

# Assessing and Forecasting the Growth of the Islamic Banking in Pakistan Using ARIMA Model

By  
Sajid Khan

## **Abstract:**

*The purpose of this study is to assess the Islamic banking performance in Pakistan and forecast its future growth using the ARIMA Model. Islamic Banking system is an emerging field in Pakistan and showing an escalating trend from the last five years. This is a very unique study in its nature because for the first time ARIMA Model is used in the predication of the growth of Islamic banks in Pakistan. The attempt was made to statistically forecast its growth by fitting ARIMA Model using the quarterly data for a period of seven years w.e.f December 2003 to June 2010. The results of the ARIMA Models are very encouraging and showing a continuous improving trend in the Assets and Deposits of the Islamic banking System in Pakistan. This study will motivate the potential investor to invest in Islamic banking as it is growing at a rapid speed as well as the educational institutions can focus on the introduction of Islamic Banking and Finance as new field of study at university level. This study further pave the way for further research and utilization of Econometrical Models in the field of Islamic banking and finance.*

# Measuring Islamic Banks Efficiency: The Case of World Islamic Banking Sectors

By

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## ***ABSTRACT***

*The paper investigates the efficiency of the Islamic banking sectors in the world covering 25 countries during the period of 2003-2009. The efficiency estimates of individual banks are evaluated using the non-parametric Data Envelopment Analysis (DEA) method. The empirical findings suggest that during the period of study, pure technical efficiency outweighs scale efficiency in World Islamic banking countries. We find that banks from the high income countries were the leaders by dominating the most efficiency frontier during the period of study.*

# Microcredit using Equity Financing: an Alternate Approach to Micro Financing in an Interest Free Economy

By

Salman Ahmed Shaikh

## **Abstract**

*Interest is prohibited in all monotheist religions; however, it features as an essential element in practiced capitalism. Interest based financial system has created two major havocs in last two decades i.e. in East Asia in 90s and in the Great Recession since 2007. With interest at zero bound in U.S since 2008 and with unemployment at 11% level, scarcity of capital cannot solely explain this. However, interest based Microfinance has had mixed results. Interest based lending at Micro level is usually carried out at very high interest rates, more so when the lending takes place informally without institutional intermediation. Institutional intermediation serves a good purpose, but it can also be designed using equity modes of financing. This can relieve the financee and increase diversity of entrepreneurial activities as in debt based microfinance, not much diversity can happen with compulsory servicing of debt. The related questions as to how the institutional arrangement would work to carry out this system, how documentation problems be resolved, how trust level can be created, how effective monitoring can be undertaken and how the intermediaries generate finance themselves and mobilize funds are answered in this paper.*

# AN EMPIRICAL INVESTIGATION OF MONETARY TRANSMISSION MECHANISM IN DUAL BANKING SYSTEM

By

Hylmun Izhar

***Abstract:***

*This paper aims to examine the monetary transmission mechanism in terms of controllability and reliability of monetary policy in dual banking system, namely conventional and Islamic banking systems in the case of Indonesia. The paper investigates the long run relationship as well as short run dynamic equilibrium for the period 2001 to 2004.*

*Empirical results show that monetary aggregates in Islamic banking system are more controllable than in conventional banking system. In addition, monetary policy in Islamic banking system is less reliable than that of conventional one, as it is not statistically connected to the main goal of monetary policy. It implies that Islamic banking in Indonesia has not been able to significantly respond to the developments in monetary policy nor do they significantly contribute to economic development. This may be explained due to the relatively small size of the Islamic financial sector.*