Global Financial Crisis &
It’s Impact on Islamic Banking in Pakistan

By

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Abstract

This research investigates the Global financial crisis and its impact on the Islamic Banking sector in Pakistan. The data was collected from annual reports of banks and SBP quarterly bulletin. The results showed that from last six months, growth of banking sector is pretty slow due to global financial crisis as compared to previous years’ like 2006-07, in 2006-07 Islamic banking sector in Pakistan witnessed inclining growth and also in 2008 increased its share in both assets and deposits from 4 to 4.9 & 3.8 to 4.8 per cent respectively. No of branches increased from 289 to 514 which is very remarkable growth.

Most of the Islamic banking branches have stopped hiring new graduates while some privatized banks like HBL and MCB have fired some notable no of employees. Investigation revealed that Global financial crisis has hit banking sector in Pakistan due to inappropriate policy made by the State Bank. Interest rates were raised to cope up with Global financial crisis but put poor impact on the growth of banking sector. Collapse of some global giants financial Institutions notably Lehman Brothers created the liquidity problem for banks in Pakistan , the situation was further aggravated by the intensive rumor mongering, which caused heavy withdrawal of deposit from the banking system and few privatized banks were very much affected. Shocks were absorbed by banks due to their sound long term policies and effective measures taken by SBP to avoid financial crisis.

Keeping in view the intensity of financial crisis it is rightly presumed that the most of the banks will hardly survive in this pace of economic recession if it continues for one more year. Paper highlights the impact of financial crisis on banking industry of Pakistan in general and Islamic Banking in particular.

The analysis concludes that the financial performance and efficiency of banks has been negatively affected in last quarter of 2008 due to panic withdrawal of deposits from banking system, particularly from privatized banks. Hence to analyze the economic recession and its relation with efficiency of private banking, it is urgent need of the hour to redefine, parameterize and analyze the performance of various private banks either conventional or Islamic in Pakistan in general and the efficiency in particular.

THE PROSPECTS OF ISLAMIC BANKING AND FINANCE IN SINGAPORE: A BRIEF ASSESSMENT

By

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Abstract

Islamic banking and finance has been expanding rapidly since its launch in the 1970s. The major market for the industry is typically the Middle East and it is gaining popularity in the UK, USA and Southeast Asia. Malaysia has the leading Islamic banking and finance industry in Southeast Asia while its neighbor Singapore is relatively a new market player. Singapore revised its regulatory framework and tax structure and gradually introduced various Shariah-compliant financial products in the last couple of years. This paper argues that despite having small domestic market and competition from Malaysia, Singapore can still position itself in a niche market in the region. Through its strategy of integrated financial and economic development, Singapore can create new opportunities for Islamic banking and related financial products in the region.

INDUSTRIAL ANALYSIS OF LIQUIDITY RISK MANAGEMENT IN ISLAMIC BANKING

(Case of Indonesia)

By

Rifki Ismal

Abstract.

Islamic banking industry is so prospective over the years. Although depositors mainly locate their funds in long-term deposit but their investment motive is not for long-term perspective, rather it is for regular transactions followed by expectation for short-term return. Islamic banks respond the potential of short-term liquidity needs by releasing most of the funds into short-term financing contracts together with preparing some liquid instruments for regular liquidity demanded. There are three tiers of liquid instruments to mitigate any liquidity problem involving internal and external sources of bank's liquidity. Lastly, the role of central bank and government completes the liquidity risk management mechanism.

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