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# **Islamic Home Financing in Canada**

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# Presentation Outline

- ▶ Background of the study
- ▶ Need for Islamic Finance
- ▶ Opportunities for Islamic finance in Canada
- ▶ Research objectives
- ▶ Research methodology
- ▶ Different types of Islamic home financing models
- ▶ Islamic home financing in Canada
- ▶ Conclusion

# 1.0 Background of the Study

## ▶ History of Islamic finance

- ▶ During the time of Prophet (Baitul-mal for the financial need of businessmen in Mecca and agricultural farmers in Medina)

## ▶ 1890s

- ▶ In India, an institution for interest-free loans was established.

## ▶ Early 19<sup>th</sup> century

- ▶ In 1903, the Egyptians opposed the ‘interest’ in a formal way by *Shari’ah* scholars in Egypt.
- ▶ Islamic Finance House in Luxembourg in 1978

## ▶ 1980s

- Bank Islam Malaysia Berhad (BIMB) in Malaysia in 1983.
- Al-Rajhi Banking Investment Corporation in Saudi Arabia in 1985

## ▶ 2000s

- ▶ The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Islamic Financial Services Board (IFSB), and Islamic International Rating Agencies (IIRA), were established in 2002.

# 1.0 Background of the Study (Cont.)

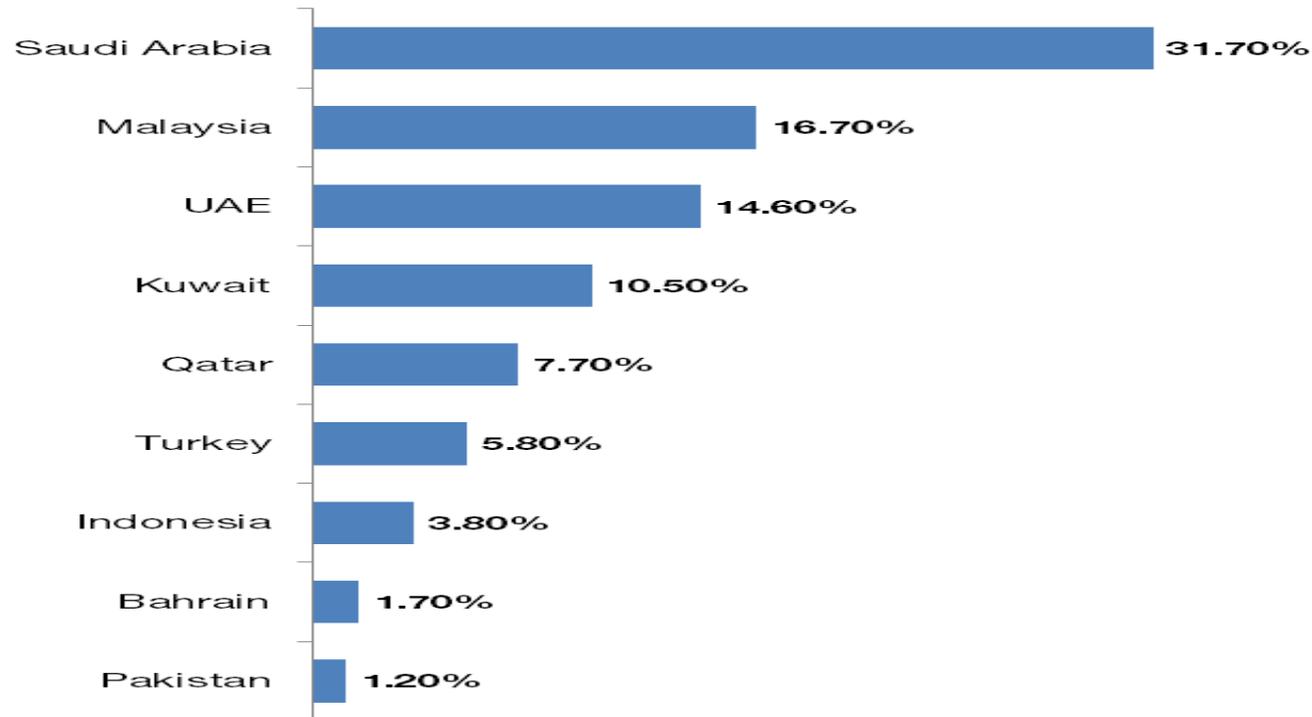
Top Ten Countries: Islamic banks in the World	
Country	Number of Islamic Banks
Indonesia	43
Malaysia	34
Bahrain	32
Sudan	29
Pakistan	29
United Arab Emirates	22
Saudi Arabia	18
Kuwait	18
Iran	16
Iraq	15

