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# Cultural Banks



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### Contact information

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## **Introduction**

The financial world states that the money- and mortgage provider has a huge effect on the world economy, because they are the ones that provides us with the information of what happens in the society. The most known banks are the commercial banks, but there are other alternative options. There are examples from all over the world. This report will have an international perspective, including nationalities such as the Nordic countries, France, Poland, The Netherland, and the United Kingdom. The reports main focus will be on Islamic banking as an alternative to the conventional banks.

Islamic banking, also called Sharia renting, is a concept created to help the Muslim population access to adequate banking services. Often are Muslims unwilling to put their savings into a traditional financial system that runs counter to their religious principles (Imam & Kpodar, 2016, 1). Islamic banks seek to provide financial services in a way that is compatible with Islamic teaching. But the big question and the question this report wants to investigate is if the time is modern enough for Islamic banking and finance?

The report will contain information about Islamic banking, a general historical overview which explores the history of banking. Also, it will present different countries and their alternatives to the commercial banks but also if the specific country has an example of Islamic financing or a product that fits the same categorization.

## **Islamic Finance**

This section will contain information about what Islamic Banking and Finance is. It will address the good things, the growth and the risks of Islamic Banking.

There are more than 500 Islamic financial institutions in more than 70 countries, which administer estimated assets of more than 2 trillion USD. The annual growth rates of more than 15% in Islamic banking clearly outperform the comparison rates of the traditional banking sector. The Islamic Financial Service board (IFSB) predicts further growth.

Islamic banking is different from conventional/commercial banks in the sense that conventional/commercial banks are profit-maximizing entities. They are acting as intermediaries between savers and investors, and they offer custodial and other services found in traditional banking systems (Imam & Kpodar, 2016, 1). Islamic banks are based on prescriptions in Shariah law, which encompasses a set of duties, that also applies to commercial transactions and the authentic traditions. The principles emphasize moral and ethical values in all dealings and stipulate that all banking transactions will be based on an actual economic transaction (Ibid: 1). There are four major differences, first, all forms of *riba* (interest paid on loans) are prohibited, because of interest rates being a form of exploitation, inconsistent with the notion of fairness. This means that a loan contract is not allowed. Second, Islamic banking prohibits *maysir* (games of chance) and *gharar* (chance). Speculation is banned in Islamic banking, because they believe that this will increase one's wealth. Third, Islamic banking are subject to a code of conduct that prohibits the financing of *haram* (illegal) activities, meaning activities that are deemed to have a negative impact on society or are forbidden by Islamic law. Lastly, Islamic banks must redistribute part of their profits to society in the form of *zakat* (Ibid: 2).

### Financial development

Financial development is a key to economic growth. This is because of its influence on resource allocation decisions that fosters productivity growth, rather than just on how it affects capital deepening (Imam & Kpodar, 2016, 2). Amongst economics is there a consensus that it does not matter for the economic growth whether the financial system is more bank based or market based (Ibid: 2). There are a few exceptions, namely countries with large Islamic populations, they are often low-income countries, which is one of the causes of an undeveloped financial system.

If Islamic banking becomes more accepted by the population, it would expand faster, and it will then not just be an option but an alternative to the conventional/commercial banks. There will then be an alternative that will provide financial products to a part of the population, that otherwise would not use the financial system. This will without a doubt lead to higher financial inclusion and intermediation and an acceleration of economic growth (Imam & Kpodar, 2016, 2).

“(…) the existence of an Islamic banking system can generate higher growth and improve welfare substantially” (Imam & Kpodar, 2016, 2).

“(…) Islamic banking is positively associated with economic growth even after controlling for various determinants of growth, including the level of financial depth” (Imam & Kpodar, 2016, 3).

It has long been known that the establishment of quality of modern institutions – legal systems for instance – is a major determinant of financial sector development, which is a key input into growth. Although, Islamic countries often do not have a strong legal system, the diffusion of Islamic banking is not dependent on the quality of formal

institutions. This is because Islam has its own institutions that can resolve conflicts among parties (Imam & Kpodar, 2016, 4).

### Social impact

Islamic banking has many advantages, not only in Islamic countries but also in developing countries in general, that could make it better by adapting to the local environment and in that way could better stimulate the growth compared conventional/commercial banking (Imam & Kpodar, 2016, 3). Islamic banking can raise the savings of pious individuals who refrain from using conventional/commercial banks, increasing financial intermediation.

### Financial inclusion

I will look into how the financial exclusion of Muslims can be removed with the implementation of an Islamic bank. So, exclusion can become inclusion. This will be discussed later in this report. It will be discussed with relevant information and in comparison, to how and why it might not have the positive effect that the opposite side would state.

### An alternative to conventional/commercial banks

Recent decades have exposed several underlying factors that highlights the vulnerability of conventional banking, namely, high leveraging, wholesale financing, and utilization of complex instruments. In Islamic finance, balance sheet mismatches are absent, as banks do not have asset-liability mismatches, given that short-term deposits finance short term trading, while for longer-term investments, longer-term deposits are used (Imam & Kpodar, 2016, 4).

There is no secondary market for Islamic fixed-income products, forcing Islamic banks to have large liquidity buffers, putting them at a disadvantage relative to conventional banks. International Islamic Liquidity Management Corporation (IILM) whose objective is to issue Shariah-compliant financial instruments that facilitate more efficient and effective liquidity management solutions for institutions offering Islamic financial services, should help address the problem. Thus, Islamic banks have features that can promote growth, but at the same time they are disadvantaged by the lack of economies of scale and liquid instruments.

### Risks with Islamic banking

Islamic banks have certain structural weaknesses that counterbalance the positive aspects, something that is partly going to improve as the industry matures. Because of Islamic banks or finance not being allowed to use derivatives and other financial products, is it simply harder to mitigate and diversify risk.

Islamic financial principles have evolved on the basis of Sharia law, which forbids payment or receipt of Riba, meaning the payment or receipt of interest (Abedifar & Molyneux & Tarazi, 2013, 2036). A risk with Islamic banking is for instance, that in certain cases Islamic banks cannot mitigate credit risk by demanding collateral from clients, as their relationship is established on the basis of partnership; moreover, they do not have enough control over the management of projects financed in the form of Mudarabah (Abedifar & Molyneux & Tarazi,

2013, 2036). It is also being argued that different Islamic modes of finance have their own unique characteristics due to the various constraints enforced by Sharia. It can also be a risk if you look at the various moral hazard issues that occur as a result of the special relationship between Islamic banks and investment account holders (Abedifar & Molyneux & Tarazi, 2013, 2036).

In the context of Islamic banking and finance the PLS relationship between the bank and investment account holders, however, appears less clear-cut than in conventional/commercial banking. Previous literature claim that religious people are more risk averse so Islamic bank depositors may be more sensitive to bank performance and demonstrate greater withdrawal risk than those at conventional banks (Abedifar & Molyneux & Tarazi, 2013, 2037). In addition, Islamic bank clients may also be prepared to pay rents for receiving financial services compatible with their religious beliefs.

Overall, it is argued that Islamic banks have lower credit risk than conventional banks, especially small, leveraged, or those operating in countries with more than 90% Muslim populations. Finally, there is no evidence that Islamic banks charge rents to their clients for offering Sharia-compliant financial products (Abedifar & Molyneux & Tarazi, 2013, 2042).

