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Finding New Niches

Catering for the financial needs of Muslim communities

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Overview of Islamic Communities in Australia

- There are nearly ½ million people of Muslim faith in Australia
- Grew 7% annually, far in excess of 1.3% for the general population
- Concentrated in two main centres; greater Sydney and greater Melbourne (78%)
- However, there are still around 120,000 Muslims outside of NSW and Victoria
- No ADIs currently providing **Islamic financial services** to this **rapidly growing** community



Context – Financing in Islam

- Mainstream Financial Institutions (FIs) based on interest
- Islam strictly prohibits interest, thus Muslims:
 - Avoid engaging with FIs that only offer interest-based services
 - Create a large group of ***financially excluded people/underserved***
- Additional Islamic principles governing financing are:
 - Not financing businesses that are harmful to the community
 - Avoiding speculation when doing business
 - Promoting tangible assets-based transactions, and
 - Sharing profit and losses in some cases



So how do Muslims manage their financial needs currently?

- Basic level financial activity (e.g. having a bank account)
- Islam allows using non-Halal (non-permissible) options in extreme need
- Strictly practicing, practicing and non-practicing followers
- MCCA, **a non-ADI** has been providing Islamic finance products since 1989
- Many Australian Muslims have been living in Australia for decades and yet don't own property in order to avoid paying interest



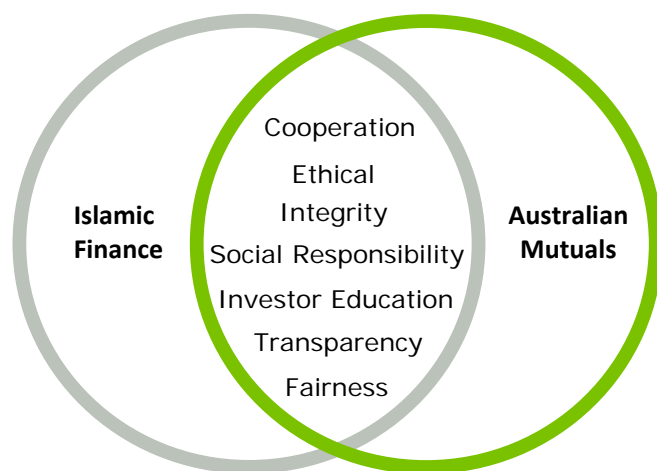
Is it possible not to charge interest and still make money?

Yes!

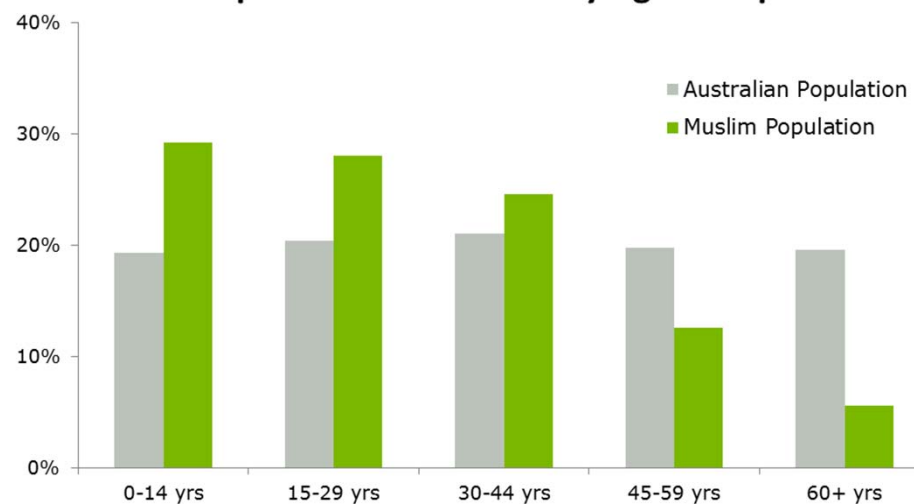
- E.g. buy property at X and sell to customer at $X+Y$ (Y being the profit) – a fixed sum of money that will be paid in future
- It is selling tangible items such as property
- Mainstream FIs sell access to money and make more on top
- In Islam, money has a specific definition (i.e. only means of exchange) and has no intrinsic value in itself