There are 394 Islamic financial institutions in the worldwide in 53 countries.

Global Financial Development Report (2014)

# 1.0 Background of the Study (Cont.)

## Global share of Islamic finance banking assets, 2015



Source: Ernst & Young

## 2.0 Need for Islamic Finance? (Cont..)

### [Prohibition of Interest in Islam]

#### ▶ Quran

- ▶ “O those who believe do **not eat up Riba** doubled and redoubled.” (Surah Al-Imran, 130)
- ▶ “And because of their charging Riba while they were prohibited from it.” (Surah An Nisa, 161)

#### ▶ Hadith

- ▶ The Prophet (s.a.w.) condemns those who take Riba, give Riba, witness to Riba (transaction) and the writer of the Riba transaction.

## 2.0 Need for Islamic Finance? (Cont.)

### [Prohibition of Interest in Judaism]

- ▶ Do **not charge** your brother interest, whether on money or food or anything else that may earn interest.” (Deuteronomy 23:19)
- ▶ “*Do not take interest of any kind from him, but fear your God.*” (Leviticus 25:36).
- ▶ “If you lend money to one of my people among you who is needy, do **not be like** a money lender; charge him no interest.” (Exodus 22:25)

## 2.0 Need for Islamic Finance? (Cont.)

### [Prohibition of Interest in Christianity]

- ▶ Interest has always been **viewed negatively** by the Roman Catholic Church.
- ▶ “We accept that the practice of charging interest for business and personal loans is not, in itself, **incompatible** with Christian ethics.” (Church of Scotland, 1988)
- ▶ “Interest...an evil **condemned frequently by the Church** but nevertheless still practiced.” (Pope Leo XIII’s 1891 Rerum Novarum)

# 3.0 Opportunities for Islamic Finance in Canada

## ▶ Muslim population growth

- ▶ There were 1,053,945 Muslims in Canada or about 3.2% of the population, making them the second largest religion after Christianity (Canada's 2011 National Household Survey)
  - ▶ Currently, Muslims make up about 2.8. percent of the country's population (Canada Immigration, 2015).
  - ▶ By 2030, there will be about 2.7 million Muslims living in Canada, and they will make up approximately 6.6. percent of the population (Canada Immigration, 2015).
- ▶ Demand from the Canadian Muslims and others who are looking for interest free financing
  - ▶ Multicultural country
  - ▶ Rich with highly educated people and natural resources

## 4.0 Research Objectives

- ▶ To explore the current Islamic home financing models globally
- ▶ To highlight the Islamic home financing practices in Canada

