



Islam-based bank shares risk, profits

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PETER POWER/TORONTO STAR FILE PHOTO
Students study the Qur'an in this 2006 file photo.

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There is nothing typical about Pervez Nasim.

He may look like your average businessman, with his collared shirt, pressed slacks and neatly groomed beard. But when you begin to discuss finances with him it quickly becomes apparent that the similarities end there.

"Maximizing profit is not most important," he tells us. "Charity and social responsibility are part and parcel with the bottom line."

Nasim is the chairman of the Ansar Co-operative Housing Corporation, a Toronto-based financial institution that strictly adheres to the rules of Islam. He's part of a rapidly growing faith-based financial industry that is turning the basic principles of banking upside down.

From North America to Asia, hundreds of Islamic-inspired banks offer interest-free services that emphasize charity and community over profit, in accordance to the Qur'an. Once found only in pockets of the Muslim world, growing Islamic wealth and a return to religious values has helped these banks multiply, skyrocketing them to a worth of \$200 billion worldwide.

"Your thinking has to change," Nasim says of Islamic banks. "Your focus has to change."

With interest forbidden by the Muslim holy book, Ansar turned to an approach that appears similar to a secular co-op, but like other Islamic business models, is rooted in religious beliefs. It purchases homes on behalf of customers, who then pay it back over time by buying shares in the company. Customers live in the homes and pay rent during the process, splitting any gain or loss in the home's value with Ansar.

"The whole Islamic concept of finance is sharing the risk and benefit together," Nasim says. "This is a community organization."

Since 1981, Ansar has sold 700 homes across the country. Despite not

being able to charge interest, its success rate is nearly perfect. Nasim says the company has only ever had trouble collecting its money once. He chalks this up to the fact customers are driven by faith as much as by finances.

Ansar has been so successful it receives calls from financial institutions in the U.S., Australia and Saudi Arabia looking to copy it.

Along the way, Ansar has not wavered from what Nasim calls another major tenant of Islamic banking – social consciousness. It has regular investors looking to help first-time homebuyers, and when one of its customers died in a car accident while paying off his home, the co-op waived its remaining fees for four months to allow his wife to grieve.

"If there is a genuine need, it is our responsibility to help," Nasim explains. Islamic banks are also careful not to invest in anything deemed unethical by the Qur'an, such as gambling or alcohol. Nasim says the principles of Islamic banking used to draw laughter from mainstream banks, but with an annual growth rate topping 10-15 per cent, no one laughs any more. In fact, HSBC and other major banks are jumping on board and have opened their own Islamic financial institutions around the world.

At the moment, Ansar is only open to Muslims, a rule Nasim says is there to cut down on fickle customers only looking to get a good deal on a house. That may change though, as Muslims and non-Muslims alike become increasingly committed to finding ethical ways of investing their money.

Craig and Marc Kielburger are children's rights activists and co-founded *Free The Children*, which is active in the developing world. Online: *Craig and Marc Kielburger discuss global issues every Monday in the World & Comment section. Take part in the discussion online at thestar.com/globalvoices.*