

Press Release

Chairman SEC stresses need for Consolidation, Mergers in Modaraba Sector

Karachi – February 23, 2005: The Chairman, Securities and Exchange Commission of Pakistan (SEC), Dr. Tariq Hassan, has stressed the need for consolidation and mergers in modaraba sector to develop stronger and financially viable institutions.

“Consolidation would facilitate expansion in the capital base of individual modarabas and help them achieve economies of scale, which would make them better utilize their resources and further improve their performance outlook,” Dr. Hassan told the launching ceremony of the 2004 yearbook of the Modaraba Association of Pakistan (MAP).

He urged modarabas to explore new Shariah compliant avenues for resource mobilization and the possibility of introducing new financial products to meet the diverse needs of the financial sector. “Diversified products and services are also needed to support modarabas in developing market niches, expanding their customer outreach and organizing business activities in line with the Islamic principles,” he said suggesting that MAP could play an important role by providing a centralized pool of research and development and building the capacity of its members.

He recommended that MAP should develop a roadmap for future course of activities and direction for its members to cope with the challenges posed by the WTO regime to the financial sector. “Modarabas should be poised to address the risks and opportunities arising in a liberalized financial sector,” he said.

Referring to the recent establishment of Pakistan Institute of Corporate Governance, the SEC Chairman urged modaraba companies to use the forum for imparting training to their directors, management and market intermediaries to enable them to understand the dynamics of good governance and implement its principles. “Collectively, we can bring about a paradigm shift in the corporate culture in Pakistan and instil higher standards of transparency and accountability,” he maintained.

Dr. Hassan appreciated role of modarabas in the process of Islamization and economic development and hoped that the sector will take due cognizance of the issues it is faced with and will continue to play a key role in deepening of the financial sector in the country.

The SEC Chairman appreciated the continued publication of the year saying that it complements MAP’s efforts to create awareness amongst stakeholders by providing critical information on the developments taking place in the modaraba sector.