

Preface

This report is the fourth in our annual series of the assessment of the Financial Sector, covering primarily the calendar year ending 31st December 2004. Since the latest audited balance sheets for banks are for end-December 2004 and those of the Non-Banking Finance Companies, the Insurance industry and other institutions for end-June 2004, the report presents an overall picture of the financial sector by consolidating the available data for these differing dates. Moreover, the report also assesses the performance of the financial markets by analyzing the data for end-June 2005.

This report gives an enhanced coverage by including separate chapters on Islamic Financial Services and Bank Credit. The outline of the present assessment follows the process of the continuity of reforms and their impact on the financial system. Built modularly, the report first gives an overall picture of the financial sector, which highlights the major developments during the year under assessment, and then moves towards the assessment of individual segments. An overview of financial sector infrastructure is presented in chapter 2. Bank Credit, Islamic Financial Services, Banking Sector and NBFIs are covered in chapters 3 to 6. Chapter 7 reviews financial and contractual savings, and the structure of interest rates, followed by a discussion of the Insurance sector in chapter 8 and Financial Markets in chapter 9, and the last chapter gives a macroeconomic and financial sector comparison of SAARC and ASEAN countries.

Similar to the need for the continuity of the reform process, continuity of critical assessment is also important to identify the strengths and weaknesses to proactively approach the ongoing implementation process in line with the changing market dynamics of the financial sector. It is hoped that this annual publication fulfils its role of continuing to provide constructive analysis to both the policy-makers and financial sector stakeholders.