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## Islamic Finance and Banking – in the European Context of the First Decades of the 21st Century

### Islám pénzügy és bankügy – a 21. század első évtizedeinek európai kontextusában

*Miközben Nyugat-Európában növekvő feszültséget okoz a migrációs bűtérő, többségében muszlim, lakosság eltérő kulturális és morális beállítottsága, a közel-keleti gazdasági kapcsolatok erős piaci lehetőségek perspektíváját vázolják fel. Mindkét jelenség erősíti azt a trendet, amely kedvező feltételeket teremt az iszlám bankok számára az Európai Unióban és az Európai Gazdasági Térség államaiban egyaránt. A tanulmány az iszlám és a konvencionálisbanki szolgáltatások főbb eltéréseit mutatja be.*

**Kulcsszavak:** Nyugat-Európa; migráció; iszlám banki szolgáltatások; morál; különbségek

*While the different cultural and moral attitudes of the population with a migration background, mostly Muslim, are causing increasing tension in Western Europe, economic relations in the Middle East outline the perspective of strong market opportunities. Both phenomena strengthen the trend that creates favorable conditions for Islamic banks both in the European Union and in the states of the European Economic Area. The study presents the main differences between Islamic and conventional banking services.*

**Keywords:** Western Europe; migration; Islamic banking services; morals; differences

## 1. Introduction

In general, Islam seems to be more down-to-earth and practical about money than modern Christianity. Most of the Qur'an's prescriptions for alms-giving and giving appear in the daily lives of Christians in the form of sermons and catechesis, but in practice Muslims always keep some money with them so that they can donate according to their social rank (Falus, 2022).

The economic crisis of 2008 shook the confidence of many in completely free markets and the conventional Western banking sector. While some see the solution in increasing the role of the state, others believe it can be found in the Islamic banking system and its different regulations. Undoubtedly, the losers of the economic crisis include many Western European and American financial institutions. It is important to recognize that the differences between conventional financial systems and the Islamic banking system must be examined from an objective point of view, regardless of any religion or ideology: Islamic financial services can hold their own in non-Muslim societies as well. As early as 2009, the *Osservatore Romano*, the official newspaper of the Vatican State, pointed out what opportunities Islamic finance could offer to the Western world in crisis. The paper praised banks in the Muslim world that reject treating money as a commodity. The head of the Catholic Church, Pope Benedict XVI, already warned at the outbreak of the financial crisis: "The Koran must be read again. If our bankers, who are so money-hungry that only the biggest profit floats in front of their eyes, knew even a little bit about the rules of Sharia, we wouldn't be here." (Totaro, 2009)

The catastrophic events that began with the collapse of international financial markets in 2008 by the bankruptcy of Lehman Brothers, one of the world's oldest, largest and most symbolic financial institutions have been the subject of intense public debate. During these, both rational and demagogic arguments appeared about the right and wrong, moral and immoral actions of the financial sector. After a long time, the situation is finally ripe for raising the question of ethics, which has never before been at the center of a global debate on this topic. (Fleming and Sarkar, 2014: 175-206, Summe, 2012).

In order to develop the right position, we must first of all find answers to a series of basic questions, such as: What is ethics? What is right and what is wrong? Why did professions such as banking and trading develop, and why do these professions continue to flourish today despite recent difficulties? Based on the available information, are we able to judge the banking system and its beneficiaries as morally right or wrong - and are we all complicit in that system, simply by opening an account in a traditional financial institution? Can a standard of moral behavior be established to measure the ethical results of these actions, and can the results thus obtained be used to determine the possible

consequences? Who is entitled to judge all this from a moral point of view? And finally: what kind of ethics, what kind of ethical behavior can we talk about in relation to financial institutions? Money and banking services are essential, and their creation was generated by human needs. The measurement, accumulation and transfer of value is essential for all human interactions, and this is true both for the person handling it and for the institutional system that serves it.

## 2. Principles of operation of the Islamic banking system

Sharia strictly prohibits any form of speculation or gambling, which is referred to as *maisir*. Sharia also prohibits taking interest on loans. In addition, any investments involving items or substances that are prohibited in the Qur'an, including alcohol, gambling, and pork, are also prohibited. The four main principles are the followings:

1.) The banks cannot charge interest (*riba*) after issued loans. They do not acknowledge the "time value" of money in the usual way therefore they reject profit solely based on the passing of time. They also reject the idea of making money from money. The basic principle is that making profit is only legal through actual, real transactions, and behind every transaction there has to be real collateral, money is only an intermediary device. The first mention of *riba* in the Qur'an was in Makka, and it discouraged collection thereof, without explicitly prohibiting it: *"And whatever you give for interest to increase within the wealth of people will not increase with Allah. But what you give in zakah, desiring the countenance of Allah - those are the multipliers."* [Qur'an, 30:39]. And: *"Those who consume interest<sup>1</sup> cannot stand [on the Day of Resurrection] except as one stand who is being beaten by Satan into insanity. That is because they say, "Trade is [just] like interest." But Allah has permitted trade and has forbidden interest. So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah. But whoever returns [to dealing in interest or usury] - those are the companions of the Fire; they will abide eternally therein."* [Qur'an, 2: 275]

