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Dar optimistic about 7pc growth by FY19

RECORDER REPORT
KARACHI: Finance Minister Ishaq Dar said Monday that Pakistan's economy will achieve a 7 percent GDP growth by FY19 and will be ranked 18th among largest economies of the world by 2050.

Addressing the inaugural session of the "World Islamic Finance Forum" organised by Institute of Business Management and Centre for Excellence in Islamic Finance at a local hotel, the minister also announced setting up of an implementation committee for the promotion of Islamic finance in Pakistan. He said Islamic economic system is

not only the alternative to conventional banking but is also a phenomenon that increases the values such as social responsibility, transparency and accountability.

Financial turmoil in 2008 also highlighted the importance of Islamic banking and now it is being acknowledged as an effective economic system, which can address the real issues of the economy. Reduction in poverty, promotion of social economy and equal distribution of wealth are primary goals of Islamic economic system, he added.

He said the government desires to tap excess liquidity of Islamic banking industry by funding the infrastructure projects as demand is there. "Islamic banking industry can also finance infrastructure and energy sector to supplement China Pakistan Economic Corridor package, which is worth \$46 billion," he added.

The Minister for Finance said that a country having a nominal growth of less than 3 percent, achieved nearly 5 percent last year and expected to achieve some 7 percent in fiscal year 2018-19 and this growth will also require more planning and financing resources, which can be catered by Islamic finance. Elaborating the potential of Islamic finance, Dar said that Shariah-complaint system is an effective tool for broad-based economic development.

He said three years ago Prime Minister Nawaz Sharif and I had decided to make best efforts towards promotion of Islamic banking industry in Pakistan. "With this dedication soon after taking oath of finance minister, I asked the SBP to establish center of excellence in the Islamic finance as well as a steering committee be constituted to envisage the roadmap for the promotion of Islamic banking in Pakistan," he added.

The government's intention to promote Islamic banking is evident from last three years' performance as the government has fully supported the Islamic banking and a high-level steering committee was established to promote Islamic finance in the country. The minister appre-

ciating the performance of the committee said during two years, the steering committee worked well and accordingly submitted its report.

During the session, Dar announced setting up of a high-level committee for implementation on the report for promotion of Islamic Finance. SBP Governor Ashraf Mehmood Wathra, Deputy Governor SBP Saeed Ahmed, Secretary Finance, Chairman SECP, Chairman FBR, Secretary Ministry of Law, leading Shariah advisers, representatives of Pakistan Banks Association, Chartered Accountants Pakistan and others will be members of the implementation committee, notification of which will be issued soon, he maintained.

Dar said this is a standing instruction to the ministry of finance that whenever they need to raise funds or replace some repayment of debts, their first preference should be Islamic finance and now, this resort and instructions has been standard. "We also want to replace Rs 19 trillion debt with Islamic finance, if the industry can cater for the required demand," he added.

"We are among pioneers that allow Islamic finance and efforts for Islamic finance in Pakistan were made during 1980 on the legal, regulatory and supervisory front, which were recognized at the international level. Unfortunately, these initiatives could not produce the desired results," he added.

However, the industry has witnessed an impressive growth rate since it re-launch in the last decade as the parallel of the conventional banking. The government is committed to promoting the Islamic banking industry as it is our religious obligation.

Despite impressive growth there are some other issues, which need to be resolved, he said and added that some more hurdles that the industry is facing are needed to be addressed properly. "We believe this global conference will be a great help to move forward in the right direction," he added.

He said Pakistan remained absent from the international Sukuk market and after 9 years,

this government entered the global Sukuk market and now we remain committed to this approach being a Muslim.

Dar said an amendment has been introduced to the SBP Act, which now allows the central bank to issue Shariah-complaint instruments/products and two percent income tax reduction.

However, he said, Islamic finance is concentrating a few areas only and globally as well as domestically; Islamic banking industry has not been able to cater for strategic sectors. Therefore, the industry needs to launch innovative products to cater for the demand. Center for Excellence in Islamic Finance can play an instrumental role for the development of fresh products, he added.

The minister also emphasized on adoption of technology and the model of branchless banking to get good results from financial inclusion. Islamic Banking Industry should take cost-cutting measures as there is great potential to bank the unbanked society by introducing low-cost products.

Dar said Islamic Banking Industry is still in an evolutionary phase and efforts are required to promote the industry. A strong risk management framework is necessary to develop the Islamic financial sector. He believed that the deliberation of this two-day conference will help evolve a roadmap for the Islamic banking industry.

With the efforts of the SBP, especially deputy governor SBP Saeed Ahmed, presently three centers of excellences in Islamic finance are working in Karachi, Lahore and KP to provide trained workforce to the Islamic industry, he maintained.

He also highlighted the Islamic Development Bank's role in the promotion of Islamic finance in Pakistan saying that "I would also want to take the opportunity to acknowledge the support and technical assistance extended by the IDB over the years." The Minister for Finance hoped that the two-day WIFF will also help ensure sustainable growth of Islamic banking in the country.

Prepared by: