

## Future outlook of Islamic banking is positive: Governor SBP

Mr. Yaseen Anwar, Governor State Bank of Pakistan has said the future outlook of the Islamic Banking industry is very positive. He was speaking today at the Round Table Conference on Islamic Banking Potential of Pakistan.

He said Islamic finance during the last four decades has witnessed considerable progress at the global front. Besides the traditional Islamic finance markets of the Middle East, financial centers across various Western countries are also accepting and recognizing the viability and utility of this alternate financial system. “Islamic financial institutions are presently catering to most of the financial services needs of various sectors of the economy,” he added.

Mr. Anwar said that “there are dedicated regulatory, legal and academic institutions at the international level working and providing support for maintaining the high pace growth of the Islamic finance industry.”

He said that Pakistan, with more than 95 percent Muslim population, and a constitutional obligation of ensuring a riba free economic system, has had a favorable response to Islamic finance. Pakistan is amongst the pioneers of Islamic finance as we started planning for nurturing the Shariah compliant financial system way back in 1970s, and made a bold attempt in 1980s to bring the whole banking and financial system in conformity with Shariah principles.

According to the Governor SBP, the Islamic banking industry has been growing at an impressive annual growth rate of over 30 percent over the last five years with sustained growth momentum despite significantly increased base. “Islamic Banking is currently spread across 80 districts of the country with a network of 1200 branches offering Shariah compliant products and services. Islamic banking assets presently constitute almost 10 percent of the overall banking system in the country while in terms of deposits the share is above 10 percent.”

He said that the future outlook of the industry is also very positive with bright prospects of doubling its market share by 2020.

He highlighted the leading role of the SBP in nurturing Islamic banking in the country on sound footings. Mr. Anwar said that being the regulator of the banking sector, SBP over the years has introduced and implemented key regulatory reforms and prudential measures to ensure financial stability and to meet the evolving needs of the industry.

He said that in order to align its regulatory framework with international regulatory standards and best practices, SBP regularly reviews and evaluates the standards issued by IFSB, AAOIFI, and IIFM for their possible implementation keeping in view our local legal, regulatory and economic environment. He added that SBP has offered various options to offer the services of Islamic microfinance.

He said: “SBP has recently developed a five year Strategic Plan (2014-18) for the Islamic banking industry in Pakistan in consultation with all key stakeholders, which gives a consensus agenda and strategy to take the industry to its next level of growth and development.”

According to Mr. Anwar Pakistan has been an active member of leading global International Islamic finance institutions that are all playing a key role in developing prudential and Shariah standards for the industry. “SBP is also a key member of the recently constituted steering committee for the promotion of Islamic banking by the government,” he added.

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