2.) Unwanted uncertainty („gharar") and excessive risk taking („mayseer" or „qimar") is to be avoided. This is why Islam specifically forbids speculation. (show by 1 Figure)

Though there is no verse in the Qur'an to proscribe *gharar* explicitly, *vaniy* (*al-batil*) is forbidden in many verses: *"And do not eat up your property among yourselves for vanities, nor use it as bait for the judges"* [Qur'an 2:188]. And the other citate: *"O ye who believe! Eat not up your property among yourselves in vanities; but let these be amongst you traffic and trade by mutual good will"* [Qur'an 4:161]. There are a number of other Hadiths which forbid *gharar*, either by name, or by specifying one or more of its instances, e.g. selling "the birds in the sky or the fish in the water", "the catch of the diver", "unborn calf in its mother's womb", "the sperm and/

or unfertilized eggs of camels”, etc.). (El-Gamal, 2001)

Classification of Gharar in Islamic law is classified basically into three categories:

a) The substantial gharar (gharar kathir): This type of gharar is unanimously prohibited and not accepted in Sharia, such as selling a bird in the sky. This is considering an excessive gharar, which renders the financial transaction invalid.

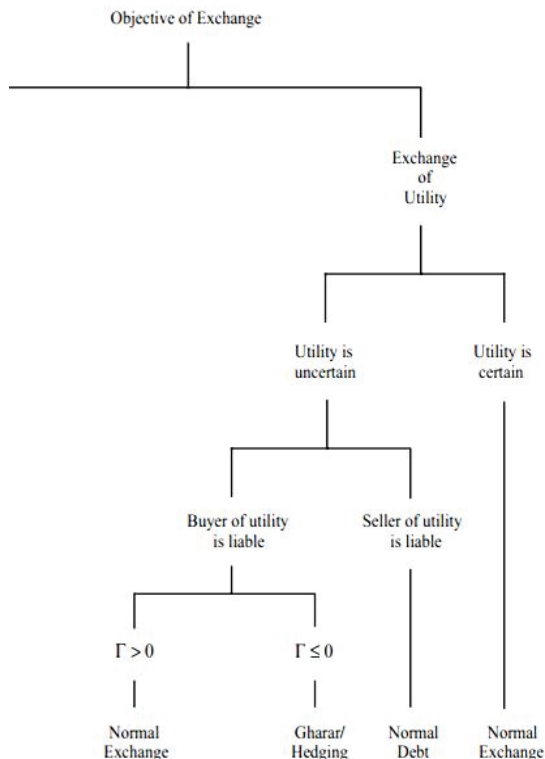


Figure 1: The operation of Gharar (Sultan, 2016)

b) The minor gharar (gharar yasir): This type of gharar is unanimously allowed by Sharia, such as gharar about the foundation of a house to be bought/sold. The jurists are in an agreement, that this minor gharar is tolerable and permitted.

c) The intermediate gharar: This is moderated gharar, which falls between the two previous categories. However, there are a few legal opinions from the Muslim jurists about this category, whether this gharar belongs to the first cat-

egory, or to the second one, depending on the nature of the gharar. (Lahsasna, 2014)

3.) Islamic banks cannot finance activities or enterprises which can have a negative effect on society or considered illegal by the laws of Islam, for example gambling, or the production and consumption of alcohol or pork. This is called „haram”. In Qur’an: *„O you who have believed, indeed, intoxicants, gambling, [sacrificing on] stone alters [to other than Allah], and divining arrows are but defilement from the work of Satan, so avoid it that you may be successful.” /Qur’an 5:90/*

4.) Financing transactions must also contain an item of charity. Charity can be manifested in different ways, for instance banks can offer help to clients in difficult situations who need financing, with a process uniquely suited to meet the needs of a specific client, for example the „salam”. Traditional commercial banks usually refuse to do this as financial assessment determines that these clients are ineligible for a loan due to high risk.

