modes, where risk is shared between the entrepreneur, the bank and the investor, he said that these structures can provide all the advantages that venture capital and private equity structures do in conventional finance without the risk often created by high leverage. The participatory modes also don't view the investment merely a financial exercise, but the one that seeks to achieve true economic value addition, he emphasized.

He said that Islamic bankers could benefit from more training with respect to development to their capacity to apply Islamic banking tools and principles. He noted that while the State Bank has taken a number of initiatives in the past to train the Islamic bankers, the pace of growth of the industry is faster than the supply of trained and well qualified Islamic bankers. "A strategy is, therefore, being developed to improve the skills of the Islamic banking industry professionals which include collaboration with reputed national and international institutions offering/sponsoring Islamic banking trainings," Mr. Raza added.

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