If you ask the question: Are Islamic banks riskier than conventional banks? You have to look at liabilities to answer the question. Islamic banks are authorized to receive deposits mainly in the following two forms: current accounts that bear no interest but are obliged to pay principal to holder on demand, and investment (or savings) accounts that generate a return based on profit rates (Abedifar & Molyneux & Tarazi, 2013, 2043). The flexibility we see with Islamic banks, since they can consider investment depositors may be mitigated by the fact that Islamic banks have limited access to wholesale funding. There is a fledgling Islamic money market although only the largest institutions have access. As such, Islamic banks are rather constrained from engaging in active liability management like conventional banks (Abedifar & Molyneux & Tarazi, 2013, 2043).

In Islamic banking the payoff to invest account holders is contingent on both the performance of the bank as well as the religiosity of depositors. This can result in an ambiguous outcome – religious depositors may be more loyal and prepared to take lower returns, refusing (or at least stalling) from withdrawing deposits even if the performance of the bank deteriorates. Alternatively, religious depositors may be more risk averse showing greater sensitivity to bank's performance and demanding higher returns. In such a case investment accounts funding may be more fragile than time deposits, imposing greater discipline on Islamic banks. The case where religious factors led to lower withdrawal risk for investment account holders may influence Islamic banks' lending behavior (Abedifar & Molyneux & Tarazi, 2013, 2044).

You also have to look at principles and practice in Islamic banking to understand, what the risks with it can be. Islamic banks, in practice, tend to deviate somewhat from the above-mentioned financing principles and can operate similarly to conventional banks. Also, equality-holders of Islamic banks can be at risk from transferring

a part of their profits to investment account holders so as to reduce withdrawal risk. Such a risk is known as Displaced Commercial Risk (Abedifar & Molyneux & Tarazi, 2013, 2045). This suggests that Islamic banks may have a greater capacity to bear losses compared to conventional banks. The magnitude of the extra capacity depends on the weight of investment deposits in total funding. When Islamic banks are performing well, they may adjust profit rates upwards but at a slower rate than realized profitability so as to limit the level and volatility of deposit inflows (Abedifar & Molyneux & Tarazi, 2013, 2045).

Another thing that makes sense to look at when investigating the risks would be things such as assets. Because in the process of lending, Islamic banks tend to apply non-PLS principles due to the risks and complexities associated with the PLS method. Meaning, under PLS financing, Islamic banks need to determine the profit or loss sharing ratio for each project which can be complicated due to difficulties in quantifying the characteristics of clients and the proposed business opportunity (Abedifar & Molyneux & Tarazi, 2013, 2045). However, while Islamic banks appear to refrain from practicing PLS modes of finance they still face possible greater withdrawal risk than conventional banks (Abedifar & Molyneux & Tarazi, 2013, 2047).

Islamic modes of finance can be quite complex, because Non-PLS methods are not as straightforward as conventional loan contracts. Generally, in debt-based or lease-based finance, such as Murabaha, Islamic banks arrange for the goods/projects to be purchased and then sell or rent them to clients (Abedifar & Molyneux & Tarazi, 2013, 2047). Another area of debate related to the treatment of default penalties. Some jurisdictions rule that such penalties are not authorized by Sharia, so banks make use of rebates instead (Abedifar & Molyneux & Tarazi, 2013, 2048). This means that if the client repays the loan in timely manner then they will receive the rebate. Although default interest payments are typically calculated over the delayed period in conventional banking, some Islamic banks collect the delayed penalty over the whole financing period (Abedifar & Molyneux & Tarazi, 2013, 2048).

There are also some investment limitations regarding Islamic banking. Conventional banks allocate a part of their funds to investments. Such investments normally include purchase of bonds of different types that have risk/return features that help manage portfolio risk. However, Islamic banks have limited options for such investments since they are not authorized to invest in interest bearing instruments. Alternatively, they can invest in Islamic bonds, known as Sukuk (Abedifar & Molyneux & Tarazi, 2013, 2048).

## History

I will shortly outline the history that have let up to the different banks we have today. The history of banking began with the first prototype banks which were the merchants of the world, who made grain loans to farmers and traders who carried goods between cities. Later, in ancient Greece and during the Roman Empire, lenders based in temples made loans, while accepting deposits and performing the change of money. Development of banking



spread from northern Italy throughout the Holy Roman Empire, and in the 15<sup>th</sup> and 16<sup>th</sup> century to northern Europe. This was followed by several important innovations that took place in Amsterdam during the Dutch Republic in the 17<sup>th</sup> century.

The history of banking is intertwined with the history of money. Banking, in the modern sense of the world, is traceable to medieval and early Renaissance Italy, to rich cities in the north such as Florence, Venice, and Genoa. The Jews had one great advantage over the locals. Christians were strictly forbidden the sin of usury, defined as lending at interests, it was the same for the Muslim population, which believed in Islam. The Jewish newcomers, on the other hand, could lend to farmers against crops in the field, a high-risk loan at what would have been considered usurious rates by the Church; but the Jews were not subject to the Church's dictates.

The financial crisis of 2007-2008 caused many bank failures, including some of the world's largest banks, and provoked much debate about bank regulation.

### Religious restrictions on interest

Most early religious systems in the ancient near east, and the secular codes arising from them, did not forbid usury. The concept of 'food money', or monetary tokens of any kind, was legitimate to charge interests.

Judaism: The Torah and later sections of the Hebrew Bible criticize interest-taking, but interpretations of the biblical prohibition vary. One common understanding is that Jews are forbidden to charge interests upon loans made to other Jews but obliged to charge interests on transactions with non-Jews, or Gentiles.

Christianity: The charging of interests, known as usury, was banned by Christian Churches. This included charging a fee for the use of money. However, over time the charging of interest became acceptable due to the changing nature of money.

Islam: In Islam it is strictly prohibited to take interests; the Quran strictly prohibits lending money of interests. It states that taking of interest and making money through unethical means is not prohibited for Muslims only but were prohibited for earlier communities as well.

### History of Islamic banking

The Islamic economic law is based on justice and the economic well-being of society. In Islam, the market symbolizes freedom and solidarity. Before Islam was introduced in Arabia, a diversity of transparent and arbitrary sales agreements and purchase contracts existed. With the introduction of the pillars of Islam and the belief in an afterlife, economic and social responsibility grew. The prohibition of interest (riba), speculation (maysir) and in transparency (gharar) ensured that trading did not cause damage to the society. The moral requirement for traders was a charitable and benevolent market participation. Thus, profit sharing as basis of Islamic banking was used by traders at the very beginning of Islam.

The first interest free bank was introduced in 1963 by El-Naggar in Mit-Ghamr in Egypt based on the business model of the German savings banks. Around the same time, the Pilgrims Fund Cooperation was established in Malaysia. In 1971, the Nasser Social bank was founded in Egypt as non-profit bank. In 1975, the Islamic Development Bank in Jeddah and the Dubai Islamic Bank were founded.

Since the year of 2000, conventional Western financial institutions and insurance companies take an interest in Islamic finance, with the largest international players all being represented in the Gulf region and the South-East Asia. Islamic banking has been acknowledged by the finance ministers of the G20 states as a progressive alternative for the Western economic system and, in the future, is supposed to be integrated into the global finance structure more substantially.

## **How does it work in other European Countries?**

This section will investigate what the different represented countries have as examples when it comes to alternative banks. It will contain links, to where the information can be read more briefly. Furthermore, this section will also contain information about who to contact within the different countries.

### **Great Britain**

The United Kingdom has a lot of alternative options to big high-street banks, such as Credit Unions, Friendly Societies, Charity Banks, Building societies, NS&I, Ethnical banks, Islamic Banking, Peer-to-peer lending, Pawnbrokers, and Internet accounts. The next will be information about the different alternatives: [Here](#)

Credit unions: These let people in a shared local community save and borrow money with each other. They are owned by members and regulated by the Financial Services Authority. If this have any interest, you can read more by clicking on this link: [Here](#)

Charity Bank: This is the only regulated UK bank that is also a registered charity. It uses its investments and deposits to finance charities and other social enterprises. It is not a full-service bank, but it provides borrowing and savings facilities including a Best Rate cash Isa.

Building societies: This differ from banks in that they don't have shareholders. They often feature in our Best Rate tables; Nationwide is a Which?

NS&I: National Savings and Investments – Is an alternative home for your savings as it offers a wide range of options – Premium bonds, Isas, equality, and income bonds and index-linked savings certificates.

Ethnical banks: They ensure that all deposits are used to deliver a positive social and cultural impact.

Islamic banking: There is no payment of interest on deposits or loans, and a strict code on where money will be invested must be adhered to.

Peer-to-peer lending: A relatively new alternative to high-street loans, the unique point of peer-to-peer loans is that the websites who offer them allow borrowing between consumers.

Pawnbrokers: These lend you money in return for an item you pledge. We found that they charged an average loan rate of 140%.

Internet accounts: They are owned by HSBC and Co-operative respectively, but for service our members find them unbeatable.

Contacts: UK finance

## **Denmark**

In Denmark do we not have a representation of Islamic Finance or banking. So, this section will present the Danish politicians, represented by their parties, and their opinions about Islamic Finance. It has become a broad spectrum of the Danish political parties.

The Danish Peoples Party:

The Danish Peoples Party is in the case represented by Morten Messerschmidt (M.M), and he argues in 'Sharia lån strider imod EU ret', from 2006, 27.dec. that the Muslim Finance house, Amanah, which offers Sharia loans to Muslims who live in Denmark are against the European Union Law prohibition against discriminatory treatment on the basis of religion. He states, at all despite of religion should have access to it, but he points out that as it is right now, is there only interest free loans for Muslims. He tries to explain it by saying that it works in this way that the Amanah house buys the house, which is then being rented to the customer over a number of years. When the renting period is over, the customer then owns the house. M.M. argues, that it is crazy that they build their idea on something Muhammed thought about for over 1400 years ago. And he says that it prevents the Muslims from thinking independently.

Ny borgerlige:

Ny borgerlige, is a sort of new political party in Denmark. They place themselves further out to the right than The Danish Peoples Party. They are very against Islam. Their political leader Pernille Vermund (P.V.) argues that (to quote her directly from the article):

"Islam er grundlæggende i opposition til demokratiet og til frihedsrettighederne".

"(...) sharia-loven skal sidestilles med de verdslige love, at samfundet give særstilling og særbehandling til religiøse muslimer og anerkende islamiske værdier som er en del af det danske. Men islamiske værdier er ikke danske værdier, og islam skal aldrig have indflydelse på samfundet".

She also states that in her opinion should sharia never stand above the right of freedom. She thinks that it is a key issue and that Islam should not have any influence on the society. There should be no special treatment. We will not allow public special treatment of Muslims. Neither in Public Swimming pools, day care centers, on education places, hospitals, nursing homes, or other places in the public sphere. No shower curtains, halal food, praying spaces or other types of special treatments. With this comment, I believe that you can get the understanding that Ny borgerliges opinion is negative against any Islamic finance opportunities for Muslims. They are also against a Sharia Loan. You will be able to read the article by clicking: [Here](#)

#### The Red-Green Alliance:

The Red-Green Alliance is a party placed on the opposite side of the spectra than The Danish Peoples Party and Ny Borgerlige. They have actually come up with a proposal, which is a national public bank alternative. They argue that Denmark should have a national public bank alternative. The municipality should be allowed to have local banks. They refer to a former social bank called Girobank, which was located in Denmark from 1991-2011. They want to create a bank where there should be focus on the costumers instead of the shareholders.

Their explanation is that you by having social banks increase the competition, and you challenge the monopoly situation, which is a part of the thing that drives the charges and contribution rates up. This means that their concrete suggestion is that you should give the public a central role in the finance sector. It should happen through the establishment of a national public bank, that provides accounts for everyone. They should be driven from the principle of 'resting in itself', which means that they do not generate surplus. If there are any surplus it would be invested into the bank or given to public utility.

#### The Liberal Alliance:

Liberal Alliance is in this case represented by former Member of Parliament Joachim B. Olsen (J.B.O.). He argues that he and the Liberal Alliance would not be against such thing – he thinks that it is a good idea. And that he would want it to happen. For him would it not be about religion, but about economic growth.

In this case, he was the only representation from the Liberal Alliance, so one has to consider that this might not be the statement from Liberal Alliance anymore, because of J.B.O. not being a part of the Danish parliament anymore.

#### The Conservative Party:

It was not possible to find any relevant information about the Conservative Party's opinion or how they place themselves in relation to and regarding Islamic Finance-, banking or etc.

#### The Alternative Party:

It was not possible to find any relevant information about the Alternative Party's about Islamic Finance-, banking or etc. But as a short guess from the party's ideology, they might not be that much against it. They are usually open for other populations than the ethnical Danish one.

#### The Socialistic Peoples Party:

The Socialistic peoples party did not have anything regarding alternative banks, Islamic finance-, banking or etc.

#### The Social-Liberal Party:

In the search of relevant information, The Social-Liberal Party was contacted with the question of their opinion regarding Islamic Banking and alternative banks in general. They responded that people are more than welcome to choose any financial institutions that they would want to place their money in, as long as the financial institution follows the rules. It was Mads Pliniusen that answered the question on behalf on The Social-Liberal Party. He is a part of the dialogue team.

#### The Liberals:

There was nothing to find about The Liberals option about either Islamic banks or alternative banks.

#### The Social Democratic Party:

As some of the other parties represented above, was it not possible to find any relevant information or any opinions about the subject and theme of the report.

#### JAK bank

Denmark has an example of an alternative bank that looks a lot like Islamic banking, namely JAK (*Jord – Arbejde – Kapital*) Bank ([Read more here](#)). This is not something we have in Denmark right now. It might be a possibility in the future.

They present themselves as: JAK Denmark for a society without interest and economic speculation. It works for an economic liberation for the individual as well as for the society. The possibility of creating a social bank has not yet been a possibility in the Danish Society.

#### Lunar Way

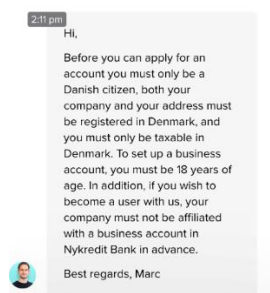
Lunar Way is a Danish online banking alternative to the commercial banks. It is published in Denmark, Sweden and Norway. It is funded by around 250 million kroner, and it received a license in 2019. It is something you get in an app on your smartphone and this is the only way to have it. Lunar Way state that this is a new way to think about banking. It is a banking app specially designed to the life we live today. Lunar Way is a 100% digital mobile based banking app and their mission is to change the way in which we associate, speak about and deal with our money. This also means that they are not connected to any branch office, online banking and/or advisors. They call themselves a fintech, which means that they develop financial technology and that they in that way have created a unique banking-app.

Lunar Way is being branded by Danish influencers on different social medias, where influencers are using their platform to inform their followers about the product. They brand themselves as being a secure financial

opportunity. They present that they are lending the Danish bank 'Nykredit' bank license, and that one's money is placed at a secure place and that you are covered by the depositor's guarantee. Lunar Way is for the people that wants an autopilot to do the calculating. ([Read more here](#))

10,000 Credit	Price	20,000 Credit	Price
Prepaid loan fee	79 DKK/month	Prepaid loan fee	119 DKK/month
Variable loan rate	0 %	Variable loan rate	0 %
APR at 100 % utilization	33.17 %	APR at 100 % utilization	7.57 %
APR at 50 % utilization	21.28 %	APR at 50 % utilization	15.67 %
APR at 25 % utilization	46.63 %	APR at 25 % utilization	33.67 %

When researching Lunar Way, we asked a person, who do not live in Denmark to try to create an account. The person was Youssef Masroufi Ouertain, his comments was that it is a good app, but is expensive and limited. It costs around 13 Euro = 97,5kr. on months, and it is limited so you can only have 22.500kr on your account pr. Month. Also, the app is only for the Danish citizens (for now).



### Finance Denmark and the Danish Financial Supervisory Authority

When researching the topic of this report in relation to Finance Denmark and the Danish Financial Supervisory Authority, I searched for my key words (Islamic banking, alternative banking and Islamic finance). The Webpage of The Danish Financial Supervisory Authority only showed something on alternative banks, but as it seemed when reading it, it wasn't anything that we could use in this report. Also, when the search was done on Finance Denmark, the information that popped up was not at any interest.

This observation is a can be an example of the ongoing negative discourse about Muslims in Denmark. This might also be why there up until this point is no representation of Islamic banking in Denmark. But I will address the negative discourse about Muslims in Denmark later on.

Relevant links: [Here](#), [Here](#) and [Here](#)

### Contacts:

- Annette Mikkelsen

## France

### PayTrip

Paytrip is an online based bank, which requires a web and a mobile app, and you will on the other hand receive a pre-paid account and up to four pre-paid international MasterCard's. Thanks to deep learning and AI technologies, subscribing to PayTrip and obtaining your PayTrip IBAN can take less than five minutes. Paytrip allows you to connect financially with every member of your family, wherever they are in the world.

Paytrip is founded by CEO Bennaceur Kasbi who was born in Morocco. He had to provide for his family at a very young age and very early in his professional career. When he lived in France, he started sending remittances regularly to his family already in the 1980's. This means that he has had the opportunity to try each and every one of the numerous remittances solutions which were available. Frustrated with the lack of fee transparency and the overall cost of these time-consuming services, he used his experience as a worldwide IT company senior manager to create the service he has been waiting for: PayTrip.

PayTrip was created in December 2017, and it now has 15 employees.

### Pricing:

#### •Yearly subscription:

€24,90 for the first card

€49,80 for the first card+ 1 beneficiary card

€74,70 for the first card+ 2 beneficiary cards

€99,60 for the first card+ 3 beneficiary cards

#### •Monthly subscription:

€3,49 for the first card

€6,49 for the first card+ 1 beneficiary card

€8,49 for the first card+ 2 beneficiary cards

€10,49 for the first card+ 3 beneficiary cards



NFC Technology (contactless payment)

Pre-paid account without management fees

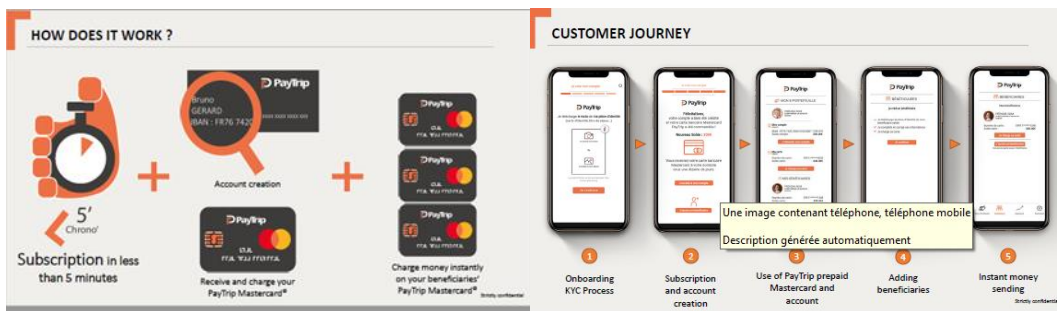
Instant money transfer

Account available in all 28 EU countries, Iceland, Liechtenstein and Norway

Mastercard network: 210 countries and more than 32 million point of sales in the world

Payments available in more than 150 currencies

No hidden costs



If you want to subscribe to PayTrip it is easy and fast. You download you're a picture of your ID card/passport and a proof of address dated within the last three months. To subscribe you must be over the age of majority and a resident of the European Economic Area. Once the subscriber data has been certified by our third-party KYC partner, the subscriber account and IBAN are created.

**2) SUBSCRIPTION AND ACCOUNT CREATION**

**Subscription choice:**

- €24,90 per year or €3,49 per month for the first pre-paid card

**Loading the account and ordering the card**

- The subscriber can then load his account with his debit or credit card or by bank transfer from using his PayTrip IBAN.
- Once his account has been loaded, the subscriber card is ordered. The card is delivered to his address within 10 to 15 days.

PayTrip has some prepaid Mastercard features, which includes the possibility of withdrawals and payments in 210 countries and 32 million points of sale. PayTrip also provides withdrawals and payments available in more than 150 currencies. It is also possible for instant card loading from your PayTrip account, and your Mastercard will be NFC payment, meaning that it will be contactless. Also, your Mastercard will be secured by Mastercard Secure code.

Through PayTrip it is possible for you to support your relatives everywhere. It is possible to remote budget management for those who are regular remittances senders. There are up to three beneficiaries with one PayTrip account. One card can be ordered for each beneficiary to help financially. To add a beneficiary, the subscriber only needs to upload his beneficiary's proof of ID on his PayTrip app. Once the beneficiary's proof of ID is uploaded, the subscriber completes or corrects the necessary field and order the beneficiary's card.

When this is done it is now possible for you to send your money instantly, meaning instant account loading with credit or debit card, instant subscriber card reloads (done with a few clicks on the PayTrip web or mobile app), and instant beneficiary card reload. It is also possible to create savings with a favorable exchange fee for payments and withdrawals in a non-euro currency.

Contacts:

- Paytrip → Youssef Overtani, Ingrid Azogui and Thibaut Closs
- Nickel → Pauline Dujadin



## **Deutschland**

### KT bank

KT bank is an Islamic bank in Deutschland (for more information click [Here](#)):

*“Islamic. Meaningful. Trading. – As Germany’s first Islamic bank, we offer a comprehensive portfolio of Islamic financing and investment products and services according to the value-conscious, socially responsible and transparent principles of the Islamic banking sector”. (From their homepage, [Here](#))*

In KT bank is every transaction asset-backed and thus supports the real economy. Securitization of each transaction with an underlying asset is mandatory. Islamic banking is also a part of the SRI (Socially Responsible investment) sector.

Basic principles concerning a consistent risk management or good corporate governance are valid in both, the Islamic and the conventional banking sector, and contribute to a stable and functional international banking system. The KT bank AG is a contemporary Islamic bank and as such welcome’s individuals of all world views that prioritize unequivocal, sustainable values over a narrow focus on profits.

KT bank avoid interests by not lending money conventionally but financing real goods. They are operating as a trader, buying commodities for their clients and reselling them with a profit markup. This means that the client pays the total amount back the KT bank conveniently in manageable instalments.

The Islamic deposit business is based on the principle of profit and loss participation. KT banks clients invest with them via a participation account, KT bank invest in the real economy, and the profit then achieved is shared in accordance with an allocation formula agreed beforehand. The size of their clients’ respective share in the profits will depend on the term involved and the size of the investment. Due to reasons of Sharia-compliance, they cannot guarantee fixed profits for the deposits. Yet, they aspire to achieve profits for their clients that are aligned with the current market level.

## **The Netherlands**

In the Netherlands they have municipal banking, local and regional, small scale banks that conduct regular banking activities with non-profit targets, and for the common good. In order to understand the concept of municipal or regional banks one has to go back in time about 80-85 years. This was a period of time in Europe where there was a lot of debt. This was a period of time where a lot of people suffered, and they really couldn’t go to a bank and lend money for a reasonable amount. What happened was that a lot of people went to all sorts of shady figures in their neighborhoods and they would give them money. But the rent was like enormous. Eventually the municipality in the Netherlands decided that they needed to come up with some sort of alternative. They created the so called (name in Dutch). Meaning a municipal credit union or credit bank. And their talks were to provide credit for reasonable needs and wishes at a reasonable rent. Effectively this is what they decided

to do. Now that system existed for a very long time and it still does, and one still have municipal banks and everything. What happened in the last 30-40 years is that on the one hand commercial banks regular commercial banks took over most of the credit market.

Back in the 1950's it was the municipal banks that rebuild the Netherlands after the war. But, why did they give up far most of the credit in the Netherlands? So, what happened was that the credit market was liberalized. The commercial banks took over all the facets and facilities of credit, consumer credit – which left the municipal banks with small bushes of the market. Mainly for those people that really couldn't help themselves with. And that situation was sort of put into laws somewhere in the 1990's. Basically, what the Dutch government said was "Okay, this is the situation that we are founded in, the commercial banks have priority. But if individuals are not able to finance themselves and their own needs which should be reasonable. This does not mean vacations to Thailand or things like that. It is reasonable things, like a computer for your kids so they can go to school. The washing machine for a family of six. Reasonable wishes. These individuals can go to the municipal banks and go and get the financing there. The question is off course why someone should not be eligible for credit and that has to do with the credit history mainly. For example, you have a credit, and you cannot pay it back and it will be noted some they have a national credit registry in the Netherlands. Which is known as the (Name in Dutch). The credit registration happens if you would take any kind of loan. It doesn't mean 250 Euros. Then it would be noted in the register. And if you can't pay it then you know you will get a specific classification. As a result of which – every time you go to a commercial bank you say like listen, I have a family of six and I want a washing machine and a dryer. The situation is out of control. The bank would look into the credit registration system and then they will discover that you didn't pay your previously loan.

When this happens, you will find yourself in a situation where you can forget all about getting a new loan. Another reason for not being able to get loans is for example if you are 65 years or older. Because the logic behind that is that if you are a commercial bank – okay, I give you 10.000 Euros now, who is to say that you are going to live long enough to pay it back? You want your money back. This is a regular business. Other reasons for not being allowed to get a loan might be that you have no securities. So, for example you want a larger amount of money from the bank and you will go to the bank and say I want for example 20.000 Euros because I need a machine in order to order a new machine for my company. The company is financed by my family and so on. A small company, like a one individual company. And then the bank will say – okay, what sort of securities do you have? If you don't have a house, car or no money on the bank. If you have no securities the bank is not going to be very forth coming with a credit. Especially when it goes, when it comes to larger amounts of money. The risk is too big for them. So, there is a variety of reasons why banks will not be able to or wouldn't want to give you credit. And for all these varieties of reasons you can go to your municipality bank, to a regional bank and then you could say that you would like to get a loan. If you go to the municipal bank and you ask for money, then

there is no change whatsoever that you are going to get a loan at a commercial bank. This is the sort of like last resort of banking.

### Europe and the Netherlands

The European central bank sets the rent standards for all of the financial markets in Europe. And if they do that with the view of creating an outflow of money and an inflow of money. A creation of money and a destruction of money it is as simple as that. Not actually physical destruction – money leaves and money come. And in order to create stability, the only mechanism the central bank is to play with the percentages of the rent. And right now, Europe finds itself in a situation where the economy is going too well. In order to support the economy is actually supporting themselves and set the rent very low. That means that a lot of money is being pumped into the economy. Okay, so if the economy is going 100% very fast and is very strong then the central bank will actually set the rent up. And otherwise slow it down. And then there will be all sort of bubbles that are going to explode in our faces. So, what happens right now is that the economic development in Europe, in all of Europe from Denmark to Greece, from Portugal to Poland is going quite slow. So, for that reason the central bank is pumping money into the market. But is this a good thing? Yes, and no... because that means that a lot of debts is created. Banks are lending money like hell right now. Because they can... and to finance their lending of their money, they are lending the money out. And all of us together are the idiots that are lending the money. The companies whether they are small they are big, there are one-man companies or if it is you are or – we are all buying the banks money, they are not giving the money for free. But if you buy a house in the Netherlands right now, the rent for the mortgage that you get is ridiculously low. If it wasn't for the fact that the housing market was absent in the Netherlands and it is very difficult to find houses in here to good prices, you can get a mortgage for free practically.

### Social banking in the Netherlands

Especially the social banks, and since their target are the social one, not the environmental one, but the social one they have to invest in the human relations. It is never going to be a normal banking operation. It is always going to be a bit more costly. You're going to have to fund yourself, you have to handle the money, which everybody has. But they you always have to look at the human sector and you have a higher risk. Because they reality of people that are coming to my members, are sort of difficult clients. Vulnerable people. The Default for municipal banks in the Netherlands is higher than the default for the commercial banks. The risk is higher. It is as simple as that. And the risk is something that you can calculate as a formula.

### Why have the Netherlands created these social banks?

They were created as a quote on quote for a negative reason. They were created in order to have a counterweight to all sort of negative developments that were taking place in society back 80 years ago. So, the reason the municipal banks were created is not the same rationality today. Now a days you provide additional financial services to people that would otherwise not be able to receive them. Not many of my banks actually provide mortgages. They don't provide mortgages because it is a very risky and big business. Banks specifically

also deal with mortgages, but they do not provide any new mortgages. What they do is that they buy the mortgages from commercial banks, if somebody is threatened with the situation you just explained. You lost your job, you became ill, you good knows what... you can't pay for your house anymore, which in itself is not a problem. It becomes a problem if the mortgages are higher than the value of the house. A situation which the Netherlands refers to as being under water. If your house is under the water, then I have one specific municipal bank in the Haag, and they would buy the mortgage from the commercial bank. And then you become the mortgage holder. That is a type of social banking. You know – you provide those services to people that do not have other options to provide financial services. It can be mortgages, the machine, a computer etc.

Contacts:

- Kosta Skilris

## **Sweden**

In Sweden they have alternative banks represented as JAK bank and Eco bank. I will in this section present how it works with alternative banks in Sweden.

### Eco-bank

The Ecobank is an ethical bank open to anyone who wants to join and promote people's opportunity to take free initiatives. They enrich their society in the form of a wider range of forms of care, educational methods and artistic expression. We see money as a social medium to facilitate people's cooperation. They have public benefit and member benefit as their main driver. The money in the bank is invested so that society becomes more ecologically, socially, culturally and economically sustainable. They provide loans to businesses that create social, environmental or cultural added value. All loans and credits to businesses and companies are published at least once a year. The publication can also serve as inspiration for people who want to take the initiative. In this way, they want to create concrete meaning and context about money. The Ecobank is a member bank. A stake in the Ecobank is an investment in a positive future. This is how they present themselves.