Finally, in most cases, after providing a loan in the traditional banking environment, the responsibility rests with the borrower. In Islamic banking, the bank and the borrower agree to share the risks, and the profits or losses of an enterprise are divided between the bank and the borrower. They often not only share the risk, but the bank also undertakes an ownership interest in the financed project or device, thus bringing Islamic banks closer to the real sector than traditional banks. This means that the attitude of Islamic banks is asset-based, which is opposite to the debt-based investment strategy of traditional banks. (Varga, 2017)

### 3. The spread of Islamic banking on the European continent

The Islamic banking system, which emerged in the second half of the 20th century, has been conquering as a new, stable and alternative banking model since the global financial crisis of 2009 in the fields of investment, lending, securities distribution and trading, as well as other new financial derivative products. The first Islamic bank on the European continent was Bosna Bank International (BBI), founded in 2000 and headquartered in Sarajevo. The institution is one of the major financial institutions in the Balkans, and at the same time the most successful Islamic bank in Europe since the establishment of the British Islamic Bank (IBB) in 2004. The special feature of the latter is that it operates extremely successfully in a legal environment fundamentally different from the parent institution. Although after BREXIT (2020) we cannot officially claim that London, as one of the world’s Islamic financial centers, is located in the EU, it can be clearly stated that this financial service provider operates profitably in this Western European state, in a basically Western, conventional financial system company. Financial services based on Islamic economics is one of

the fastest growing financial sectors, with an annual growth rate of 10-12 per cent over the past two decades and around £2.5 billion in capital. Islamic financial services in Europe require a Muslim community large enough to provide a sustainable customer base. The introduction of Islamic financial products into the market was enthusiastically received by some Western European countries, such as Great Britain, while others, such as Germany and France, were initially reluctant. Britain's position is rooted in the belief that Islamic finance means massive investment, consumption and transnational markets. The relationship between the Islamic community, the Islamic bank and the local business can be further illustrated by the example of Germany, where the Turkish subsidiary of Al Baraka Bank, Al Baraka Turk, was the first in Europe to launch a digital Islamic banking service at Berlin-based Fintech Solaris Bank AG. In cooperation with this Sharia-compliant service, which also includes non-banking services such as prayer reminder applications, it is used by 5 million Muslims in Germany. (Alzalabani and Nair, 2013: 16-17).

However, if we look at the EU market, we also know that Islamic financial services are still not as popular in Europe as they could be, considering the demographic aspects. There are several reasons for this: Islamic financial institutions do not fully apply the rules of Sharia, therefore Muslims who strictly follow their religion cannot use their services; the lack of information among non-Muslim customers; or the relatively higher fees.

#### 4. The European legal framework of Islamic financial institutions (IFIs)

The European Union is a legal order based upon a process of approximation of Member States' legal systems to pursue its objectives, as laid down in the Treaties and clarified by the jurisprudence of the Court of Justice. Therefore, any attempt to accommodate Sharia rules within the European framework must be based upon Articles 2 and 3 of the Treaty on the European Union (hereafter, TEU). Article 2 establishes that *„The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity, and equality between women and men prevail.”*

Among the EU's objectives, Article 3 of TEU provides for combatting discrimination and social exclusion, as well as establishing an internal market, defined as an area without internal frontiers in which the free movement of goods, persons, services, and capital is ensured by the provisions of the Treaties. The effective operation of the internal market and the construction of the European Union as a pluralistic and inclusive society depend also on the correct application of the principle of non-discrimination on grounds of religion or

beliefs, as laid down in Articles 10 and 19 of TFEU, framing the Sharia accommodation process in the EU-based framework for banking contracts as fixed in two places:: „*In defining and implementing its policies and activities, the Union shall aim to combat discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.*” /Article 10/ Furthermore: „*Without prejudice to the other provisions of the Treaties and within the limits of the powers conferred by them upon the Union, the Council, acting unanimously by a special legislative procedure and after obtaining the consent of the European Parliament, may take appropriate action to combat discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.*”/Article 19 (ex Article 13 TFEU)/

According to the principle of the direct effect of European law rules, any individual is entitled to invoke a European provision before a national or European court to ensure the application and effectiveness of EU law throughout the Member States. Given that Islamic banking is directly based on Sharia law, all Muslim believers have the right to use such banking services. Of course, there is no obstacle to non-Muslims opting for these instead of conventional financial services.

In the European legal framework, there is a general definition of “consumer” and “entrepreneur”, but Article 2 of the “*Consumer Directive*” (Directive 2011/83/EU of the European Parliament and of the Council of 25 October 2011 on consumer rights, amending Council Directive 93/13/EEC and Directive 1999/44/EC of the European Parliament and the Council and repealing Council Directive 85/577/EEC and Directive 97/7/EC of the European Parliament and the Council) in force provides that a “consumer” is a “natural person” who, in contracts covered by this Directive, is acting for purposes which are outside his trade, business, craft or profession», while a “trader” is any natural person or any legal person, irrespective of whether privately or publicly owned, who is acting, including through any other person acting in his name or on his behalf, for purposes relating to his trade, business, craft or profession about contracts covered by this Directive: “(1) ‘consumer’ means any natural person who, in contracts covered by this Directive, is acting for purposes which are outside his trade, business, craft or profession; (2) ‘trader’ means any natural person or any legal person, irrespective of whether privately or publicly owned, who is acting, including through any other person acting in his name or on his behalf, for purposes relating to his trade, business, craft or profession in relation to contracts covered by this Directive” / Article 2 Directive 2011/83/EU/

On the opposite side of the contract, there is a bank. According to the European legal framework for credit institutions, these are legal entities with their head office and central administration in the same Member State, authorised to operate a banking business, or the Sharia-compliant credit institution may be a branch of a third-country bank (Gimigliano 2019). The status of a legal person might raise some doubts according to classical Islamic law, which only provides for partnerships rather than limited liability companies. If a conven-

tional bank is authorised to provide, among other things, Sharia-compliant products and services, it is supposed to set up an Islamic window, namely, a business line financially separate from the rest, however, it might also be an Islamic credit institution based within the European Union, either a branch of a third-country Sharia-compliant bank or an EU-based Islamic bank. In the latter case, it is a legal entity authorised to carry on banking business by the European banking framework, with its head office and central administration in a Member State (Cooperman et al., 2017).

## 5. Increasing demand for Islamic banking services

In the last decade, the European Union became an attractive market for the expansion of Islamic banks due to their potential. In recent years, Europe has experienced a record influx of asylum seekers fleeing conflicts in Syria and other predominantly Muslim countries. Even if all migration into Europe were to immediately and permanently stop, the Muslim population of Europe still would be expected to rise from the current level of 4.9% to 7.4% by the year 2050. This is because the Muslim population is younger (13 years, on average) and has higher fertility (one child more per woman, on average) than other Europeans, mirroring a global pattern (Cooperman et al., 2017).

Countries that have received relatively large numbers of Muslim refugees in recent years are projected to experience the biggest changes in the high migration scenario – the only one that projects these heavy refugee flows to continue. For example, Germany's population (6% Muslim in 2016) would be projected to be about 20% Muslim by 2050, and in Sweden 31% – even in case of a “zero migration” scenario (Cooperman et al., 2017).

Given the tendency of the European Union, which is impoverished as a result of the sanctions that have led to the global energy crisis, to look to the wealthy Middle East for investment capital, the importance of Islamic banks will increase even more in the near future.

The potential Muslim clients can be divided into two segments: Muslim customers, who agree to pay, even higher prices, to benefit from services, which have a prominent level of compliance with the Sharia Law, and Muslim customers, attracted by the competitive rates, too, accepting sometimes various interest-free services only in part with Sharia law, but more attractive from the financial point of view. Due to this fact, to cope with local competition coming from conventional banking products, the Islamic banks, entering foreign markets, should make their products and services price competitive, too. With the growing Muslim population in the European Union, the customer base of Islamic banks is also increasing. The largest Islamic banks are mainly present in three countries: France (as an EU member state), Germany (as an EU member state), and the United



Kingdom (as a former EU member state), however, these IFIs can be found almost everywhere by now. In the United Kingdom, for instance, the Al Rayian Bank PLC (the former Islamic Bank of Britain), the European Islamic Investment Bank (EIIB) – the first Islamic investment bank from Europe, the Bank of London & the Middle East (BLME), the Gatehouse BankSecurities House (UK), etc. Brexit, as the withdrawal of the United Kingdom from the European Union at 23:00 GMT on 31 January 2020 (00:00 CET) had of course also affected the Islamic banking sector in the United Kingdom.

Many Islamic banks combine commercial banking activities with investment banking, making more complicated supervision of these institutions more. Also, Islamic bank activity implies a higher level of risk compared to conventional banks, making some problems for regulatory authorities in the fields of capital adequacy and transparency requirements and customer protection: depositors of these banks participate not just in the bank profits, but losses, too. Islamic banks apply different resource mobilisation and investment methods, from that of conventional banks, challenging in this way the regulatory institutions. Islamic banking, however, may offer great opportunities too, for the financial systems and economies of the resident countries: their services can increase the social inclusion of the Muslim minorities, which nowadays represent the biggest minorities in Europe; the presence of Islamic banks can be considered as an attraction of the important part of oil wealth from the Gulf region, and as an additional source of liquidity and finance for the national economy; the presence of the Islamic banking industry in the European Union can be viewed as a bridge for international financial groups, seeking to diversify their investments, to the Islamic world. Nowadays they are activating many conventional banks, which also offer banking products and services in compliance with Islamic laws. For example in Germany: Commerzbank, Deutsche Bank.

## 6. The results of our questionnaire survey

Between 1 October 2021 and 31 January 2022 we conducted a questionnaire survey concerning experiences and opinions about Islamic banking in the EU. The number of respondents far exceeded our expectations, which confirms the interest and timeliness of the research topic. 2018 people completed the questionnaire. The program provided rounded data by field. 60% of the respondents were women, and all respondents were all under 70 years old. The most likely reason for this is that the over 70s are not receptive to online questionnaires. However, the possibility that this age group is not as mobile, has not moved to the European Union, few of them are engaged in international financial activities and most of them use Islamic banking services in their own communities cannot be excluded. 40% of respondents are aged 18-34, while 45% are aged 35-49. This

overall 85% rate is of course primarily an indication that this age group is active users of the internet, well-versed in online applications and has an independent opinion that they are willing to share for the greater good. This 85% also confirms that there is a strong interest and openness to Islamic banking, especially among the economically active age group. The majority of the respondents were from the intellectual class: 40% of them have a PhD degree, another 50% have a university or college degree, and 18% have a secondary school education. None of the respondents had only a bachelor's degree. The overwhelming majority of respondents, 62%, are Muslims who practice their religion regularly, with a further 24% also believing but not practising their faith on a daily basis. The vast majority of respondents, 80%, were born and live in a Muslim country. A further 5% were born in a Muslim country but now live in the European Union. For this total of 85% of respondents, the most important question is: is it worth remaining a customer of the Islamic bank, or should they choose traditional Western banking, especially if it is cheaper. Again, the 15% of respondents who are not Muslims, live in the European Union, but are open to a different way of thinking and are considering the possibility of Islamic banking, is a cause for confidence.

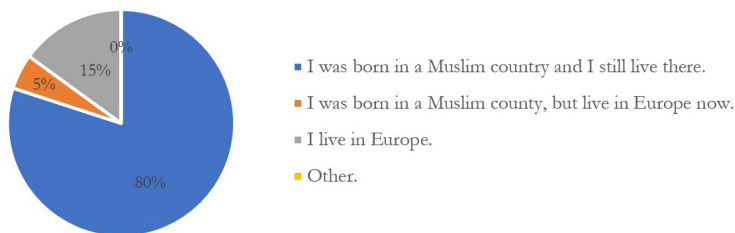


Chart 1: Where do You live?

(Own edition, based on the results of the questionnaire survey, 2021-22)

The vast majority of respondents, 80%, were born and live in a Muslim country. A further 5% were born in a Muslim country but now live in the European Union. For this total of 85% of respondents, the most important question is: is it worth remaining a customer of the Islamic bank, or should they choose traditional Western banking, especially if it is cheaper. Again, the 15% of respondents who are not Muslims, live in the European Union, but are open to a different way of thinking and are considering the possibility of Islamic banking, is a cause for confidence.



Chart 2: Do You know the principles of Islamic finance?  
(Own edition, based on the results of the questionnaire survey, 2021-22)

100% of respondents, i.e. everyone without exception, are aware of the basic principles of Islamic banking. So are the 14-15% who are not Muslim and do not live in a Muslim country. This fact also strengthens the fact already established above according to which educated, educated, open-minded non-Muslim social strata can also be potential clients of Islamic financial institutions in the European Union.

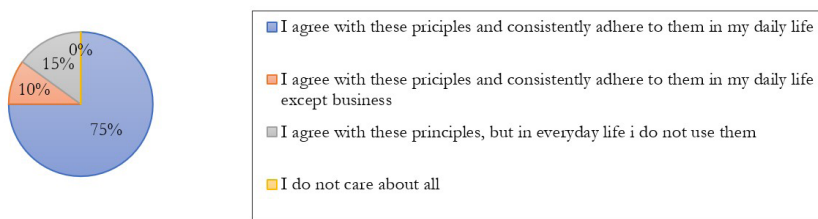


Chart 3: If You know the principles of Islamic banking, what is Your attitude towards these?  
(Own edition, based on the results of the questionnaire survey, 2021-22)

Compliance with the moral and ethical standards preferred by Islamic banks is part of the daily routine of 75% of the respondents. Another 10% of them also comply, but separate business matters from the private, religious sphere in their lives, while 15% of respondents agree with these basic principles without emphasizing their observance.

Although 14% of respondents are not Muslim, everyone is aware of the basic moral and ethical standards of Islamic banking, and no one claimed that they are not interested in these principles.

The answers to this question once again convincingly argue that there is 100% knowledge and acceptance of the moral and ethical principles on which the activities of Islamic financial institutions are based. Knowing these, it can be definitely stated that Islamic banking has a right to exist in the European Union as well.



Chart 4: Do You know the difference between operating an Islamic bank and a conventional bank?  
(Own edition, based on the results of the questionnaire survey, 2021-22)

The vast majority of respondents, 90%, are aware of the difference between the operation of Islamic and conventional Western banks. Since 100% of respondents answered yes to the question of whether they know the principles of Islamic banking (question 7), the 10% who did not know the difference must have been older Muslim respondents living in Muslim countries, who in this they grew up in an environment and did not encounter any other kind of banking practices during their lives.

