

The Emergence of Islamic Banking & Finance in Mauritius

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Islamic Banking and Finance has taken a sudden and totally different twist in Mauritius with the launching of the first Islamic Bank, Century Banking Corporation Limited (CBC) in 2011. CBC – previously licensed under Deen Banking Corporation Limited and renamed – has been licensed to operate as a full-fledged Islamic Bank and yet, it has opted to first, navigate on the wholesale, treasury and wealth management area. Why this reluctance and hesitation when it comes to the retail market?

BAI (British American Insurance) Company (Mauritius) Limited, the largest life insurance provider in Mauritius, has introduced in 2008 the first Islamic Insurance cover.

In 2009, former Mauritius Leasing again maintained the lead through being the first leasing company to launch an Islamic Leasing product "Ijarah".

The year 2009 also saw the opening of an Islamic Finance window and the launching of Islamic Banking Accounts by the Hongkong and Shanghai Banking Corporation (HSBC) Limited (Mauritius) namely the Amanah Current Account and the Amanah Term Investment. HSBC Mauritius takes pride in being the first to launch Islamic Banking in Mauritius. But, again, disappointment hit the Mauritian population! Such accounts are reserved for the Global Business customer segment.

With the launching of various Shari'ah-compliant products, the question that crops up especially for the retail market is: were these products acceptable and accessible to the Mauritians? Were they ready – educated and prepared for a change in their banking and financing attitudes? Or is it that the rush was all about getting credits and honours for being the first to introduce Islamic Financial Products instead? Well, can we say that they are the first? These are rather recent developments. True that they might be the first to introduce Islamic Financial

Products in their particular sector but, they are not the first to have Islamic financing instruments in Mauritius. Let us move back years in time...

In the 1990's, attempts were made to launch Islamic Financial Products based on the model of an Islamic trust. At that time, many Muslims had shown their interest and encouragement in the system. Unfortunately, the ship was caught in troubled waters: nevertheless, it has survived but its performance has somewhat been slowed down to its minimum.

Afterwards, this unexploited sector saw the emergence of Al Barakah Multi-purpose Co-operative Society Limited (ABMCSL) in 1998. Regrettably, after being hit by a meteorite, people were now afraid of the harmless pebble! Are they to be blamed? Or is it our regulatory framework? Needless to say, a bad experience combined with the fact that the co-operative sector is viewed from a bad eye, surely did not motivate people to opt for Islamic Financial Products even if they are Shari'ah compliant – except for the very few. A bad experience once but can we say, a bad experience marked for life? Well, one thing is certain – it has surely impacted heavily on the Muslims.

After 14 years of existence, the ABMCSL (based on the concept of community bank) has known only a meagre acquisition of almost 1800 members out of a figure of about 200,000 Muslims. Yet, ABMCSL provides financing at a retail level (micro and medium financing) and offers a range of Islamic Products based on the concepts of Murabahah, Istisnah, Mudarabah, Musharakah and Qard-al-Hasan. Recently, ABMCSL has even introduced the Takaful concept to provide indemnity to its indebted members up to a certain ceiling in cases of permanent disability and death.

Can we then, blame our financial institutions for not implementing Islamic Banking? Already, our banking sector is jammed with 20 banks; the two big giants (Mauritius Commercial Bank Limited and State Bank of Mauritius Limited) control a market share of 70% while the other 18 banks wrestle to capture of what they can of the remaining share. To top it, launching a bank involves massive capital expenditure and with a yet undetermined market for Islamic Financial Products, can a bank take the risk to launch on the retail market? Will it be worthwhile to undertake capital investments and finally be faced with a low demand? The solution? An Islamic 'window' suggested by some – is it really viable? Not likely! Some might argue that financial innovation is always accompanied by the quest to try out the product but, how many are they who would be eager to try out something denoted by the word 'Islamic'?

**Islamic Finance,
until today,
is unknown
to the
majority of
the population**



– the degree of information varying from one to the other. Mauritius has still a long way to go in this sector. These few products offered represent but a handful of sand in the desert.

The way forward: consumer awareness of the different Islamic Financial Instruments is vital. Educating the public about the features of Islamic Banks and its related financial products will open the door to different markets – some 'religious market' as well as a market in search of an alternate and more competitive source of funding. It cannot be denied that the future of Islamic Banking and Finance crucially depends on the labour force - teaching, training, research and development in the desired specialization is vital. Not only in Mauritius, but worldwide, there is a serious shortage of scholars who possess even a working knowledge of both Islamic law and modern economics and finance. Likewise, there is a lack of personnel of Islamic Banks who are well trained in the use and application of Islamic modes of finance. Currently, there is a need to arrange short courses for Shari'ah scholars in economics and finance and similar courses for economists in Shari'ah. However, for the long term healthy growth of the sector, proper syllabuses could be designed for university graduates.

However, the most important determinant remains the



acceptance of Islamic Banking and Finance by the Mauritian population especially the Muslims. The latter is still in a state of hesitation when it comes to Islamic Financial Products – they want the products but, they also criticize it! The next 2-3 years will be critical for the development of this newly born sector.

Isn't it high time we show support to our institutions and contribute positively to their growth. Wake up, O Muslims! Instead of criticizing and passing judgment on products endorsed by well-known international Shari'ah advisors and/or Shari'ah boards and Islamic Financial Institutions regulated by international regulating bodies such as AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) and IFSB (Islamic Financial Services Board), think positively!

**Muslims all over the world
normally avoid eating pork and
consuming alcohol due to divine
prohibition, whereas, Riba is
considered much worse than that.**



The crimes of dealing in Riba are so serious that Allah (PBT) has declared war against those who deal in Riba (S2: V279). Do we want to continue in this way? Some might claim that they are not using the interest but giving it away to charity-nonetheless, they are fueling the system! Muslims, the choice is yours.