

Pakistan: Financial Sector Assessment 2001-2002



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Preface

Financial sector witnessed a continuity of reforms during the last three years. These reforms started in early 1990s and had significant impacts on the financial as well as the real sector. A detailed assessment was provided by the Research Department of the State Bank of Pakistan in its earlier publication released in September 2002. The assessment also identified the future direction of reforms in the beginning of twenty-first century. Just like the need for continuity in reform process, continuity in assessment is also necessary to identify strengths and weakness with a view to alter and adjust the implementation process.

Outline of present assessment of financial sector follows the spirit of continuity of reforms and their impacts on the financial system and macro-financial stability. First two chapters provide a natural link to the earlier report and discuss main developments and reforms undertaken during 2001 and 2002. Chapter 1 analyzes the developments encompassing financial system soundness, strengthening of supervision and effectiveness of monetary policy. Chapter 2 focuses on progress related to the deepening of financial system and services. Chapter 3 evaluates the performance of commercial banks during these years. Chapter 4 achieves an identical objective for the non-bank financial institutions. Chapter 5 discusses the role of national saving schemes and their impact for the financial sector. Chapter 6 evaluates the performance of financial markets and the last Chapter discusses some aspects of financial system stability during 2001-2002. Last chapter also concludes with a sketch of reforms needed for sustained growth of financial sector in the country.

It is hoped that the present report, just like the earlier one, would add to strengthening the process of using stakeholder inputs not only in charting the nature and content of future reforms, but also in formulation of implementation strategy.

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The team bears the responsibility of all errors and omissions. The observations made in this report are entirely those of the working team and do not necessarily represent the views of the members of Advisory Group or those of the SBP management.

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