# 5.0 Research Methodology

- ▶ **Data**

- ▶ Secondary data

- ▶ **Research methods**

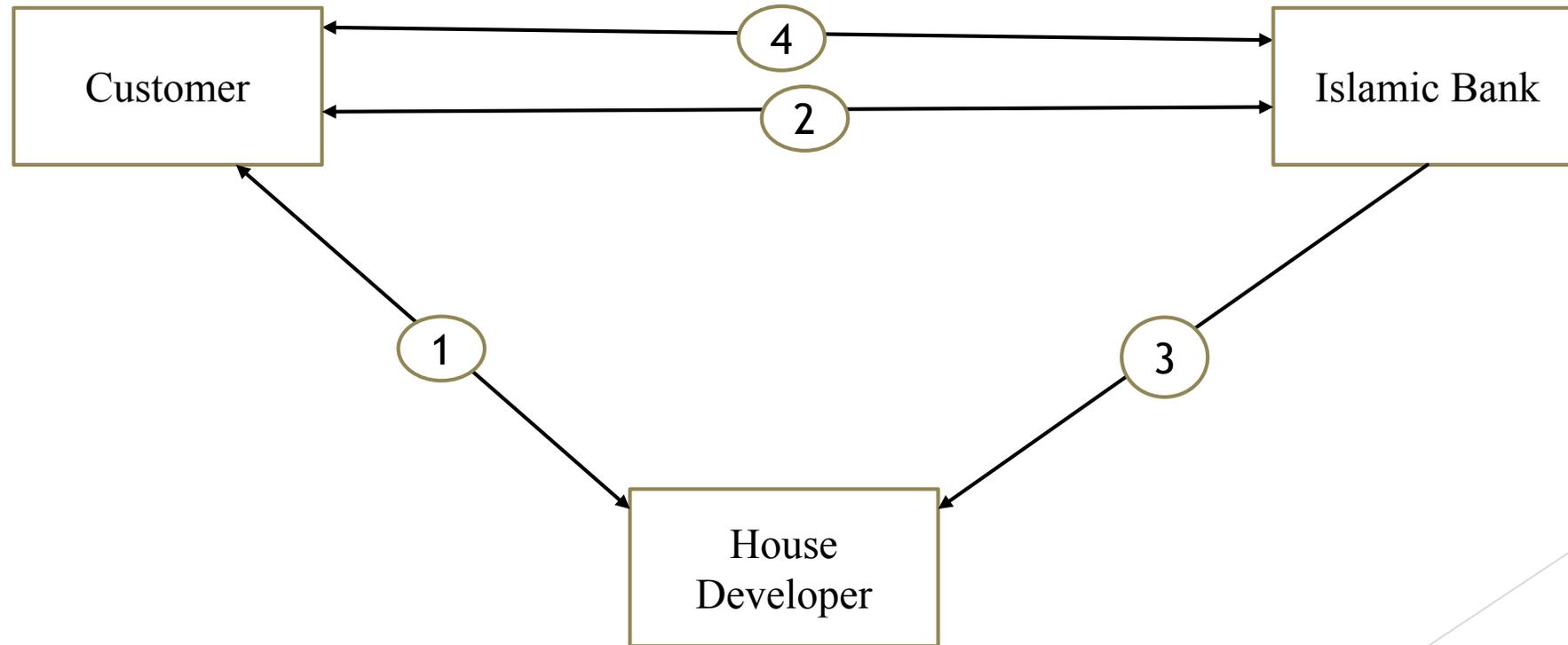
- ▶ Library research

- ▶ Internet based research

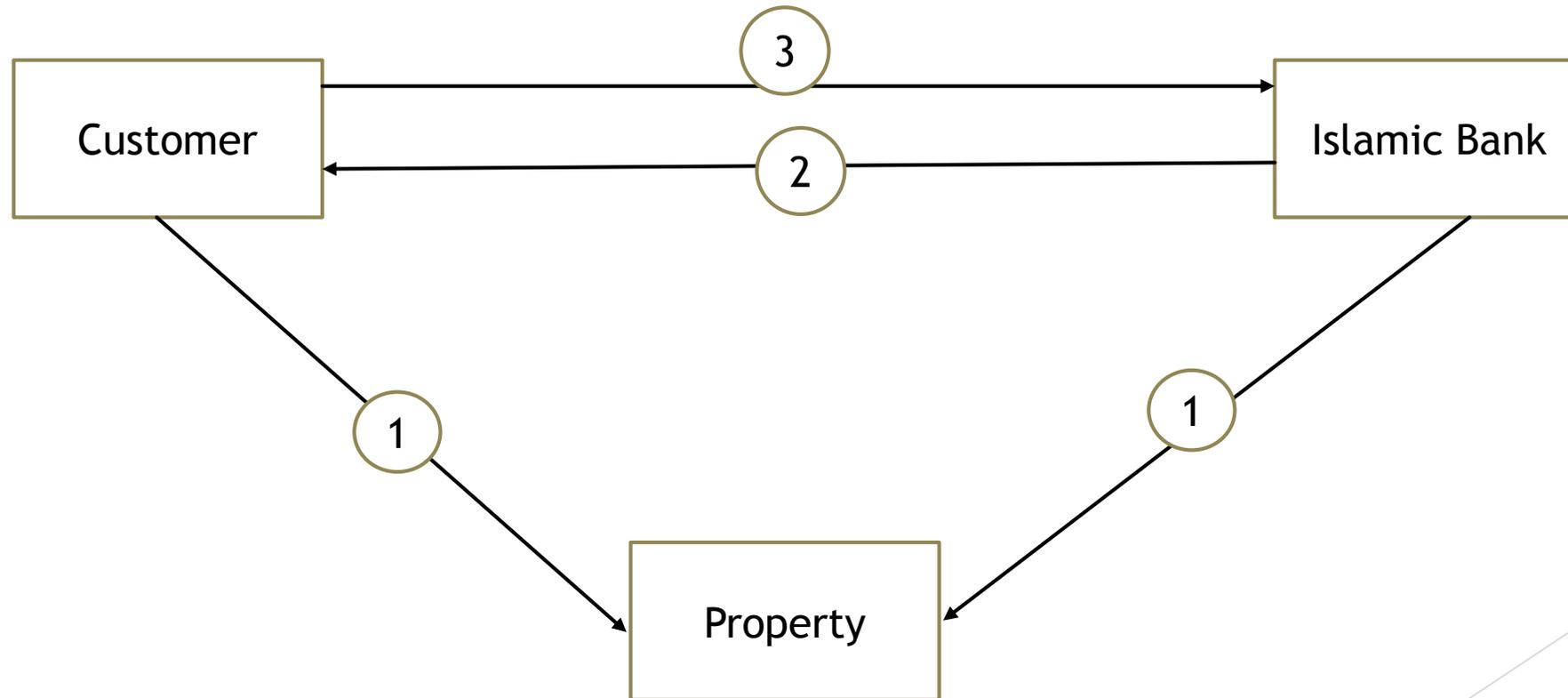
## 6.0 Islamic Home Financing Models

- ▶ BBA home financing
- ▶ Musharakah Mutanaqisah home financing
- ▶ Istisna and Parallel Istisna home financing
- ▶ Ijarah home financing
- ▶ Tawarruq home financing
- ▶ Murabahah home financing