### JAK-bank

JAK bank presents themselves as a bank for a society without interest rate and economic speculation. They aim to contribute to a sustainable society for people, the environment and the economy by working towards a lower level of indebtedness in society and a reduction in resource utilization from the environment.

If you want to take a loan from JAK bank, it can simply be explained as JAK Member Bank lends out the capital that the members jointly save. It is on this premise that the products are composed, and it has some implications for how the loans work in practice. The interest rate is decoupled from the market rate, meaning that JAK does not borrow capital in the market, which means that JAK is not governed by the Riksbank's interest rate, but only by the borrowing costs they have internally. They do not pay out deposit interest rates, the cost is therefore only linked to the fees they have from the Riksbank for deposit guarantee and interest costs for excess liquidity when

the interest rate is negative. Each borrower contributes equity during the loan period. A bank needs equity to operate, therefore, each borrower needs to contribute to equity during the time of the loan.

JAK bank has no requirements for dividends and bonuses. JAK is free from performance-based bonuses to management and employees, and since all members are also owners, there are no requirements for dividends. Instead, any excess profits are reinvested in the business and our goal, and our purpose, is to maintain a business in balance and to deliver member benefits at the lowest possible cost.

The more members the lower the interest rate. Since the greater part of the interest rate is a cover contribution to the business, this means that the more members, they become, and the larger the loan they have, the lower the interest rate they can offer. Together we thus not only become stronger, but also cheaper.

Savings and interest discount. In order to be able to offer loans, JAK must have a deposit. It is then appropriate that borrowers also contribute with deposits to make their ecosystem work. In JAK loans, either the borrower is required to save in advance and can then borrow without additional borrowing requirements, or the borrower saves at the same time as they borrow. Instead, our flexible products offer an interest rate discount depending on how much the borrower saves.

Their goal – your debt free. A cornerstone of JAK's idea is that they want to reduce debt in society and the use of resources from the environment. They want you to become debt free, thus they have repayment requirements on all loans regardless of debt level etc.

### Fair Finance

Fair Finance is a webpage where you can investigate your bank. They have a headline which says: How durable are your bank? They then explain that they review how much your bank consider the climate, human rights and other sustainability issues when it invests and lends money. On their webpage they have an overview about the different banks and how they live up to the durability standards the Fair Finance presents.

They have different themes that works as their focus when investigating the different banks:

NB: the division of themes in the lines, are not something they have done.

- Human rights, Equality, working environment, Biological diversity
- Armies, Mines, Oil and Gas
- Openness and responsibility, Avoidance, Corruption,
- Agriculture, Energy, Climate change, Forrest

### Contacts:

- Eva Li Prades
- Sofia Vanner
- Richard Ahlström

## **Ireland**

### Debate about developing public/community banks

In Ireland is it being debated and evaluated in the context of developing and enhancing community banking to help address issues relating to: (a) financial exclusion and (b) the matter of easy access to credit for small-scale enterprises. The Citizens Information Board (CIB) welcomes the independent evaluation of how community banking and the local provision of banking and financial services can best be achieved. The 2018 Joint Report on Local Public Banking in Ireland Report/proposal is to be welcomed in its proactive search for banking solutions better tailored to the needs of Irish Society.

There are two aspects of local provision of banking and financial services that are centrally relevant: 1) The Issue of financial exclusion and the role of the community banking in addressing it. 2) the development at local/regional level of alternative banking models.

### Local and Community banking vs. Conventional banks

Local banking and financial services deliver the wide range of banking and financial services available from the national pillar banks. Community banking, on the other hand, has broader objectives and includes enhancing financial inclusion to ensure individuals that they can access banking and financial services as well as supporting rural and regional economic developments. Unlike conventional banks or other lending institutions, the funds that community banks lend to borrowers are typically gathered by the local community itself and the community has more control over its operations and lending priorities. Community banks seek to cater for the financial needs of all members of the community.

### Financial exclusion

People who live on low incomes are often excluded from mainstream financial services and are therefore frequently forced to make sub-optimal choices when accessing financial services. People in such situations sometimes do not have the time or the resources necessary to weigh-up financial decisions due to the financial pressures they face in meeting day-to-day living expenditures. CIB agrees with the conclusion of the 2018 European report that argues that it is not the lack of competitiveness and inefficiency of the financial sector that lies behind financial exclusion.

*“(...) the fundamental cause of financial exclusion is low and precarious income that cannot meet current household needs and their unexpected expenditure”.*

It is widely recognized that access to financial services is a key component in social inclusion (Russell & Maître & Donnelly, 2011, 12). People who find themselves excluded from the range of financial services and products generally available to the public are likely to be further marginalized. The lack of financial services infrastructure, especially in rural areas, is a particular barrier to financial inclusion for this group. Financially excluded individuals are also at risk of getting over-indebted.

A basic bank account clearly can help to bridge the exclusion gap for people living on low incomes, social welfare supports or looking to return to work. Because these people are financially excluded because they have problems accessing mainstream affordable financial products such as current and savings accounts, credit, savings and insurance.

### CIB and Credit Unions

CIB recognizes the important role that the Credit union sector plays and that it continues to play a driving a promoting social finance and financial inclusion. Credit unions have traditionally played a central role in providing access to small emergency and budgeting loans to their members in Ireland. As Credit Unions extend their role and become more into line with mainstream banks through public banking initiatives, care must be taken that they retain a focus on lower income groups.

### Credit Union

A Credit Union is a group of people, connected by a 'common bond' based on the area they live in, the occupation they work in, or the employer they work for, who save together and lend each other at a fair and reasonable rate of interest. Every credit union is owned by its members, meaning the people who save with it and borrow from it.

Credit unions exist only to serve members, not to profit from their needs. Members' savings are used to fund loans to other credit-worthy members of the credit union. This means that the money in a credit union always remains in the local community or 'common bond' that the credit union serves.

### How does it work?

Members save their credit union and create a communal pool of money available to be used for providing loans to other members. Interest charged on loans to members generates an income for the credit union. Any additional savings not lent out to members can be invested to return a further income to the credit union. From this income, the credit union pays any operational expenses. Any remaining income is referred to as the credit union surplus and funds the dividend paid on members' shares and/or is directed to improved or additional services for members

### How are Credit Unions Different?

Credit Unions are very different from other financial institutions for a number of reasons. Each credit union is an independent, not-for-profit organization that exists solely for the benefit of its members, not stock markets. Credit Unions have members, not customers, and membership is open to people who have a unique 'common bond' with other members of the credit union.

They offer a face to face customer experience at a time when other financial institutions are moving away from physically meeting customers. Credit unions have no hidden administration or transaction fees. They are

committed to their local communities and provide support to local youth initiatives, charities, sporting clubs and cultural events.

#### Contacts:

- Adrian O'Connor
- Stuart Stamp

#### **Norway**

Norway is characterized as being a small banking market with relatively few actors. And hardly any alternative banks like those we are investigating in this project. However, there is one green bank and one bank for microfinance. These seem to be the only alternative banks in Norway. There is currently no such thing as Islamic banking or financing in Norway, but there is an ongoing discussion on when it will arrive and who will provide the service.

#### Microfinance Norge

Microfinance Norge (NCN) is an organization that offers microfinance loans for self-employed and work to improve conditions for self-employed in Norway. It is a microfinance support organization. This organization works with advocacy, in the sense that the development of microfinance in Europe has encountered many legal and political obstacles. They are engaging in a wide range of issues related to microfinance, micro-enterprises, social and financial exclusion, self-employment and employment creation.