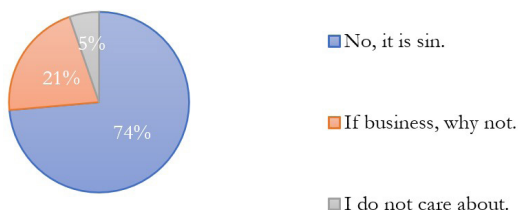


Chart 5: Do You think it is a moral thing to tie interest over time?  
(Own edition, based on the results of the questionnaire survey, 2021-22)

According to the overwhelming majority of the respondents, 74%, the stipulation of interest is a sin. 21% are permissive if business interests and 5% do not deal with this issue. 74% probably consists of respondents of the Muslim religion, which is a sad result if we are aware of the fact that the Bible also speaks of the prohibition of interest. This result marks the future task in the field of spreading Islamic financial institutions: to sensitize people (those 26%) through moral/religious education. This is necessary anyway, since the majority of the western states of the European Union today have a moral level that needs to be improved anyway.

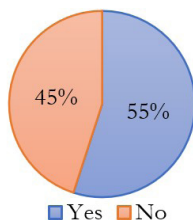


Chart 6: Are You banking in an Islamic bank?

(Own edition, based on the results of the questionnaire survey, 2021-22)

55% of the respondents manage their finances in a Sharia compliant financial institution. If we consider that 62% of the respondents are Muslims who practice their faith on a daily basis (question 5), this result is disappointing. Probably, as a result of globalization, the previously strong Muslim faith community will also be diluted, just as, unfortunately, followers of other religions practice their faith with less and less devotion in Europe and around the world. The most important thing to do would be to strengthen small religious communities and families, as well as to increase the number and quality of moral and religious classes in education.

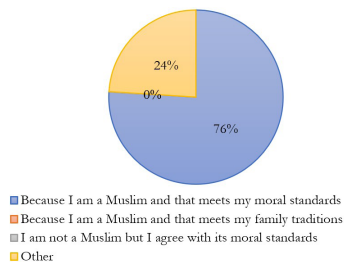


Chart 7: If You choose the Islamic banking, why did You do it?

(Own edition, based on the results of the questionnaire survey, 2021-22)

It was established previously that - although non-Muslims are also aware of and agree with the moral foundations of Islamic finance - Islamic banking is probably chosen exclusively by Muslims. 76% of the respondents who choose this do so with emphasis on moral agreement. One of the outstanding and surprising results of the research is that 24% of Muslims chose Islamic banking, but for “other” reasons. Since some of the respondents were born in a Muslim country and still live there, it is reasonable to assume that there is no Western-style financial institution in their place of residence, and this could be the “other reason”. Whatever the reason, this answer can be a starting point for further research in the future.

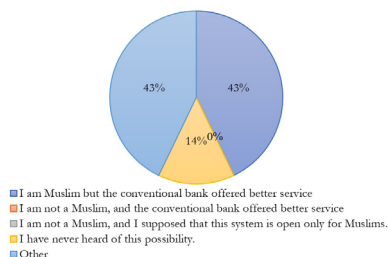


Chart 8: If You did not choose the Islamic bank, what was the reason?  
(Own edition, based on the results of the questionnaire survey, 2021-22)

We have already seen that 45% of the respondents do not manage their finances in an Islamic bank, but in a conventional, Western-style bank that charges interest (question 12). Question 14 addressed them. 43% of respondents were Muslims who chose this type because it offered a better deal/service for them. This 43% most likely comes from the 10% of respondents who, although they are Muslim and agree with the basic principles of Islamic banks, do not consider it important to apply them to business life, and from the 15% who, although are Muslims and agree with these principles, but do not practice them in their daily lives (Question 8). This data confirms the necessity of the proposal raised in the comment to question 12. The 14% who have not heard of such an opportunity in their place of residence are non-Muslims whose country does not even have an “Islamic window”.

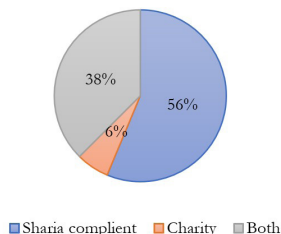


Chart 9: What is the moral surplus that led You to choose Islamic banking?  
(Own edition, based on the results of the questionnaire survey, 2021-22)

The large majority of Muslims who chose an Islamic bank, 56%, chose this type based on Sharia compliant activities, 6% specifically based on the charitable activities of such financial institutions, while the remaining 38% were attracted by both characteristics. This means that the total of 44% of the respondents value their financial institution’s charitable activities, CSR. It is therefore worthwhile to build promotional campaigns on this characteristic.