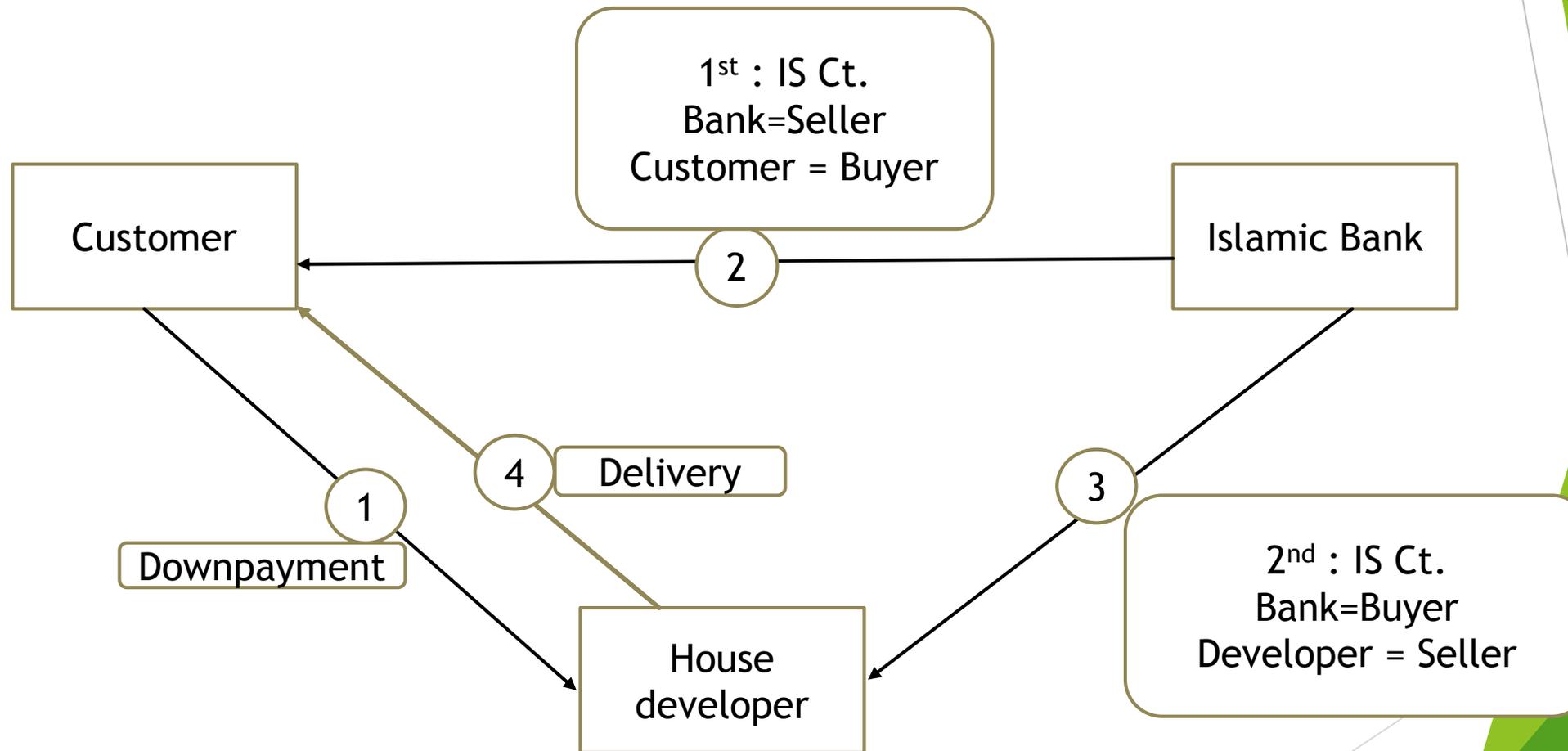
# 6.1 BBA Home Financing



