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YASEEN ANWAR STRESSES UPON ISLAMIC FINANCE INDUSTRY TO DEVELOP ISLAMIC MICROFINANCE

Mr. Yaseen Anwar, Governor, State Bank of Pakistan has stressed upon the Islamic finance industry to make individual as well as collaborative efforts to develop Islamic microfinance in the country.

Addressing opening session of the Islamic Finance News Pakistan Road show on Islamic Banking held at the State Bank of Pakistan, Karachi today, Mr. Anwar said Islamic Microfinance, a confluence of two industries; Islamic Finance and Microfinance, can not only be an efficient tool for financial inclusion by catering to both voluntary and involuntary financially excluded but also towards poverty reduction due to its inherent characteristic of being prudent and asset based.

He said that financial inclusion is one of the key strategic objectives of SBP and emphasized the industry to develop capacity to tap strategically important sectors of agriculture and SMEs and create value for shareholders, depositors, and the country's economy as a whole. He assured SBP will provide every support and facilitation to the industry in efforts to build and expand its portfolio in these sectors.

Mr. Anwar said Islamic banking in Pakistan has witnessed significant growth during the last decade and now constitutes over 10 percent of the country's banking system with an asset base of over Rs.900 billion and a network of more than 1,100 branches. 'This expansionary trend is likely to continue and the industry is well set to double its market share by 2020', he added.

The Governor said the Islamic financial institutions are currently offering a wide range of services catering to both Muslim and non-Muslim communities. The unprecedented growth of the Islamic finance industry can be associated to efforts of dedicated regulatory, Shariah, and academic institutions along with the presence of diversified players in the field, i.e., Islamic banks, investment banks, takaful companies, Islamic fund management companies, and Islamic brokerage companies.

Mr. Anwar said Pakistan has remained at the fore front in promoting Islamic finance by being a key member of International Islamic finance institutions established to develop necessary legal, regulatory, supervisory, and Shariah compliant infrastructure for Islamic finance institutions. He said that Pakistan's active engagement with the Islamic Financial Services Board (IFSB), the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Islamic Financial Market (IIFM) and collaboration with other central banks has helped the growth of the Islamic banking industry both locally and at the global level.

He said promoting Islamic finance as a viable and competitive component of the financial system through an enabling legal, regulatory, and supervisory environment has remained an important component of SBP's strategic goals. In this regard, SBP has developed a five-year Strategic Plan for Islamic Banking industry again through a rigorous and meaningful consultation with all key stakeholders. He said this plan, to be issued soon, lays down the future road map of the industry, highlights areas of improvement in legal, regulatory and taxation environments, emphasizes diversification of products and markets covering non-traditional but strategically important sectors of agriculture and SMEs and increasing the Islamic banking market share to over 15% of the country's banking system during the next five years.

He added that to further improve the Shariah compliance environment in IBIs, SBP's Islamic Banking Department has completed industry consultations on the draft Shariah Governance framework and will soon be issuing the same.

SBP has also played a vital role in raising awareness and building capacity of the industry. To address the awareness and misconception issues, SBP launched an awareness campaign that consists of seminars, conferences, targeted programs and focused discussions for the business community, academia, bankers, and policy makers. A recent significant milestone is the launch of a Mass Media Campaign where the whole Islamic banking Industry joined hands under the ambit of SBP to target the challenge of misconceptions related to the Islamic banking business model and practices.

Mr. Anwar emphasized the critical importance of investment in research and development particularly for the evolving sectors of Islamic finance. The research and development is also needed to develop solutions for bringing monetary and fiscal policies and practices in conformity with Shariah principles. The strategic plan for the next five years has envisages a number of such initiatives and expressed the hope that the collaborative efforts by the regulator and practitioners would be instrumental in improving investment in R&D and developing better solutions for serving the financing needs of the real economy, he added.

The one-day seminar was attended, among others, by participants from financial institutions, international delegates, Islamic scholars, academia, besides senior officials of the State Bank.