Opportunity for Mutuals

- Mutuals have upper hand to cater to this market: they are **ADIs, mainstream FIs**
- Untapped market, very attractive business, long term perspectives



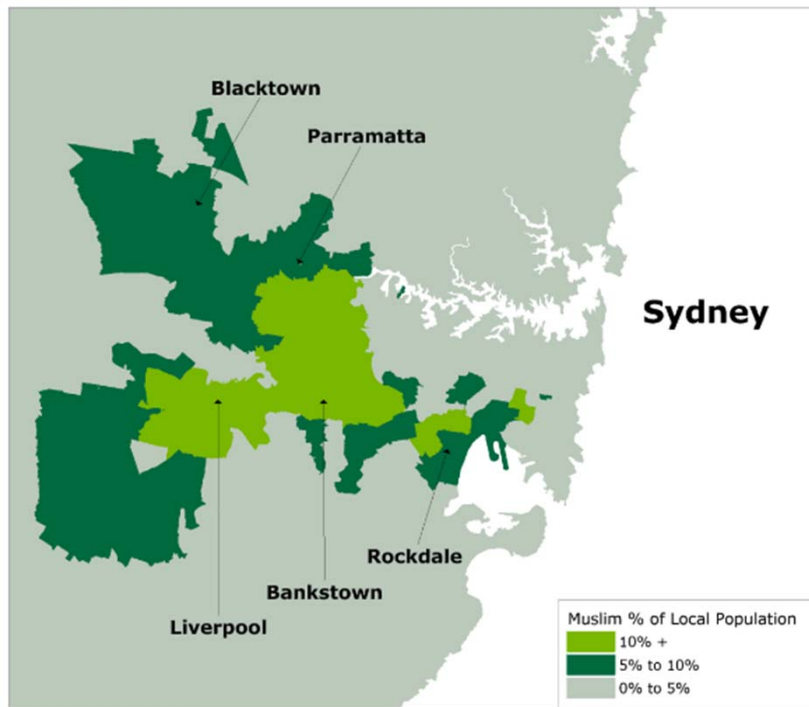
Population Breakdown by Age Group



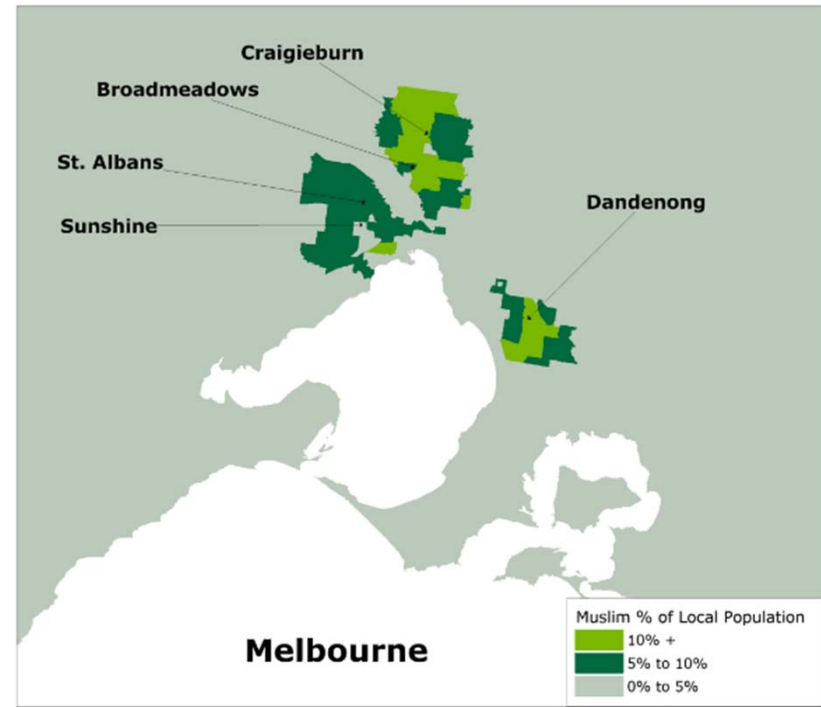
Source: ABS Census 2011



Opportunity for Mutuals - continued