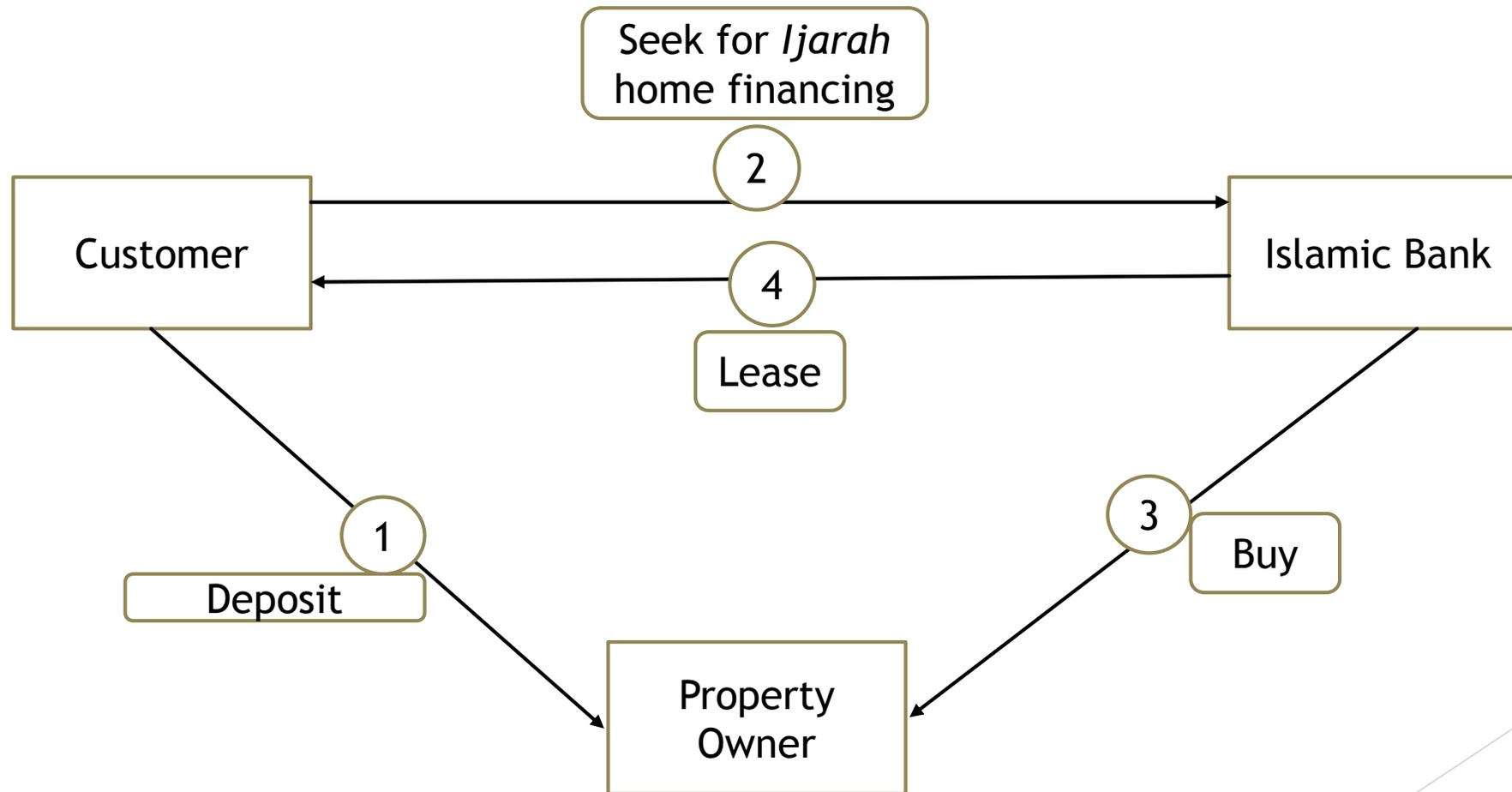
## 6.2 Musharakah Mutanaqisah Home Financing