They are also working from a research perspective, where they have created this helpdesk, you can contact if you have any questions regarding financial inclusion in the EU? Or if you would like to know more about EU financial instruments for microfinance programs. They can also help if you would like to read the recent financial research initiatives.

Microfinance Norge can help you organize debates addressing microfinance in Europe. Also, it can help you get in contact with other EMN members to encourage exchange of good practices and to develop expertise. This can for example be done in working groups, that can end up in annual conferences. They are also hosting European Microfinance days where they highlight the impact of the microfinance sector in Europe from a social and an economic perspective.

#### Cultura Bank

It is the only bank in Norway, which tells you what your money goes to and who it is being rented to. As a customer at Cultura bank are your money helping in the process of creating clean air and water, more justice and a bigger community. It has been given the price of being Norway's most ethical bank guide by The Consumer Council and The Future in their hands.

Cultura bank has a set of core values which is inspired by freedom, equality and brotherhood. It wishes to promote a free and diverse life of culture and to contribute to a stronger work and manufacturing life which is affected by cooperation and solidarity.



### Islamic bank in Norway

At the moment is there no Islamic banks in Norway. But it might come any time soon, because of the ongoing discussion about it. According to Aftenbladet, which is a Norwegian newspaper, are there many peoples that wishes for the opportunity to receive sharia loans in Norway. According to Aftenbladet is the company Global Housing offering sharia loans in Norway, and it finances the first house in 2010 in Jessheim.

With an estimation of 150.000 Muslims in Norway would you think that there would be a market for sharia loans in Norway. But according to the Norwegian finance institutions, the interest was not high enough. There might have been a conflict of interests in this investigation, because it is said that the ones being asked was the DnBs own clients, meaning people who already had accepted interest-bearing.

In 2017 did the Storebrand bank lance a webpage etisklån.no with the purpose of solving the interest. This was leaked to the media and around 300 people wanted the product. But there has not been done anything since that.

The concept of Islamic finance has in Norway meet a lot of criticism also from different groups of Muslims. The critique goes on that no matter what in reality it costs money to lend money, whatever if we call it renting or something else.

[www.Etisklaan.com](http://www.Etisklaan.com) is a webpage which presents the concept of Islamic finance. They do it by telling others about [www.globalhousing.no](http://www.globalhousing.no). Global Housing is an organization that helps Muslims who wants to live by the sharia laws when they want to buy a house. You can in that way create a contact with global housing, but to create this contract you have to have 50 % or more than the total amount. And you will then get the possibility to buy a house without riba,

### Contacts:

- Silje Elisabeth Skuland
- Christian Poppe

### **Poland**

In Poland are there generally commercial banks, cooperative banks and state-owned banks. Alternative financial opportunities such as alternative banks and Islamic banks are not something they have in Poland. Every bank has to fulfill a very strict regulation according to Polish banking law. But they do have a financial supervision authority, and it will be explained below.

### The Polish Financial Supervision Authority

The Polish Financial Supervision Authority exercises supervision of the financial market, including banking supervision, supervision of the capital market, supervision of the insurance market, supervision of the pension market, supplementary supervision of financial conglomerates, supervision of electronic money institutions,

payment institutions and payment service bureaus, as well as supervision of cooperative savings and credit unions.

Also, their talks include undertaking measures aimed at ensuring regular operation of the financial market, undertaking measures aimed at development of financial market and its competitiveness, undertaking educational and information measures related to financial market operation, participation in the drafting of legal acts related to financial market supervision etc.

The aim of the supervision of the financial market is to ensure the proper functioning of this market, its stability, security and transparency, confidence in the financial market, and to ensure that the interests of the market's participants are protected.

Mission: The mission of the KNF office is to ensure stability and sage development of the financial market.

Vision: The KNF Office is an independent body, whose tasks are aiming to limit excessive risk in the operation of supervised entities, strengthen the transparency of the financial market and assist the market in building its position in Europe.

Values: Professional expertise, Impartiality, Independence, Openness and willingness to engage in a dialogue.

Contacts:

- Skef → Kazimierz Janiak og Ewa Kruk

## **Discussion**

I would like to discuss if Islamic banking can increase financial inclusion. In Muslim countries – members of the organization for Islamic Cooperation (OIC) – various indicators of financial inclusion tend to be lower, and the share of excluded individuals citing religious reasons for not using bank accounts is noticeable greater than in other countries; Islamic banking would therefore seem to be an effective avenue for financial inclusion (Naceur & Barajas & Massara, 2015, 2). Defined as the share of the population who use financial services, financial inclusion has proven to be linked to desirable economic outcomes above and beyond those associated with the more familiar concept of financial depth. At the macro level, although evidence is lacking a robust and direct link between financial inclusion and nationwide outcomes such as economic growth, income equality, or poverty reduction, there is some indirect or suggestive evidence (Naceur & Barajas & Massara, 2015, 4).

Increasing financial inclusion often amounts to reduce two types of exclusion: involuntary and voluntary. Worldwide financial exclusion for religious reasons seem relatively small, but the share varies notable across countries and can be particularly high in certain Muslim countries (Naceur & Barajas & Massara, 2015, 5). Islamic banking is found to be positively related to financial inclusion; while Muslim countries in general tend to exhibit

lower levels of financial inclusion, Islamic banking is associated with a lower incidence of religious self-exclusion and with a lower share of firms citing access to finance as a significant obstacle. However, there is also reason for caution. Using micro-level data, you become aware that once relevant individual characteristic is accounted for, although Muslims are less likely to borrow from one, and the greater observed religious self-exclusion of Muslims seem to arise solely in sub-Saharan African countries (Naceur & Barajas & Massara, 2015, 6)

A key question is: to what extent has it contributed to financial inclusion by reducing the incidence of religious self-exclusion? Because why don't we make finance serve the society? What if this sort of inclusion could prevent a financial crisis at a later point?

In this case is it especially the Muslim population, which is being excluded from the society, (in the countries, where there are no representation of Islamic finance). And the fact is that, at least, in Europe is there an enormously number of Muslims. Financial inclusion in this case would mean that individuals and/or businesses have access to useful and affordable financial products and services that help their need – meaning, transactions, payments, savings, credit and insurances. It is also important that it is delivered in a responsible and sustainable way (Ferretti & Vandone, 2019). Human dignity is inviolable. It must be respected and protected. And in order to combat social exclusion and poverty, the European Union recognizes and respects the right to social and housing assistance so as to ensure a decent existence for all those who lack sufficient resources (European Economic and Social Committee). The European Economic and Social committee talks in their Annual Growth Survey from 2017, that the committee supports the goals of equality, equity and inclusion.

## **Conclusion**

Financial inclusion is a key enabler to reduce poverty and boosting prosperity. Stability and growth are one of the main pillars supporting the functioning of the European Union. Sustainable, long-term economic, social and environmental developments must be based on appropriate and coordinated fiscal policies at EU level and the transparent and predictable functioning of financial systems.

But to answer the research question: if the time is modern enough for Islamic banking and finance? I believe that this report shows that the time has been modern for a while now. We see a lot of different aspects of the same example all over Europe. This is also shown in this report. So, this is not just a question of the time scale, but also a question of social and financial inclusion. Because it cannot be true that we in a globalized world as we live in today and that there then still are people in the European Union that are not included in every aspects of the society. Does this mean that this is rather a question of inclusion? Both yes and no, because when the different populations is being included, they are also being better integrated, because they become a part of the society instead of just being a bystander.