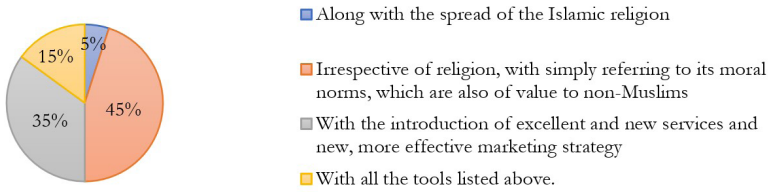


Chart 10: How do You think Islamic banks could be promoted in the European Union?  
(Own edition, based on the results of the questionnaire survey, 2021-22)

Only 5% of the respondents believe that increasing the market share of Islamic financial institutions in the European Union can only be achieved by spreading and strengthening the Islamic faith. It is a remarkable figure that according to 45% of them, it is necessary to emphasize the moral and ethical standards that are naturally to be followed by all people, regardless of religion, “on the basis of natural law”. 35% of the respondents believe that the campaign should be based on business and that these financial institutions should introduce new, competitive products with better conditions. According to 5% of the respondents, these promotional campaigns should be supported with all the tools listed. Here, too, the respondents confirmed what was explained in the theoretical part about natural law, according to which people, regardless of age, gender, religion or place of residence, look for “normal” products, which on the one hand do not conflict with their religion, culture and basic human moral sense, on the other hand they are not in conflict with their financial and economic interests either.

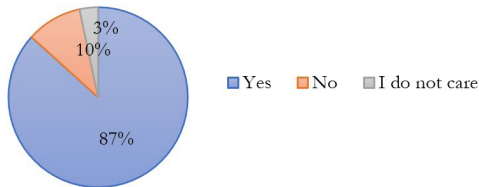


Chart 11: If the service and the price is the same, would You prefer Islamic banking?  
(Own edition, based on the results of the questionnaire survey, 2021-22)

The vast majority of respondents, 87%, stated that they would choose an Islamic bank under the same financial and economic conditions. This answer clearly means that 87% of respondents agree with the moral and ethical principles of Islamic banks. However, taking into account the fact that, despite this, 45% of the respondents do not manage their finances in such a bank, based on the results of the questionnaire survey, there can only be 2 reasons:

- a) there is no Islamic bank in the respondent's place of residence;  
 b) if there is, however, then the services offered by a conventional, Western-style bank are commercially more advantageous and attractive (cheaper).

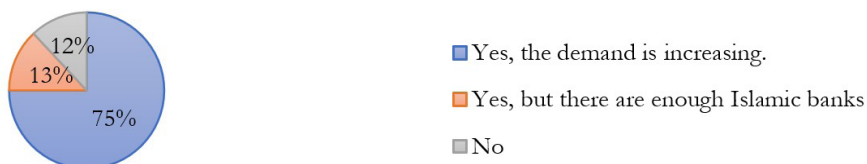


Chart 12: Do You think there is a need for Islamic banking in the EU?  
 (Own edition, based on the results of the questionnaire survey, 2021-22)

It is a promising result from the point of view of the future that, according to 75% of the respondents, the market demand for Islamic financial institutions in the European Union is increasing, so it is necessary to increase their number. The 15% of respondents who believe that there are enough such institutions in the EU, most likely live in Germany, France, or other Western European member states where such branches or “Islamic windows” operate; or they don't live in the European Union, so they don't know that there are member states where the population hasn't even heard of this possibility.

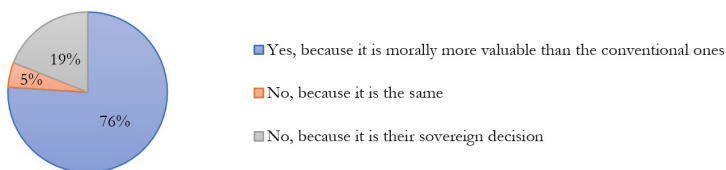


Chart 13: If You are Muslim: Would You recommend this way of banking to Your non-Muslim friends and business partners?  
 (Own edition, based on the results of the questionnaire survey, 2021-22)

This question was addressed to a total of 86% (62+24) of the respondents who declared themselves Muslim in their answer to question 5. According to the overwhelming 76% of respondents, they would recommend the Islamic bank to their non-Muslim business partners as well, considering the moral surplus. The remaining 19+5, a total of 21%, most likely came from those who gave more permissive answers to question 8. Here too, the importance of moral and religious education should be emphasized, since what is the value of beliefs that we can set aside if business interests dictate otherwise, and if they are not built into our consciousness in such a way that they pervade our everyday actions.



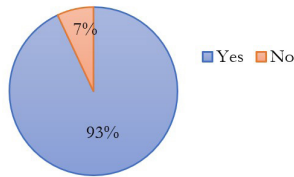


Chart 14: If You are not Muslim: Would You choose Islamic banking with better services and at a lower price?

(Own edition, based on the results of the questionnaire survey, 2021-22)

This question was addressed to the 14% of respondents who did not identify themselves as Muslim in question 5. Since they are all aware of the principles of Islamic finance (question 7), the result according to which 93% of them would choose the Islamic banking with better services and at a lower price is reassuring, is remarkable. The remaining 7% are probably Islamophobes, which can also be effectively countered by sensitization and education.



Chart 15: If You are not Muslim: Would You choose Islamic banking at a higher price with moral surplus?