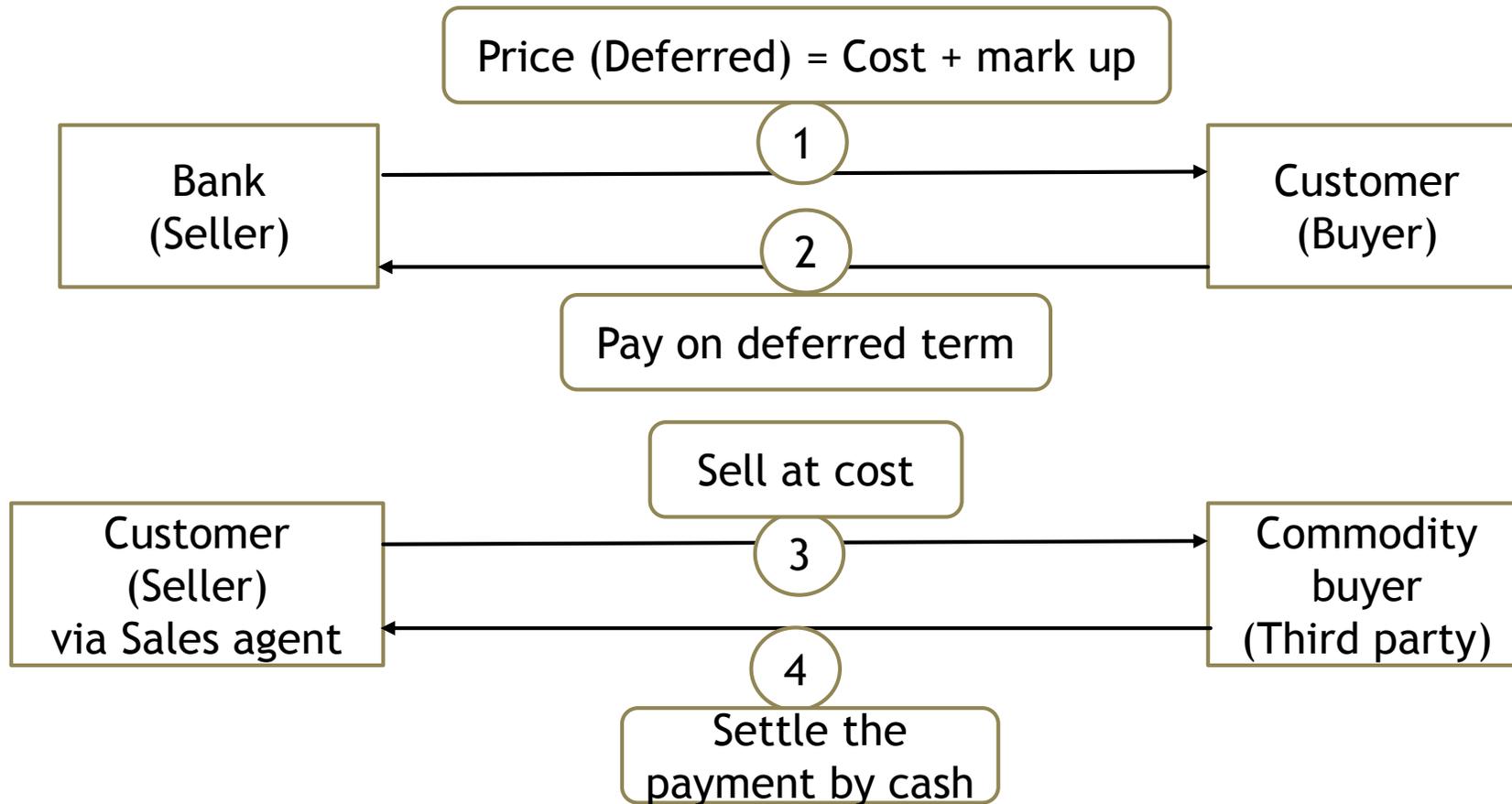
## 6.3 Istisna and Parallel Istisna Home Financing



