

Michael Gondwe: Islamic commerce and finance

Opening remarks by Dr Michael Gondwe, Governor of the Bank of Zambia, at the workshop on “Islamic commerce and finance”, Lusaka, 24 March 2013.

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The Guest Speakers, Mufti Shafiq Jakhura and Maulana Bilal Jakhura;

Distinguished invited guests;

Participants;

Ladies and gentlemen;

On behalf of the Bank of Zambia and indeed on my own behalf, I would like to extend a very warm welcome to you all to this important workshop on Islamic Commerce and Finance. To our Guest Speakers, Mufti Shafiq Jakhura and Maulana Bilal Jakhura, I wish to extend a special welcome to you to Zambia and in particular to Lusaka.

Ladies and gentlemen, the Bank of Zambia is honoured and delighted to be invited to give a keynote address at this workshop.

This Workshop on Islamic Commerce and Finance could not have come at a more opportune time than now, when the Bank of Zambia has embraced financial inclusion on its policy agenda as a way of increasing access to appropriate financial products and services to all segments of society in Zambia.

Ladies and gentlemen, Islamic commerce and finance have expanded significantly in the last few decades globally both in terms of size and the number of players. For Instance, Islamic finance is currently practiced in more than 50 countries worldwide. In many countries, Islamic finance co-exists with conventional finance and is not limited to Muslim countries.

Distinguished participants, recent industry estimates indicate that Islamic finance is set to continue growing at an annual rate of about 15%. The increased trade between the sub-Saharan region and Islamic nations in the Middle East only reinforces our view that partnerships among the corporate players between the two regions will foster more developments in the area of Islamic finance.

Ladies and gentlemen, the Government of the Republic of Zambia (GRZ) recognizes that the limited access to financial services and low number of products available to the different sectors of the economy has hindered the development potential of Zambia’s economy. There is need therefore, to revitalize the financial sector so that it meets the challenges of accelerated and sustained investments in key sectors of the economy. This can only be achieved where the financial system is able to improve its allocative efficiencies by providing appropriately designed products and services to all segments of the population like the Muslim community.

Recent developments in the financial sector world-wide offer some encouragement that working together could extend the range and reach of financial services that are available to our people. Still a lot remains to be done to extend financial services to the majority of our people, particularly those that are economically active and to foster ongoing sustainability of our financial institutions. It is against this background that Bank of Zambia accepted your invitation to present the keynote address as a way of marking our commitment to ensuring that the financial system caters for all segments of the population.

Distinguished participants, the rapid growth of Islamic finance raises a series of important questions, such as whether Islamic finance should be regulated differently from conventional finance. Because modern Islamic finance is relatively new to most countries, rules for financial accounting, bank governance, and lending standards are continually evolving as business practices become more refined.

Ladies and gentlemen, you may wish to note that since October 2008, when the Bank of Zambia hosted the first ever Islamic Banking Conference here in Lusaka, work has been on-going to develop a regulatory framework for Islamic banking. The Bank has held several consultations both internally and externally and has also subjected the Islamic Banking framework to expert review by internationally renowned Islamic banking experts. The framework is now in its final stages and is expected to become operational before the end of the year.

We are aware that the financial sector has waited for so long to start offering Islamic banking products and services. As a central bank, we assure you that the regulatory framework is receiving active attention and the market will be informed once all the formalities have completed.

Ladies and gentlemen, although the Muslim Community constitutes only an estimated 12 per cent of Zambia's population, the community constitutes high value businessmen who control a very significant share of the Zambian economy in various sectors. Their exclusion from the financial sector therefore, has significant impact on the Bank of Zambia efforts on financial inclusion. You may wish to note that the majority of the Muslim community shun the use of commercial banks due to lack of banking products and services that are compliant to their religious ethos and yet they control a significant share of economic activities in all the major sectors. The introduction of Islamic finance may provide a solution to injecting the much needed liquidity currently being kept in homes on account of lack of shariah compliant banking products and services.

It is the firm belief of the Bank of Zambia that a robust regulatory framework will not only seek to expand access to finance but will also have positive effects on the overall interest rates in the money markets and ultimately affect the rate at which financing for economic activity is being provided.

Ladies and gentlemen, the introduction of Islamic banking would come with its own challenges. For us at Bank of Zambia, this entails further strengthening of our supervisory capacity. We would welcome this challenge and hope to rise to the occasion by providing adequate supervisory infrastructure and a sound environment in which economic agents can conduct their businesses.

I have no doubt that this workshop is very timely and that it provides a unique opportunity for participants to share knowledge and experiences on how best to promote financial diversity and inclusiveness especially with regard to Islamic commerce and finance.

Distinguished participants, on behalf of Bank of Zambia, I would like to thank the organizers and presenters of this workshop for recognizing the important role that Islamic commerce and finance plays in an economy like ours. It is my hope that all delegates will engage fully in these discussions and make the most of the wealth of knowledge generated in the house.

Ladies and gentlemen, It is now my honour and privilege to declare the Islamic Commerce and Finance Workshop officially open.

Thank You.