(Own edition, based on the results of the questionnaire survey, 2021-22)

This question was addressed to the 14% of respondents who did not identify themselves as Muslim in question 5. At the end of the series of questions, I was looking for an answer to how much the previously praised moral surplus is worth to non-Muslim customers: are business interests stronger? Although - as expected - an overwhelming majority, 92%, believe that business interest comes before everything, the surprise and hopeful conclusion of the questionnaire is the 8% who, even as non-Muslims, prefer moral-ethical financial activity over material interests.

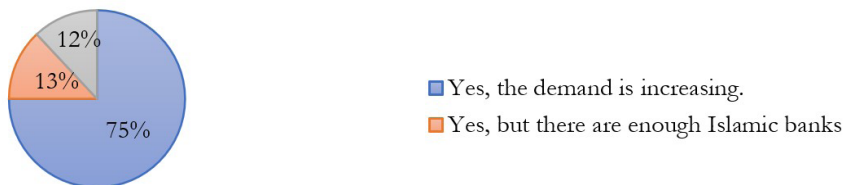


Chart 16: Do You think there is a need for Islamic banking in the EU?  
(Own edition, based on the results of the questionnaire survey, 2021-22)

It is a promising result from the point of view of the future that, according to 75% of the respondents, the market demand for Islamic financial institutions in the European Union is increasing, so it is necessary to increase their number. The 15% of respondents who believe that there are enough such institutions in the EU, most likely live in Germany, France, or other Western European member states where such branches or “Islamic windows” operate; or they don’t live in the European Union, so they don’t know that there are member states where the population hasn’t even heard of this possibility.

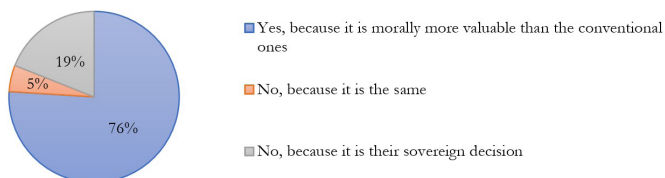


Chart 17: If You are Muslim: Would You recommend this way of banking to Your non-Muslim friends and business partners?  
(Own edition, based on the results of the questionnaire survey, 2021-22)

This question was addressed to a total of 86% (62+24) of the respondents who declared themselves Muslim in their answer to question 5. According to the overwhelming 76% of respondents, they would recommend the Islamic bank to their non-Muslim business partners as well, considering the moral surplus. The remaining 19+5, a total of 21%, most likely came from those who gave more permissive answers to question 8. Here too, the importance of moral and religious education should be emphasized, since what is the value of beliefs that we can set aside if business interests dictate otherwise, and if they are not built into our consciousness in such a way that they pervade our everyday actions.

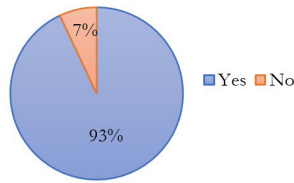


Chart 18: If You are not Muslim: Would You choose Islamic banking with better services and at a lower price?

(Own edition, based on the results of the questionnaire survey, 2021-22)

This question was addressed to the 14% of respondents who did not identify themselves as Muslim in question 5. Since they are all aware of the principles of Islamic finance (question 7), the result according to which 93% of them would choose the Islamic banking with better services and at a lower price is reassuring, is remarkable. The remaining 7% are probably Islamophobes, which can also be effectively countered by sensitization and education.

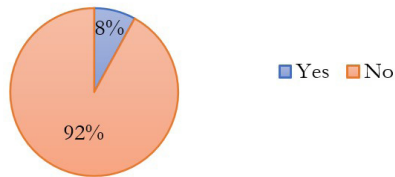


Chart 19: If You are not Muslim: Would You choose Islamic banking at a higher price with moral surplus?

(Own edition, based on the results of the questionnaire survey, 2021-22)

This question was addressed to the 14% of respondents who did not identify themselves as Muslim in question 5. At the end of the series of questions, I was looking for an answer to how much the previously praised moral surplus is worth to non-Muslim customers: are business interests stronger? Although - as expected - an overwhelming majority, 92%, believe that business interest comes before everything, the surprise and hopeful conclusion of the questionnaire is the 8% who, even as non-Muslims, prefer moral-ethical financial activity over material interests.

## Conclusion

With the increasing numbers of IFIs the members of the large Islamic community in Europe, who refrained from benefiting from conventional financial services on religious grounds, are now able to benefit from the financial market without violating religious norms. The emerging institutions of Islamic banking services, however, are creating a challenge to the supervisory and regulatory bodies.

The migration crisis of the 21st century and the high birth rate of the Muslim population already living in the European Union, also the increasingly close economic relationship with investors in the Middle East create strong market opportunities for Islamic banks within the European Union. Despite all this, it is surprising that there are still member states where Islamic banking is unknown, and that even in Western European countries with larger Muslim populations, there are only a few branches or “Islamic windows” in 2024.

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