Source: ABS Census 2011



Source: ABS Census 2011

Opportunity for Mutuals - Continued

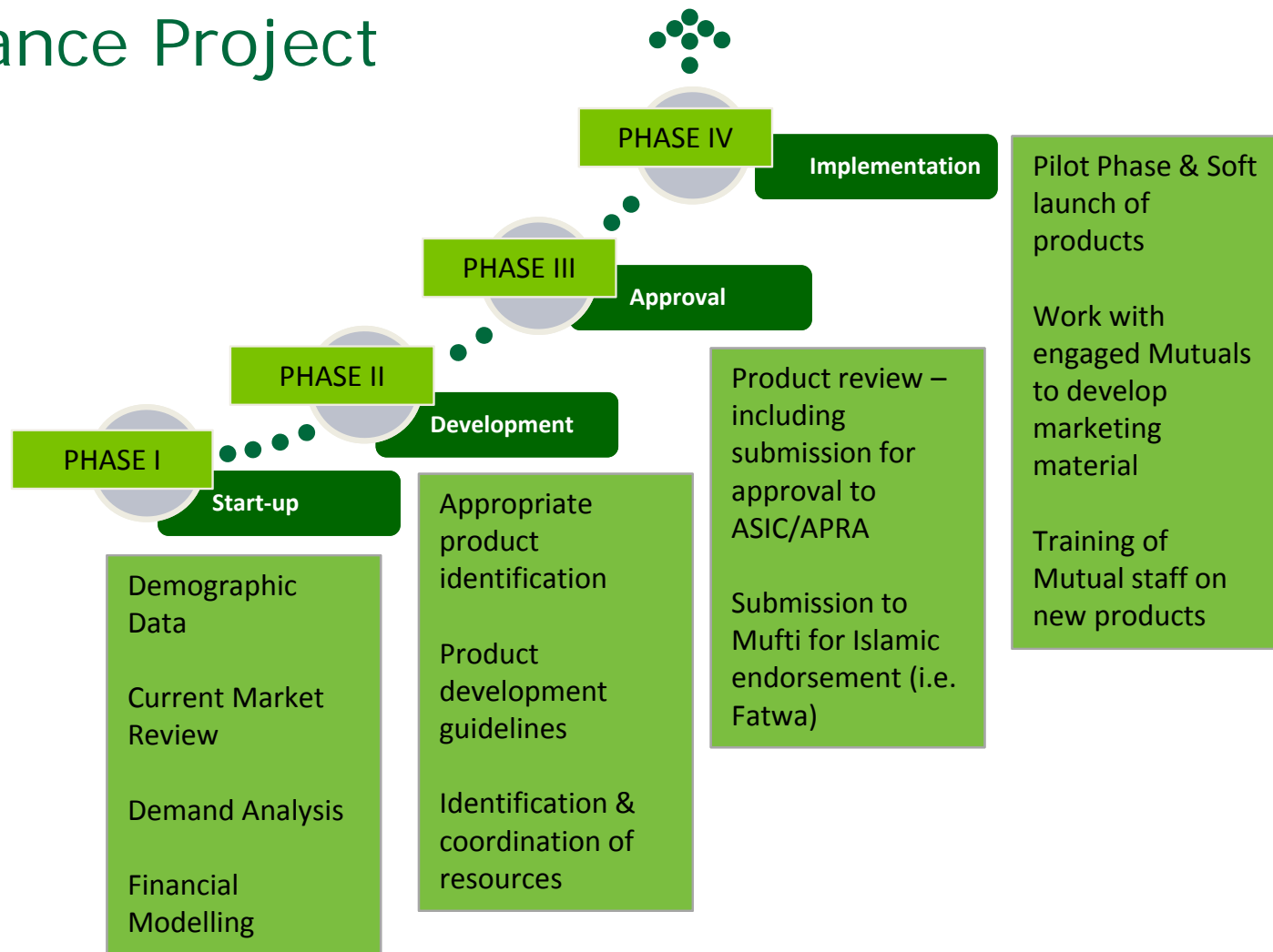
Muslim Workforce by Industry



Source: ABS Census 2011

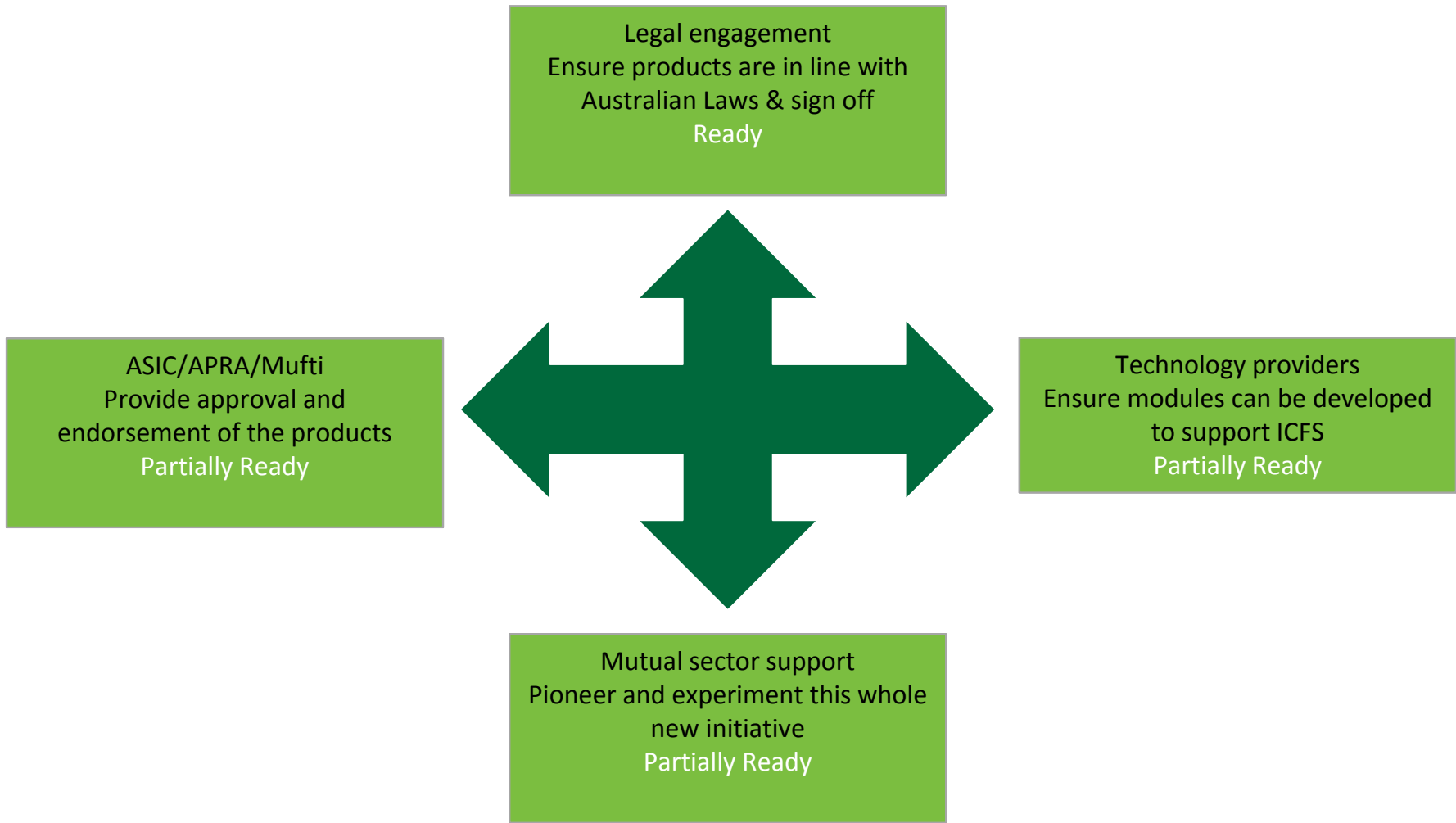


COBA's Islamic Finance Project





Key Progress





Why should COBA members offer ICFS?

- Makes business sense
- Halal Town, MCCA, Islamic Bank of Australia (Demand)
- It is for everyone, both Muslims and non-Muslims (Ethical)
- Government very supportive, double tax stamp duty abolished in VIC, NSW to follow soon
- Competitive advantage over banks
- 1 loan a month, break even Year 1





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