

***Crucial Concerns of the Central Bank of Kuwait  
about Treating the Conditions  
of the Banking and Financial Sector in Kuwait*** <sup>(1)</sup>

It is my pleasure to address you on a subject that currently attracts considerable interest from those concerned with treating the banking and financial sector in Kuwait. Also, I am pleased to be given this opportunity to shed light on the concerns of the Central Bank of Kuwait about this matter, and explain the background of such concerns and their expected outcome.

Knowing that the subject of today's address has been discussed by many others from various perspectives and points of view, and that there is a draft decree law prepared recently by the Cabinet of Ministers to deal with the banking and financial sector conditions which has been submitted to the National Council for study, my talk today will not be a repetition of what has already been said or a comment on that. Rather, I would like through my talk to objectively present before you the facts and clearly explain the background for Central Bank concerns and their underlying justifications.

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(1) Delivered on February 23, 1992, in Kuwait, on the occasion of the lecture organized by the Kuwait Alumni Society.

I hope to be able, through this talk and my answers to your subsequent queries, to contribute to clarifying a number of issues that may be unclear with regard to the measures taken to reform the conditions of the banking and financial sector, and to participate in the efforts aimed at going beyond the consequences of the treacherous Iraqi aggression against Kuwait on the national economy in general and the banking and financial sector in particular, in order to achieve what we all aspire to, for our beloved country to prosper and progress.

I will briefly mention the current conditions of the banking and financial sector in the country and the government approach toward it, as well as the resulting crucial concerns of the Central Bank of Kuwait about dealing with these conditions. The Central Bank translates these concerns into action through its views, policies and procedures. My talk will also include reference to the reflection of the debt problem solution on domestic economic conditions, in addition to future outlooks for reforming the course of the banking and financial sector through mergers.

## **First: Current Conditions of the Banking and Financial Sector, and the Government Approach to it**

The banking and financial sector is the artery of economic activity and its most significant pillar due to the prominent role it plays in financing the development process and activating the economic momentum. This outstanding role explains the concern of the authorities all over the world to confront the problems of this sector and their endeavors to have a strong and stable banking and financial sector, which reflects the strength of the domestic economy in general.

It is well known that this sector has since the early eighties faced various events and obstacles, the most important of which were the securities market crisis, the Iraq-Iran war and the decline in oil revenues. These resulted in an economic recession which led to a decline in the performance of many debtors, a decrease in the value of assets and reduction in the revenues of domestic activities. This was accompanied by expansion in the volume of debts because of the continued calculation of interest accumulating over time, which resulted in the emergence of the difficult debt problem, as debtors defaulted on servicing and repayment of their debts.





