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Léon, Florian & Weill, Laurent, (2018): *Islamic banking development and access to credit*. CREA, University of Luxembourg, Luxembourg. EM Strasbourg Business School, University of Strasbourg, France.

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Naceur, Sami Ben, Adolfo Barajas, and Alexander Massara. (2015) *Can Islamic Banking Increase Financial Inclusion?* IMF Working Paper, International Monetary Fund

### **Links:**

Denmark

<https://www.finanstilsynet.dk/Tal-og-Fakta/Rapporter/2013/Alternative-finansieringsformer-crowdfunding-peer-to-peer-laaneformidling>

<https://finansdanmark.dk/find#?cludoquery=altenative%20bank&cludopage=1&cludorefurl=https%3A%2F%2Ffinansdanmark.dk%2F&cludorefpt=Finans%20Danmark>

<http://www.nationalbanken.dk/da/finansielstabilitet/Den%20danske%20finansielle%20sektor/Sider/default.aspx>

<https://lunarway.com/>

<http://www.jak.dk/kontakt/>

<https://nyeborgerlige.dk/islam-er-ikke-en-dansk-vaerdi/>

UK

[www.findyourcreditunion.co.uk](http://www.findyourcreditunion.co.uk)

<https://www.which.co.uk/news/2011/04/10-alternatives-to-big-high-street-banks-249564/>

Sweden

<https://jak.se/>

Norway

<https://www.european-microfinance.org/organisation/mikrofinans-norge>

<https://www.cultura.no/>

<https://www.dn.no/arabisk-bank-vil-tilby-sharia-lan-i-norge/1-1-5049901>

<https://www.norskkreditt.no/hva-er-halal-lan>

## Appendix

### 1. People we have been in contact with

- Stuart Stamp
- Richard Ahlstrom
- Sofia Vanner
- Silje Skueland
- Geralyn McGarry
- Adrian O'Connor
- Peter Nannested
- Ewa Kruk
- Kazimierz Janick
- Youssef Overtani
- Mads Pliniusen, Radikale Venstre
- Ghazwan Cheikh Youssef, skatterevisor
- Peter Nannested
- Kosta Skliris

### 2. Answers from contacts regarding alternative banks

Eva Li Prades

- She mentioned JAK bank

Sofia Vanner

- She suggests, that we get in contact with JAK bank (<https://jak.se/>) and Eco bank (<https://www.ekobanken.se/om-ekobanken/>). She also mentions the Fair Finance Guide (<https://fairfinanceguide.se>), as of places we could check out.

Adrian O'Connor

- He suggests that we investigate the Credit Union
  - o <https://www.creditunion.ie/about-credit-unions/credit-union-difference/>

Geralyn McGarry

Stuart Stamp

- He suggests that we investigate the debate about developing public/community banks in Ireland
  - o <https://www.thejournal.ie> › public-banking-3807263-Jan2018 (reputable newspaper source)
  - o [http://www.citizensinformationboard.ie/downloads/social\\_policy/submissions2019/Community\\_Banking\\_Local\\_Banking\\_and\\_Financial\\_Services\\_CIB\\_Subm\\_April\\_2019.pdf](http://www.citizensinformationboard.ie/downloads/social_policy/submissions2019/Community_Banking_Local_Banking_and_Financial_Services_CIB_Subm_April_2019.pdf) (Citizens Information Board submission - they are responsible for MABS as you know, and there were some representatives at the recent workshop in Copenhagen)

- [https://merrionstreet.ie/en/News-Room/Releases/Ministers Donohoe and Ring announce publication of a report on local public banking.html](https://merrionstreet.ie/en/News-Room/Releases/Ministers_Donohoe_and_Ring_announce_publication_of_a_report_on_local_public_banking.html) (the government view)
- <https://www.gov.ie/en/publication/14fce4-local-public-banking-in-ireland/> (the report itself issued by the Dept of Finance)
- [https://www.oireachtas.ie/en/debates/debate/joint\\_committee\\_on\\_finance\\_public\\_expenditure\\_and\\_reform\\_and\\_taoiseach/2018-10-23/2/](https://www.oireachtas.ie/en/debates/debate/joint_committee_on_finance_public_expenditure_and_reform_and_taoiseach/2018-10-23/2/) (a subsequent debate, to which MABS contributed)
  - This last link is a record of a debate in an Irish parliamentary committee towards the end of last year, and it's quite lengthy - to save time, perhaps focus on the contributions of Annmarie O'Connor (MABS) - this will give you the debt advice angle specifically!

Liam Edwards

Silje Elisabeth Skuland

- She sat me in contact with Christian Poppe.

Christian Poppe

- It is characterized by being a small banking market with relatively few actors. And hardly any alternative banks like those I am asking for. However, there is one green bank and one bank for micro-finance: <https://www.european-microfinance.org/organisation/mikrofinans-norge> and <https://www.cultura.no/>. There are currently no Islamic banks in Norway. But there is an ongoing discussion on when it will arrive and who will provide the service:
  - <https://www.dn.no/arabisk-bank-vil-tilby-sharia-lan-i-norge/1-1-5049901>
  - <https://www.norskkreditt.no/hva-er-halal-lan>
  - <https://www.etisklaan.com/>

Skef → Kazimierz Janiak og Ewa Kruk

- Dear Ann-Sofie,

There is Polish Financial Supervision Authority where you can find list of entities:

<https://www.knf.gov.pl/en/ENTITIES>

Generally, there are commercial banks, cooperative banks and state-owned banks.

List of operating representative offices of foreign banks and credit institutions:

[https://bip.knf.gov.pl/?l=/dla\\_rynku/020\\_dzialajace/000\\_index.html](https://bip.knf.gov.pl/?l=/dla_rynku/020_dzialajace/000_index.html)

Here you have banking sector report July 2019:

[https://www.knf.gov.pl/knf/en/komponenty/img/Banking\\_sector\\_data\\_July\\_2019\\_67028.pdf](https://www.knf.gov.pl/knf/en/komponenty/img/Banking_sector_data_July_2019_67028.pdf)

I haven't heard about such as alternatives banks e.g. Islamic banks in Poland. Every bank has to fulfill very strict regulations according to Polish banking law.

Of course, there's a question what do you mean by "alternative bank"? What's your definition?

Best regards,

Ewa Kruk, Dyrektor Biura, Członek Zarządu

Peter Nannested

(Translation from Danish to English)

This is from an email Anne-Sofie Blicher Engstrøm received from Peter Nannested on 01-10-2019 regarding Islamic banking:

- 1) Even though the local Muslims would make use of an Islamic bank, are we still talking about a small group of people numerical. Also, you have to think about that it might not be all of the Muslims in this group that are orthodox enough, that it for them will matter if their bank obeys and enforce Islamic rules. It must be assumed that this will further constrain the potential customer base for an Islamic bank in Denmark.
- 2) Danish Muslims as a group are not strong economically wise. There are more poor than rich. Poor costumers are not very interesting for any banks; you cannot earn money on them. Islamic bank also needs to earn money from their costumers, to survive.
- 3) It is argued that an Islamic bank would have a comparative advantage in relation to other banks, because it has products that formally respect the Islamic issue a prohibition notice against interest rates. In the present zero-interest rate period does it seem that this is not relevant anymore.
- 4) An Islamic bank in Denmark would have to work under the same rules and condition as the Danish banks. This means for example that an Islamic bank not systematically would be able to do or be gentler in their credit rating of the debtor than the Danish banks.

Finally, does he mention that he finds it interesting that the trendsetting Danish banks has kept away from the Islamic bank products. In his opinion they would not have done this if it was a profitable market.