

PAKISTAN

PAKISTAN GOVERNMENT DECIDES TO ELIMINATE INTEREST. *

The Pakistan Government has decided to eliminate interest from the entire banking structure of the economy. Addressing a Press Conference on the introduction of interest free financing by the banks the Finance Minister emphasised that the banks under the new system would not become welfare or charity institutions nor would they be converted into commercial enterprises. He said they would continue to serve as an important link between saving and investment activities, he added. He said for any bank it would be most important than before to ensure that within the parameters of Islamic principles, the capital is invested for productive purposes. He said, the banks would encourage saving by providing a good return to their depositors and shareholders beside helping a more balanced development of the economy. The Finance Minister said that by the end of the current financial year the operations of all banks and financial institutions would be brought in line with the imperatives of Shariah. However, he gave assurance that all existing interest based commitments will be honoured by the banks and their clients until they are discharged. He said transactions involving interest with foreign governments or financing agencies and international financial institutions will continue and commitments will be observed until alternative interest free arrangement can be worked out by mutual agreement.

President emphasised the need for not only acquiring latest technology but also the capability of its utilisation to give Pakistan as strong an industrial base as its agricultural base. He urged the industrialists in the country to pay special attention to research and development to help speed up the economic progress. The President said that the government was giving all possible facilities to the private sector and there was no intention to nationalise any industry. The climate for the private sector was never so conducive as it was today. He pointed out that 80% of the sixth-five year plan's industrial outlay of 82 billion rupees had gone to the private sector.

* (Extract from Pakistan News, February 1985, Embassy of Pakistan, Canberra).