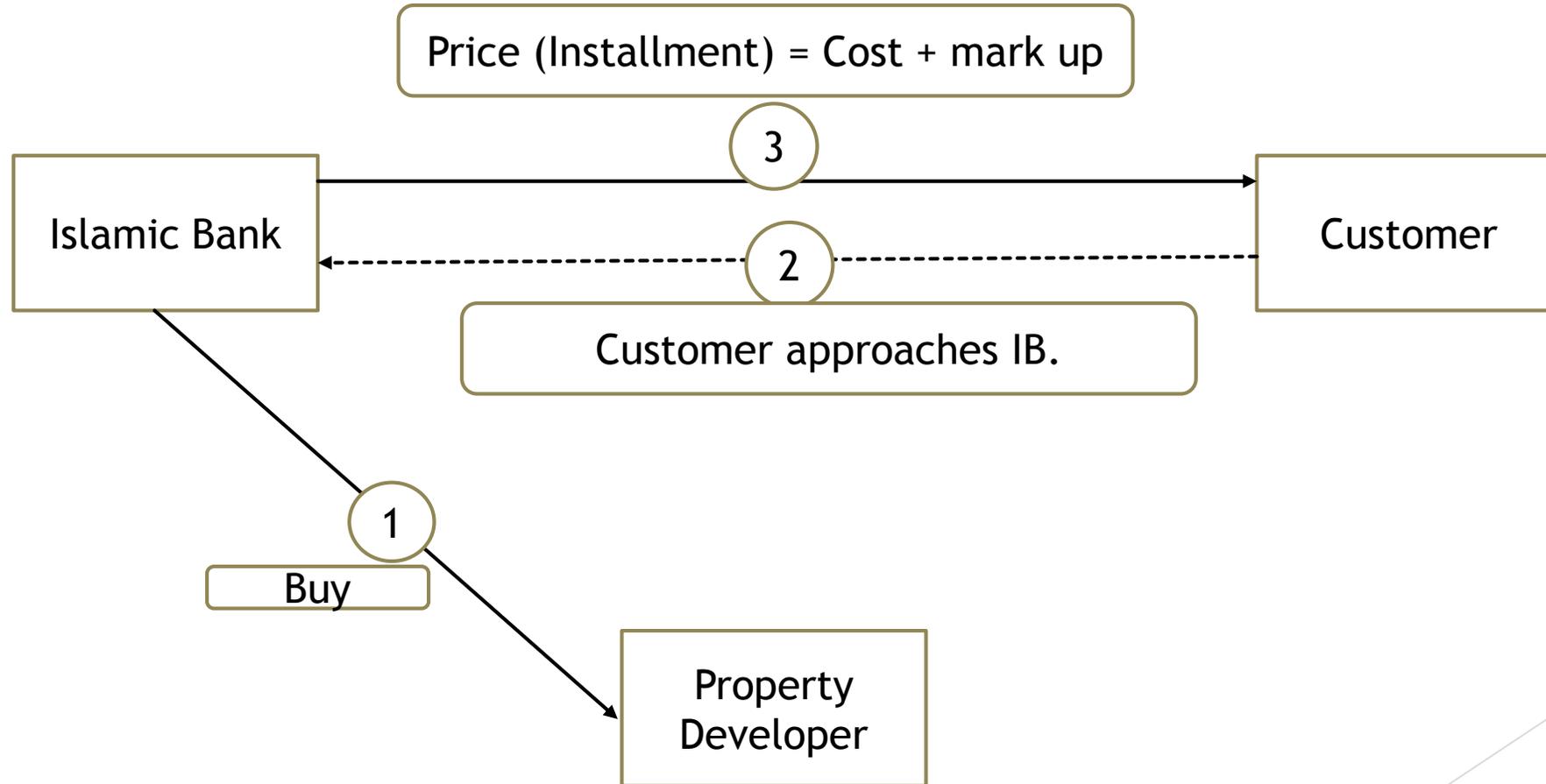
## 6.4 Ijarah Home Financing



## 6.5 Tawarruq Home Financing



## 6.6 Murabahah Home Financing



# 7.0 Canada Islamic Home Financing Practices

- ▶ **An-Nur Coop**

- ▶ *Musharakah and Murabahah*

- ▶ **Lariba Canada**

- ▶ *Ijarah*

- ▶ **Ansar Co-operative Housing Corporation LTD**

- ▶ *Musharakah Mutanaqisah*

# 7.0 Canada Islamic Home Financing Practices (Cont..)

## ▶ Salam Financial

▶ *Murabahah*

## ▶ Islamic Cooperative Home

▶ *Musharakah and Ijara*

# 8.0 Conclusion

- ▶ Need for Islamic finance
- ▶ Different types of Islamic home financing models
- ▶ Current practices of Islamic home financing models
- ▶ Future research
- ▶ Suggestion to offer Islamic financing products in the banking sector

Thank You