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Islamic banking industry needs to focus on developing innovative products: Dr. Zamir Iqbal

Dr. Zamir Iqbal, a renowned scholar on Islamic Finance, has stressed upon the need for developing mechanism to enhance the liquidity and innovative Islamic financial products in order to cater to the growing demands of Islamic finance in the world.

Delivering a Talk on ‘What Needs to be Done for Islamic Finance to Succeed’ at the State Bank of Pakistan, Karachi today, Dr. Iqbal observed that current business model of the Islamic banking industry needs to be reviewed to cater to the demand for more sophisticated products, which is likely to grow rapidly.

He said that it would be better for the Islamic banking industry to innovate rather than replicate the conventional banking products and noted that no or limited collective efforts have been made so far to develop such products.

Highlighting some factors for sustainable growth of Islamic Finance, Dr. Iqbal emphasised upon the need for consolidation of Islamic banking; expanding the scope, services and products, strengthening the risk management systems and reducing reliance on commodity/fixed income-like products.

Referring to legal and regulatory issues, Dr. Iqbal asserted that there is a need to improve corporate and Shariah governance, and supervision & monitoring systems. He also stressed upon the need to promote risk-sharing through participatory instruments like Musharaka and Mudaraba.

Dr. Iqbal said that over the years Islamic Finance has grown into a global phenomenon and Islamic Finance market in the world is estimated at \$1 trillion. “Islamic Finance is just not a phenomenon restricted to only Muslim countries,”

he said and added that there is a growing recognition and acceptance of Islamic finance in the world.

He said that several factors have contributed towards global acceptance of Islamic finance, which include increased demand for Shariah-compliant products fuelled by increased liquidity in the market, successful track record of Shariah-compliant financial intermediation, commitment by Islamic Development Bank, AAOIFI and IFSB to promote Islamic finance industry etc. Dr. Iqbal said the development of Sukuk also had a positive impact on the development of Islamic finance.

Earlier, Mr. Yaseen Anwar, Acting Governor State Bank of Pakistan welcomed Dr. Iqbal and presented him a souvenir.

Mr. Saleemullah, Director, Islamic Banking Department, State Bank of Pakistan, who also spoke on the occasion, highlighted the achievements of Dr. Zamir Iqbal in the field of Islamic finance.
