



NEW ZEALAND

## COUNTRY UPDATE

### New Zealand Business Learns the Meaning of *halal* By Faris Azimullah

Until recently, doing business the Islamic way in New Zealand was probably best and only understood by its huge meat export industry where exported meat is currently certified *halal* (or acceptable under Islamic principles) as part of the slaughter procedure. This is understandable as agricultural products account for more than 50% of the country's total exports.

While doing business the Islamic way hardly raises eyebrows when it comes to exported meats, the same cannot be said about the financial sector. With only 40,000 New Zealanders (Kiwis) who are Muslims - representing 1% of total population - there is virtually no Islamic financial offering at present. This is despite the Muslim community being tightly knit, very active and well represented within the full spectrum of New Zealand business.

While New Zealand has Mosques and Islamic schools, Muslims currently have no choice but to pay and receive interest on loans and savings, and there is currently no *Takaful* offering whatsoever.

But this looks set to change. The local financial players do understand the potential and see it as much more than servicing the Muslim population. Using Malaysian and other countries as examples, we have evidence showing Islamic products outperform conventional loans. In Malaysia for example non-Muslims represent 70% of the market take-up of Islamic products.

We understand that at least one Deloitte client plans to offer *Takaful* as early as February 2005 coinciding with the start of the Islamic New Year. In a country with nearly all consumers being rather sophisticated when it comes to personal and commercial banking and insurance, banks and insurers need to have innovative products to win and retain market share from competitors.

Through our public seminars, we see that more New Zealand businesses are keen to take up Islamic funded ownership schemes instead of conventional loans.

#### Establishment of Islamic savings and loan co-op

One of the most significant and exciting developments as recently as October 2004 is the now approved project by the Federation of Is-

lamic Associations of New Zealand (FIANZ) to establish an Islamic savings and loans co-operative in New Zealand where no interest will be charged or taken.

The proposed structure will operate much like a conventional bank covering all the usual features such as Automated Teller Machines, Internet banking, telephone banking and card services. A US\$4 million investment is now being sought globally to establish the entire scheme.

Needless to say the major retail banks are watching to learn about this innovative and to see if it is a commercially viable alternative.

It is certainly heartening to see strong support locally for this initiative. It is understood that individuals in New Zealand are already raising their hands to pull some of the funds together. FIANZ will also be looking to beyond New Zealand's shores for financial support.

In promoting Islamic finance there is a need to work at multiple levels with various banking and finance players; targeting the niche Muslim population, to retail banks considering *Shariah*-based products for all New Zealanders as well as raising awareness within the government to facilitate foreign direct investment.

A Merrill Lynch study reports that some US\$1.3 trillion is being diverted from US markets since the terrorist attacks. While Australia is probably a few steps ahead in recognising this huge opportunity, New Zealand - thanks to its green image and neutral foreign policy - is probably still a preferred location for Middle East investors looking for *halal* investments in this region.

If the government does not cater for these clients, we will have simply missed the boat.

*Note: The author, Faris Azimullah is a director of Risk and Assurance for Deloitte New Zealand*

Contact: Faris Azimullah BCom/BSc CA CISA  
Director, Risk and Assurance  
Deloitte  
Auckland, New Zealand  
Phone: +64 9 303 0842  
[Fazimullah@Deloitte.co.nz](mailto:Fazimullah@Deloitte.co.nz)

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